

Montana



Scobey Saddle Club, Parcel #623 For Montana DNRC

Summary Appraisal Report

Prepared for: Montana DNRC

Joseph M. Herbold
3/23/2011



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In the following pages please find a Summary Appraisal Report on lands under the ownership of the Montana DNRC and leased the Scobey Saddle Club. Information provided indicates the possibility of acquisition by the Saddle Club based under state land banking options.

This property has been leased from the state since the mid 1940's according to information provided during inspection.

While the site does have an improvement the directive of this project is to appraise the property as though vacant.

Only the sales comparison approach to value will be applied in this situation. As an unimproved parcel the cost approach will be unnecessary and with the small size there will be very little income to be considered making the income approach highly suspect and marginal and as such not applicable.

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

\$12,000

TWELVE THOUSAND DOLLARS

Respectfully,

Joseph M. Herbold

Montana Certified General Appraiser #91, License Expiration date 3/31/2012

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SUMMARY AND SALIENT FACTS

OWNER OF RECORD: Montana DNRC

APPRAISAL TYPE: Summary

DATE OF APPRAISAL: March 17, 2011

EFFECTIVE DATE OF APPRAISAL: March 17, 2011

LATEST DATE OF REVIEW: March 17, 2011

LOCATION: Western edge of Scobey outside city limits but connected to city water and sewer.

IMPROVEMENT DESCRIPTION: Per instruction the property is to be considered to be appraised as though unimproved.

SALES COMPARISON APPROACH VALUE: \$12,000

COST APPROACH VALUE: Not Applied due to unimproved status

INCOME APPROACH VALUE: Not applied, size is too small for economic consideration.

FINAL ESTIMATE OF VALUE: \$12,000

CLIENT AND INTENDED USERS

The clients and intended users of this report are the State of Montana, the Montana Board of Land Commissioners, and the Department of Natural Resources and Conservation (DNRC).

INTENDED USE & PURPOSE OF APPRAISAL & DATE OF VALUE

The intended use and purpose of this report will be to provide the clients and intended users with a credible opinion of the current fair market values of the appraised subject property for use in the decision making process concerning the potential sale of the subject property. Date of value will be the last date of property review which in this case was March 17, 2011.

PROPERTY RIGHTS APPRAISED

State of Montana lands are to be appraised as if they are in private ownership, zoned consistent with similar private property, and could be sold on the open market. State lands are to be appraised in the Fee Simple interest of the surface rights, subject to existing outstanding easements, encumbrances, rights and reservations.

HYPOTHETICAL CONDITION(S)

In addition to the prior consideration that state lands be considered as though privately owned, the following hypothetical conditions are to apply to the preparation of this report:

- 1) State lands that have leases or licenses on them are to be appraised with the Hypothetical Condition that said leases do not exist. As stated in the terms in each state license and lease, the state can cancel the lease or license upon sale of the property.

EXTRAORDINARY ASSUMPTION(S)

None were given in appraisal instructions.

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.

Purpose of the report will be to assist in possible property transfer from the state of Montana to the Scobey Saddle Club under state land banking procedures.

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

¹ MCA 70-30-313

SCOPE OF WORK

The scope of work is to value the property through the utilization of the Sales Comparison Approach to value, the Cost Approach to value, and the Income Approach to value. In this situation the cost approach to value will not be applied. The subject parcel is unimproved and the inclusion of this approach would amount to nothing more than a reiteration of the Sales Comparison Approach. The subject property has been determined to be a residential tract. In this area residential tracts are rarely acquired for income potential. The size of the parcel would offer very limited income potential and there is no sales data to assist in cap rate determination. As such the income approach to value will not be applied in this situation.

From Section 4 of the appraisal agreement, “The Contractor shall administer all activities provided for in this Agreement on behalf of the DNRC. The Contractor shall be responsible for providing two credible appraisals, in a self-contained (attachment A calls for a summary format) report format, conducted and prepared in compliance with the current USPAP for the two subject properties located in McCone County, as described in Attachment B, Montana DNRC Trust Land Management Division Supplemental Appraisal Instructions. The appraisal must comply with the instructions in Attachment A, Scope of Work for Appraisals of Potential Property Exchanges through the Land Exchange Program, and all provisions in the body of this contract including the following: Each property, as identified, is to be valued separately. However, when applicable, the properties while valued separately can be combined into one report. Each appraisal report will be one document containing the parcel data and the analysis, opinions, and conclusions of value(s) for each parcel.”

The Cost Approach as a summation effort will utilize the sales to arrive at a value of the individual components of the property(s) involved and as mentioned this approach would be nothing more than a reiteration of the sales comparison approach and will not be applied in this situation.

The Income Approach has such limited data and potential that its utilization has little merit and as such it will not be applied in this situation.

Time frame of the market search will be up to 3 years to determine market activity involved in the area and with the property type involved. In this situation only sales of up to two years of age will be presented in the report.

Extent to which the property is identified:

Legal description and estimated acreage(s) provided by the DNRC.

Physical characteristics: Found and derived from property review, aerial photos, topography photos, soils maps and records, flood plain maps. 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. The appraiser is familiar with the subject area and has personally viewed the subject property(s) as well as the neighborhood of the comparable properties. Familiarity with the comparables has been gained from several visits to the subject area. Sales presented offer characteristics similar to the subject property. The search area has been primarily the immediate Scobey area. Other areas were considered although population of those areas was more limited and as such sales have not been included.

Extent of analysis applied:

Data presented will be analyzed as necessary to present a value estimation for the subject property. The property(s) which are the subject of this report are not significantly complex and will not warrant analysis which would be outside any normal considerations of the northeastern Montana area.

PHYSICAL CHARACTERISTICS AND AREA DESCRIPTION

Subject property is a state owned parcel consisting of 9.36 acres known as the Scobey Saddle Club Subdivision per data provided by DNRC. The property lies on the northwestern outskirts of Scobey.

Initial property inspection was conducted of February 24, 2011. Supplemental visit to the area was conducted on March 17, 2011.

The property is a semi level parcel which is bisected on the northern portion by a drainage which is a part of the Scobey storm drain system.

The town of Scobey and parcels in close proximity to Scobey will be the focus of the market search.

Scobey is the county seat of Daniels County. The tract size is somewhat larger than most tracts on the perimeter of Scobey. At 9.36 acres the size would be somewhat larger than the majority of the tracts in the area the most recent sale which was a nearly 6 acre parcel which was later split. The majority of the sales found in the area are lot sales from Scobey.

The subject property is on city water and sewer per data provided on inspection. Information did indicate that there was a problem with the water connection and that a different hookup cost would be in the \$1800 to \$2000 range.

The property would not be subject to any zoning due to location outside the Scobey city limits. The location would suggest that the most probable use of the property would be residential.

The shape of the property is essentially rectangular with Burlington Northern right of way being the northern boundary and Scobey city street being the eastern border. The property is legally accessible via the city street.

As mentioned previously the property does have drainage through the parcel. Conversation indicates that the drainage is from the city storm drain system. The drainage can be seen in aerial photos provided in the addenda. While this may be a possible encroachment it is not a situation which will cause a value diminishment in the opinion of the appraiser.

Daniels County lies in the 13" precipitation zone. Elevation is approximately 2500' above sea level. The town is located approximately 14 miles from the Canadian border. Regina Saskatchewan is located approximately 150 miles to the north and has a population of approximately 180,000. Other communities of regional importance would be Williston North Dakota 130 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. Scobey's location would make somewhat isolated.

As with most rural communities Scobey is quite self sufficient with most needs capable of being supplied within the community. Major medical would be the one issue which would force use in an area such as Billings which is the medical center for eastern Montana and Northern Wyoming.

The community has a 9 hole golf course as well as baseball field for summer recreation.

The 2010 population of Scobey has been estimated at approximately 858 which is an approximate 20% population decline since 2000. The Daniels County population has declined from 2017 in 2000 to 1751 in 2010. The bulk of the decline has come from Scobey. Daniels County consists of approximately 912,000 acres making it the 48th smallest county in the state. Population makes the county the 46th smallest statewide.

The area is predominantly an agricultural area with small grains, oilseeds, beans and peas providing the majority of the income. According to the 2007 Census of Agriculture Daniels County ranks 8th statewide in crop sales with nearly \$40,000,000 in sales. Total agricultural sales place the county in 25th place statewide. The county had 49,000 acres in peas in 2007 ranking the county #2 statewide in pea acres.

To reaffirm that this county is a crop county the cattle population in 2007 was 18,666 placing the county in 46th place statewide with regard to cattle population.

The recent surge in the Border Patrol has brought some employees to the area and offering some stability to the residential sale marketplace but not increasing the market place resoundingly.

Major employer of the area is the Nemont Telephone Co Operative with 90 employees. Other major employers include the local school system with 50 employees, Hospital/nursing home with 95 employees, and Daniels County with 45 employees. Data offers that Daniels County has a 2% unemployment rate.

There would be little economic consideration to be made with regard to the subject property. The current Saddle Club lease is \$670.80. Lease amounts do vary with periodic evaluation by the DNRC. Current rate is a reduction from the prior amount which was over \$800 per year.

It would be unusual for a lease to take place on land to place an improvement. There is no data to offer comparability. The economics of the area offer that residential lots sell in the \$5,000 range for a typical 50' lot. Tract sales offer total values in the \$15,000 range.

The subject property while larger does represent residential potential.

LOCATION/LEGAL DESCRIPTION

The subject property is located in Scobey Montana and is legally described by a metes and bounds description known as the Scobey Saddle Club Subdivision and consisting of 9.36 acres. Survey and location maps are provided in the addenda. The property is located adjacent to the northwest corner of Scobey.

The property has been labeled as Parcel #623 by the State of Montana for purposes of this appraisal report.

As mentioned, this parcel is legally accessible from graveled Scobey city street.

MARKET TRENDS

As with most small population rural areas there is not plethora of data available. The appraiser has determined that the Scobey market will be the focus of the sales search. It is believed that a sufficient number of sales have been found to assist the derivation of a credible value. Data displays that vacant residential land values have remained relatively stable in recent years. The immediate time frame of consideration has been the past two to three years and it has been determined that there is no time adjustment necessary.

There do not appear to be any factors in immediate play which might cause a significant value alteration in either direction. The area is one of those which has energy potential and it is possible that there could be some oil production in the future. Prospects appear to be marginal at this point in time however we are in a period of significant energy flux and anything is possible.

OWNERSHIP AND USE HISTORY

The subject property has been owned by the State of Montana since patent. The property has been leased and utilized by the Scobey Saddles Club since the mid 1940's as a base for their community club. The property has been used to graze a few horses over the years and beyond that there has been no other significant use of the land.

Although not a considered part of this report the property does have the club house for the saddle club. The site does have power, telephone, water, and sewer.

There is an unrecorded survey in place on the parcel which is the subject of this report.

PROPERTY TAXES

The subject parcel is a tax exempt parcel.

ENVIRONMENTAL

No environmental concerns were noted.

MARKETING HISTORY, OUTLOOK AND EXPOSURE PERIODS

The subject property has not been for sale in the past.

Sales data indicate a marketing period of approximately 6 months to 1 year.

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.

The market place in this area has been quite stable over the past several years. There are no factors which have created a situation which would cause exposure period to be different than the marketing period.

Exposure period would be estimated to be under 1 year. Properties which are offered for sale at what would appear to be a reasonable value do not appear to have an extended appearance period in the marketplace. Marketing period would be considered to be the same based on a value similar to the appraised value.

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 of highest and best use are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

The location of the subject property in close proximity to Scobey Montana would suggest that a residential use would be most probable. Sales data compiled suggests that this would also be most logical option for the subject property. The area has few parcels available for development. Data is conflicting when considering tracts in the area a recent auction derived a maximum bid of \$4,100 for an approximate 15 acre tract 1 miles west of Scobey. A recent sale in Scobey for an approximate 3 acre parcel was \$17,000.

The 15 acre sale brought a value which was marginally above grazing values in the area. Data shows that residential lots in the area command a value of approximately \$5,000 per lot for a typically sized lot. Sales appeared to show that there was an upper limit of purchase near \$15,000 in the Scobey locale. Sub division of the subject parcel might be an option; however, when considering subdivision one is assuming that the process will be acceptable which may or may not be the case. In this situation the appraiser is most apt to assume the “as is” characteristics of the property.

The property currently leases for \$600 per year to the Scobey Saddle Club. If the property were a part of a larger state land lease the value would most likely be in the \$2.00 per acre range. From a lease standpoint the highest and best use would be the current use as a tract.

If one were to consider the income stream of the lease as a check the lease amount could be utilized to determine present value of the lease payment over a 20 year time frame. The interest rate has been determined a 7% and as mentioned the term is 20 years. The present lease payment is \$680 per year. Based on those assumptions the present value of that income stream is \$7,204. Based on the current lease any value above the indicated \$7,204 would be a better scenario than the lease.

In this situation it is the appraiser’s opinion that the highest and best use of the subject property is residential.

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 sales values 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 sales selection has been for sales which are believed to have characteristics which are all very similar to the subject making the sales comparison approach an analytical situation rather than an adjustment situation.

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 In this situation only residential lot and tract sales were researched. Adjustments were minimal.

7 sales of similar properties have been found over the past 3 years. These sales range from a single lot to 15 acres and are displayed on the following page as well as in the addenda.

² Appraisal of Real Estate, pg 33

³ Ibid, pg 35

SALES DATA ANALYSIS

Sale #	Date	Size	Price	Amenity		
SALE 1	9/16/2010	2.73 acres	\$17,000	City water		
SALE 2	9/29/2008	5.28 acres	\$15,000	Vacant		
SALE 3	12/14/2010	7000 sf	\$5,000	City water & Sewer		
SALE 4	9/29/2009	34887 sf	\$14,000	City water & Sewer		
SALE 5	4/16/2010	34887 sf	\$15,000	City water & Sewer		
SALE 6	3/28/2008	15486 sf	\$6,000	Vacant		
SALE 7	2/24/2011	15 acres	\$4,100	Vacant		

All of the sales are either in or near Scobey. The wide range in value is contingent in part to size, amenity, and shape.

The data indicates a top value in the community in the \$17,000 range with that value being sale #1 in a preferred location and with city water. The value is not significantly different from sale #2 which was an unimproved parcel. Pairing the two sales offers \$2,000 for city water.

Following is water and sewer adjusted values

Sale #	Size	Price				
SALE 1	2.73 acres	\$15,000				
SALE 2	5.28 acres	\$15,000				
SALE 3	7000 sf	\$3,000				
SALE 4	34887 sf	\$12,000				
SALE 5	34887 sf	\$13,000				
SALE 6	15486 sf	\$6,000	Vacant			
SALE 7	15 acres	\$4,100	Vacant			

Based on lot values Sale #3 is a single residential lot and offers a \$3,000 value. #6 is slightly larger than two lots (14,000 sf typical) and offers the same value per lot. Sales 4 and 5 are 3 lots in width but have a larger lot depth. Lot value is \$4,000 per lot.

If sales 3 and 6 were considered to have 3 lots based on the \$3,000 per lot value the mix would be as follows:

Sale #	Size	ADJUSTED PRICE				
SALE 1	2.73 acres	\$15,000				
SALE 2	5.28 acres	\$15,000				
SALE 3	7000 sf	\$9,000				
SALE 4	34887 sf	\$12,000				
SALE 5	34887 sf	\$13,000				
SALE 6	15486 sf	\$9,000				
SALE 7	15 acres	\$4,100				

Comparing sale 1 with 2 offers that there is no value increase for a larger sized parcel and that \$15,000 might be the upper limit for a residential tract in the locale. Again it should be noted that these two are preferred locations. The subject is not significantly distant from sale 2 but it is not adjacent to the golf course and would be considered to be in a typical or average location.

Sale number 7 has a size similar to the subject but the shape is long and narrow and the topography of the parcel offers a slight slope. It might have been expected that this parcel would have sold for a greater value at auction but the sale value offers a value diminishment due to location and configuration.

Comparing sales 1 and 2 with 4 and 5 offer that location is an approximate \$2,000 to \$3,000 adjustment. This would make the mix as follows:

Sale #	Size	ADJUSTED PRICE				
SALE 1	2.73 acres	\$12,000				
SALE 2	5.28 acres	\$12,000				
SALE 3	7000 sf	\$9,000				
SALE 4	34887 sf	\$12,000				
SALE 5	34887 sf	\$13,000				
SALE 6	15486 sf	\$9,000				
SALE 7	15 acres	\$4,100				

The argument could be made that sale #7 suggests that the subject value could be as low as \$4,100. This parcel while what would be considered to be reasonable proximity to Scobey lacks additional support to generate a market trend. Should additional sales take place in the same value range one might place more credibility on the sale. This sale does support the prior supposition that excess size does not contribute to value. When viewing the sales it can be seen that the adjusted value range is from \$9,000 to \$12,000.

When looking at the adjusted values the \$9,000 values were smaller parcels initially. The \$12,000 adjusted values were all larger parcels at the outset. As a nearly 10 acre parcel it would be the appraiser's consideration that the value would fall at the upper range as indicated due to size.

After reviewing the available data it is the appraiser's professional opinion that the market value of the subject property through the sales comparison approach to value as of the effective date of this appraisal is:

\$12,000
TWELVE THOUSAND DOLLARS

INCOME APPROACH

The income approach to value has not been applied in this situation due to the limited income potential of the subject property and the lack of data to effectively apply the approach.

COST APPROACH

The cost approach to value will not be applied in the situation. As an unimproved property the inclusion of this approach would be a reiteration of the sales comparison approach.

ANALYSIS, CORRELATION AND CONCLUSION OF VALUE

The values from the approaches applied are as follows:

Sales Comparison Approach: \$12,000

Cost Approach: Not Applied

Income Approach: Not Applied

Sales data was current and sufficient in this situation to offer a valid and credible value. Only the sales comparison approach to value was applied in this situation. It is believed that the data utilized is sufficient to support the derived value.

The data indicates that parcels in the area are not generally sold on a per acre value but tend to rely more heavily on what would be considered to be a site value.

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

\$12,000

TWELVE THOUSAND DOLLARS

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 property which is 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 property which is 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, stylized "J" and "H".

Joseph M. Herbold, Montana Certified General Appraiser #91

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. The appraiser must have knowledge of the comparables through either personal inspection or with use of sources the appraiser deems reliable, and must have at least viewed the comparables or the comparables immediate neighborhood.

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.

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 used should have sales dates within one year of the appraisal and should not be over three years old. The comparable sales must 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:

Parcel 623- is located on the west edge of the town of Scobey and is approximately 9.36 acres in the NE1/4 of Sec.16, T35N-R48E, Daniels County, Montana. The parcel has a commercial lease with the Scobey Saddle Club. This parcel is legally accessible from an adjacent City of Scobey road.

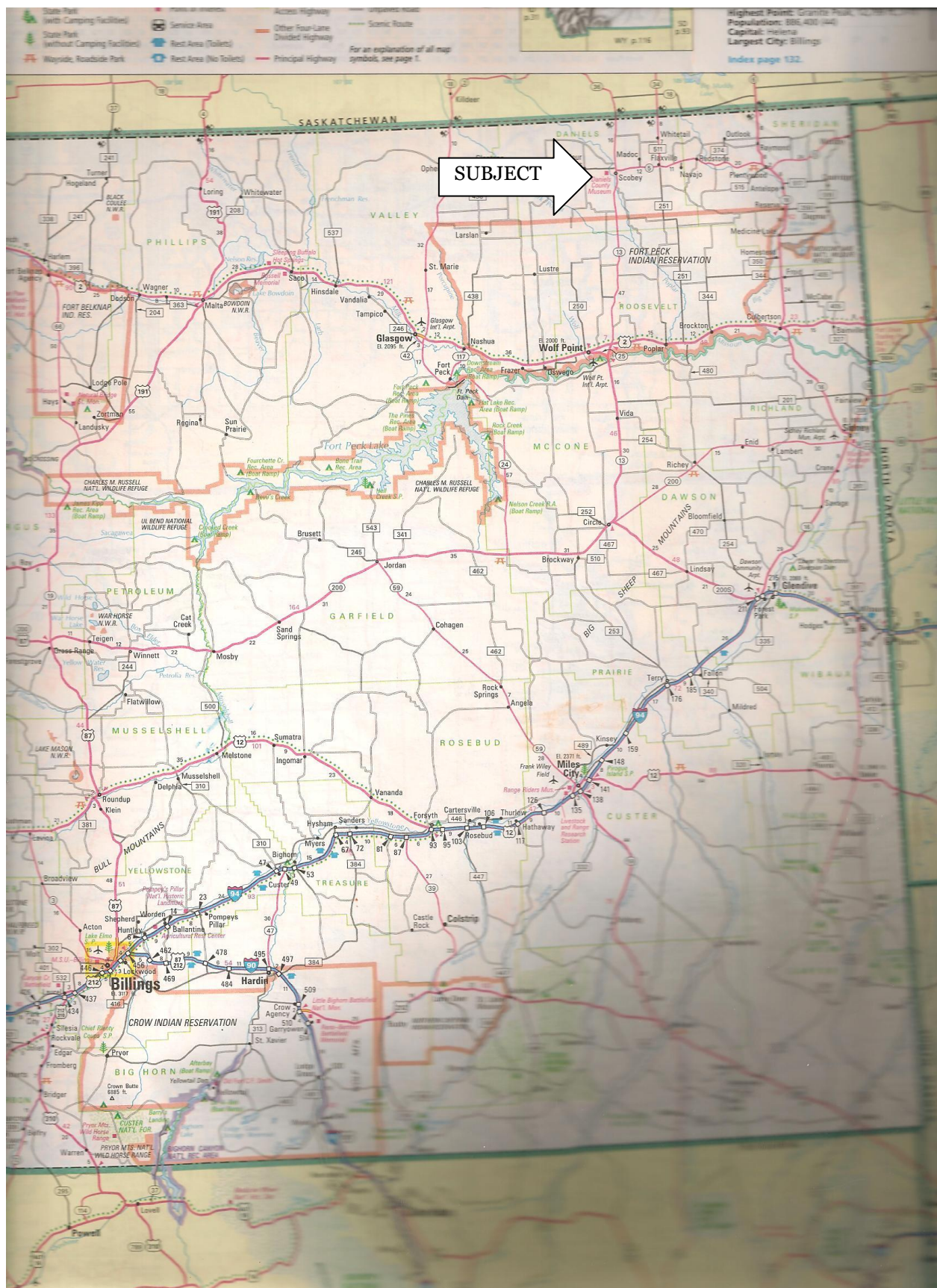
Unit Office Contact Information:

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

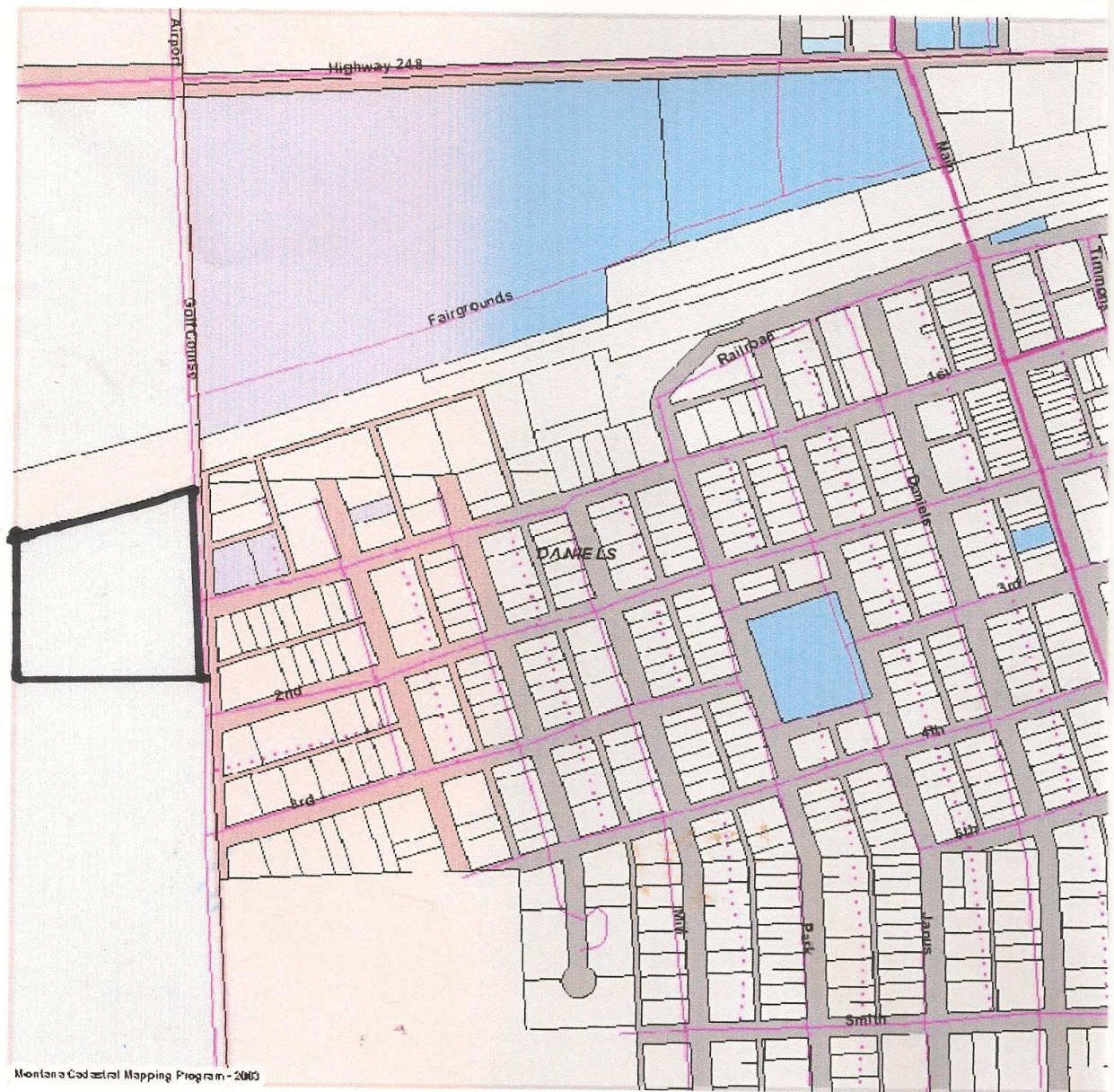
The following will be located in the body of the contract:

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.

LOCATION MAP

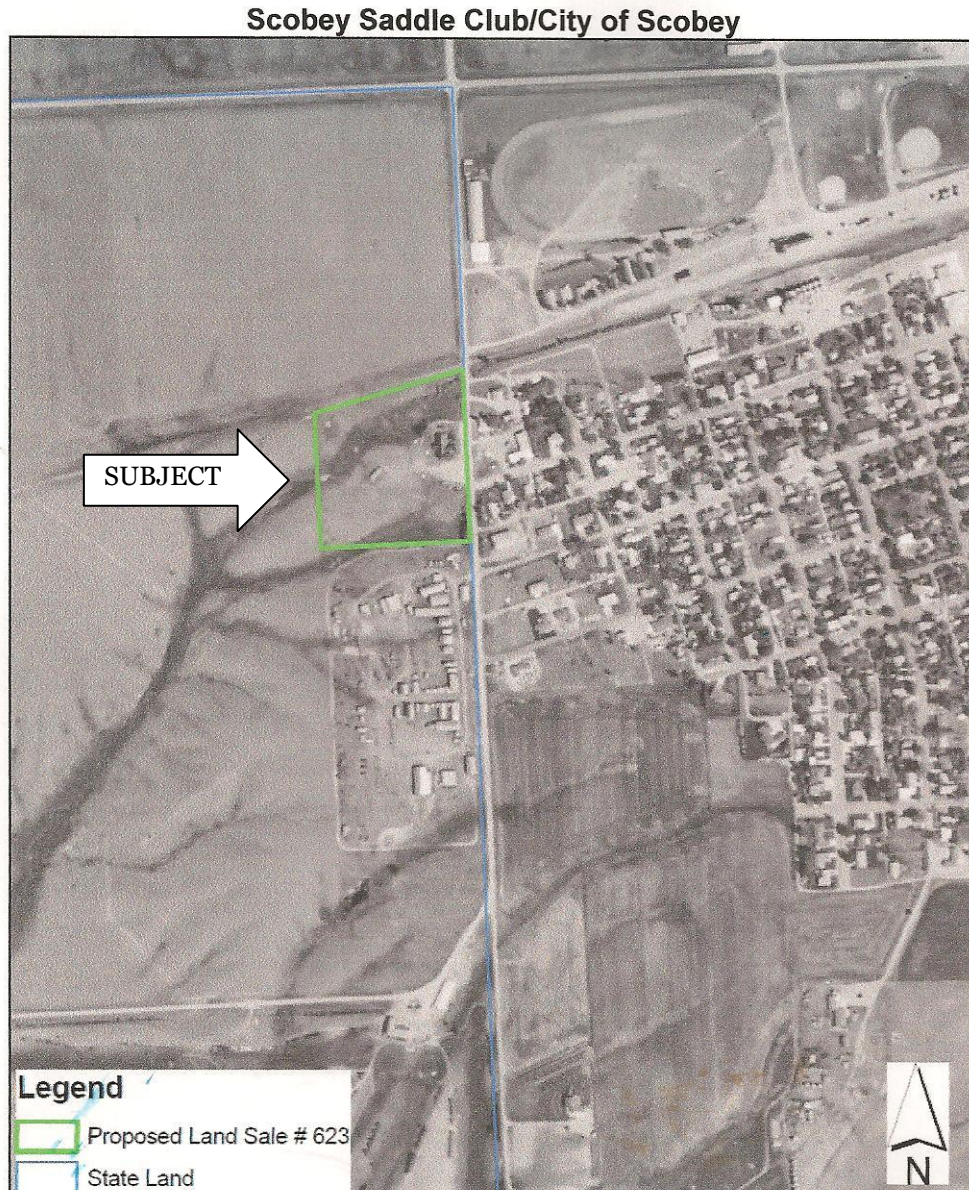


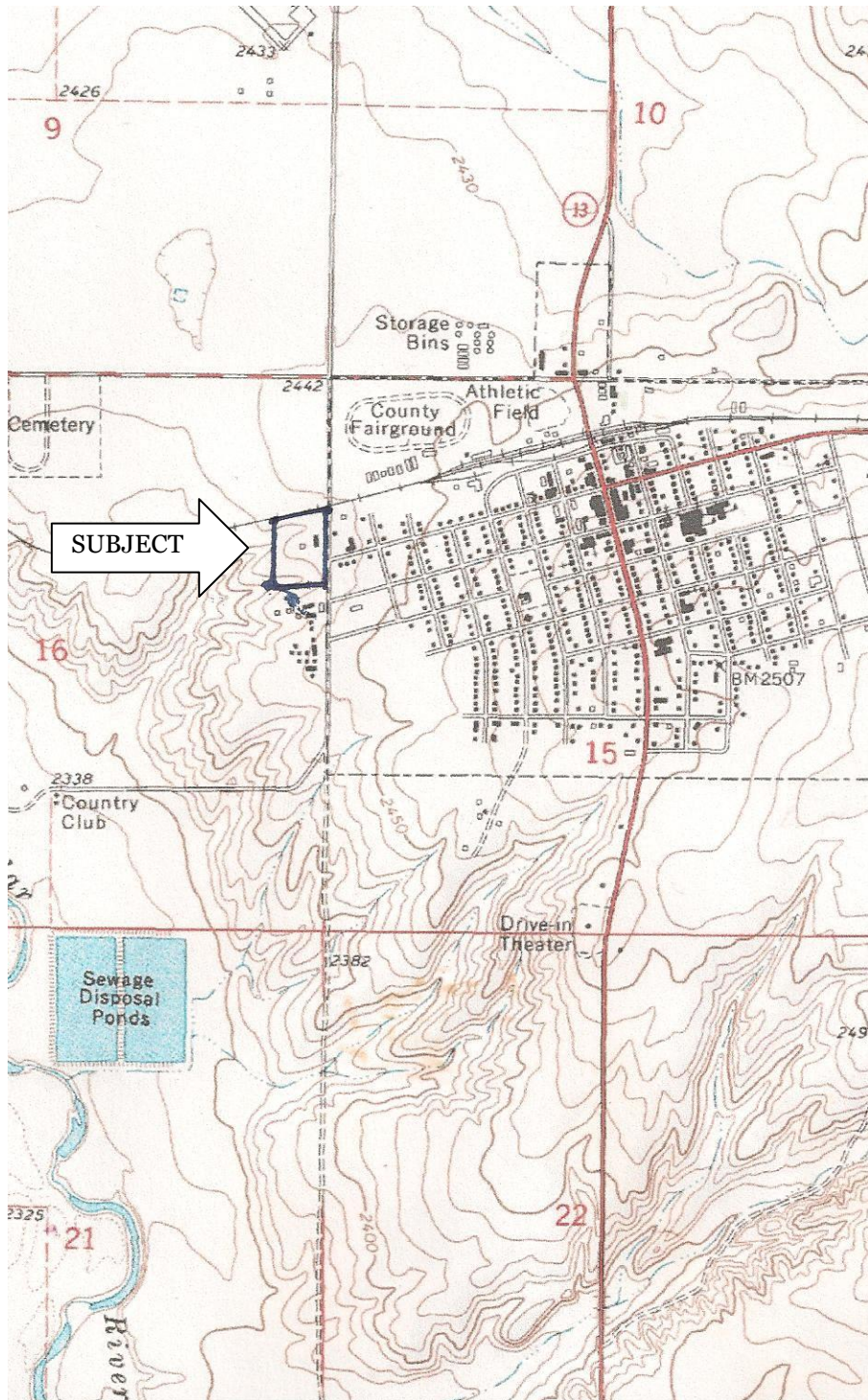
Montana Cadastral Mapping Project



Montana Cadastral Mapping Program - 2005

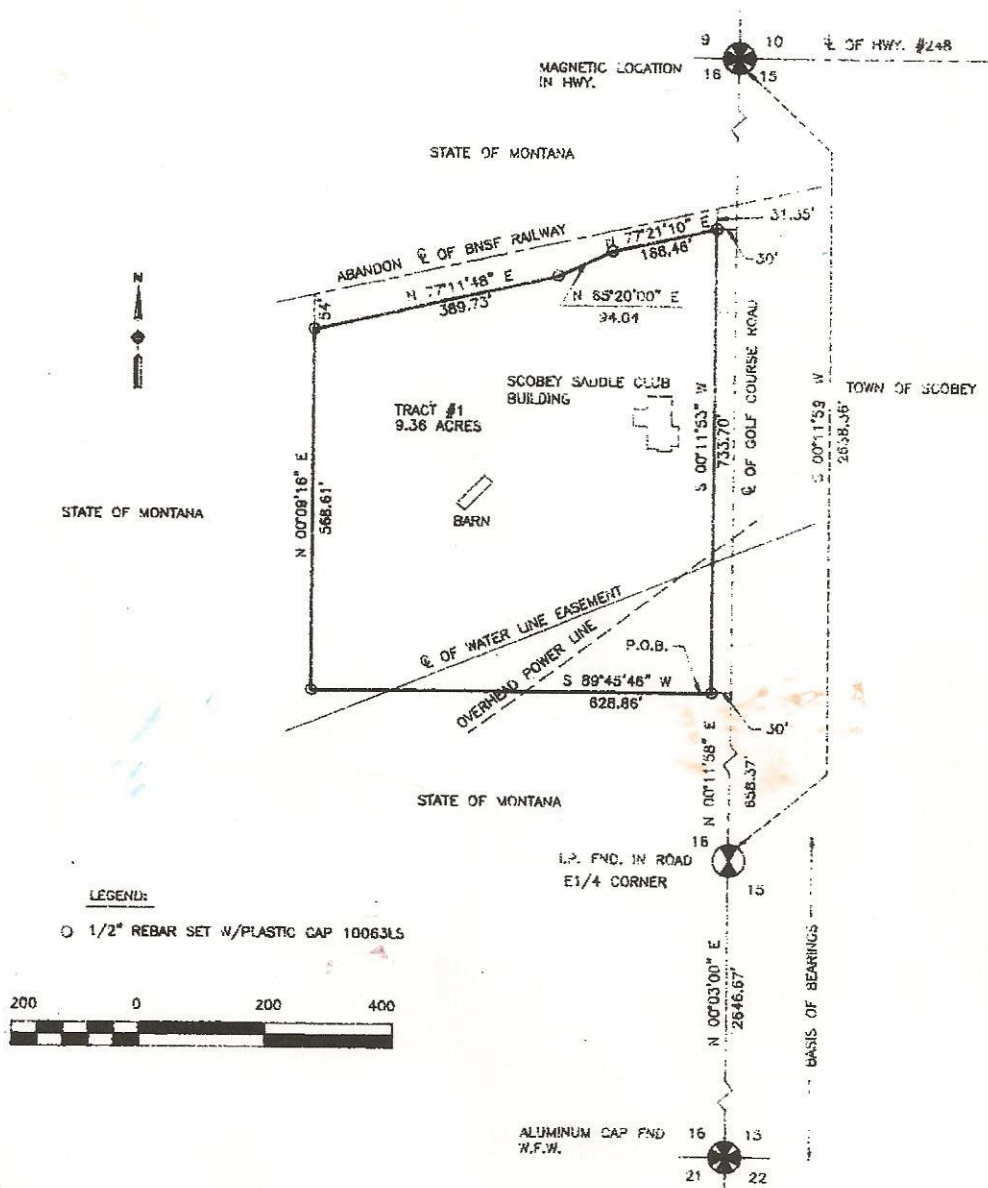
AERIAL PHOTOS



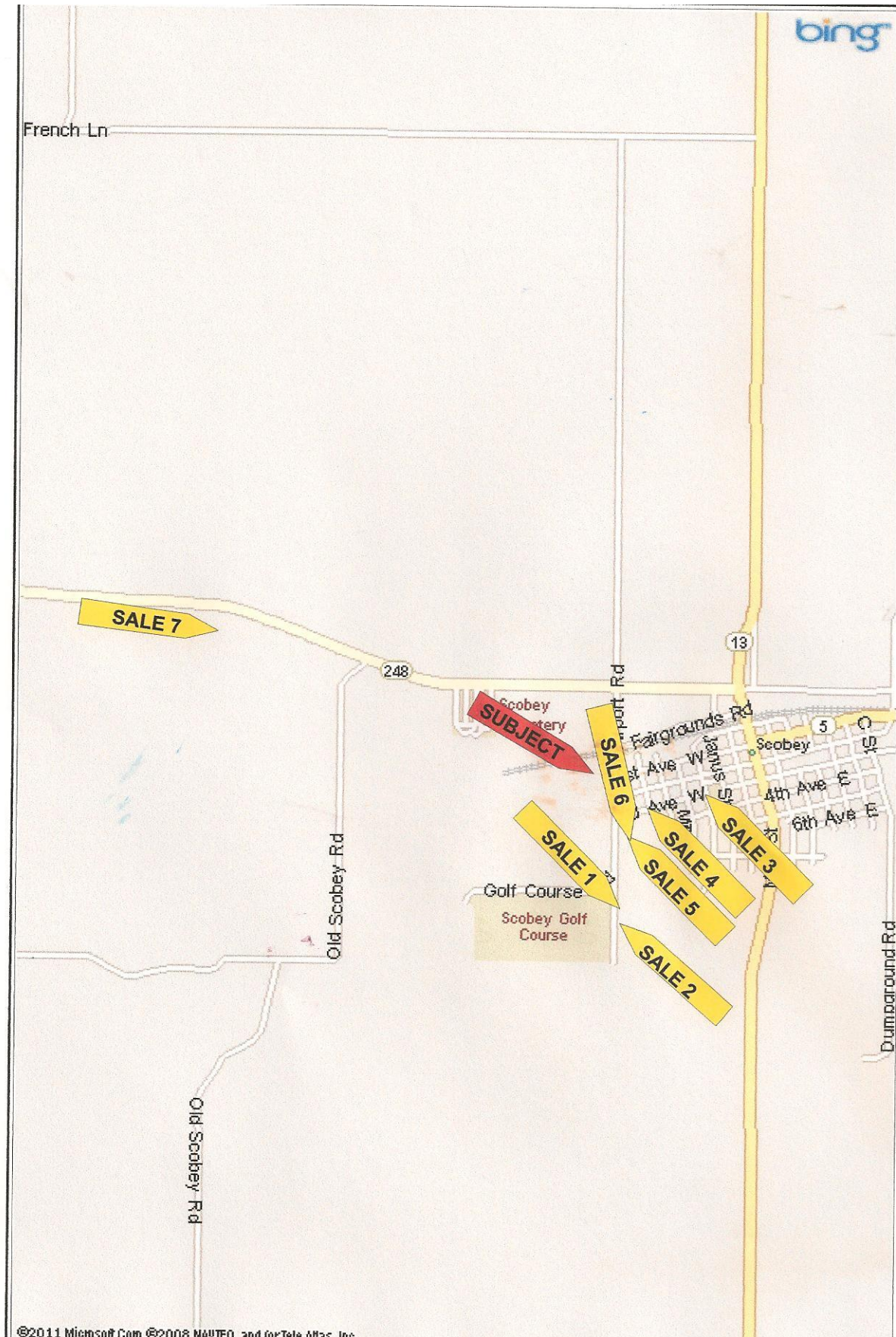


SURVEY

SCOBEE SADDLE CLUB SUBDIVISION NE1/4, SECTION 16, T35N, R48E, P.M.M. DANIELS COUNTY, MONTANA



SALES LOCATION MAP



SALES DATA

#1

Sale Price: \$17,000

Sale Date: 9/16/2010

Property Address: Confidential

Legal Description: Confidential

Size: 2.73 acres

Amenities: City water

Details of this sale can be provided on a confidential basis to the intended user only. It should suffice to say that this sale is situated in the Scobey locale and does have relevance to this report.

#2

Sale Price: \$15,000

Recording Data: Document #221420

Seller: Puckett

Buyer: Jason C & Kimberly Wolfe

Sale Date: 9/29/2008

Property Address: Golf Course Road

Legal Description: Parcel #1, Littell's Subdivision

Size: 5.284 acres

Amenities: Unimproved

Parcel was acquired for construction of a dwelling.

#3

Sale Price: \$5,000

Recording Data: Document #224502

Seller: Don Hammar

Buyer: Scott Fishell

Sale Date: 12/14/2010

Property Address: 305 Park Street

Legal Description: Lot 3, Block 6, Oie-Kjos Addition to Scobey

Size: 50' X 140'

Amenities: City water and sewer, old dwelling on the lot. Not habitable

#4

Sale Price: \$14,000

Recording Data: Document #222684

Seller: Machart

Buyer: Fishell

Sale Date: 09/29/2009

Property Address: 705 3rd Avenue West

Legal Description: Lots 4, 5, 6; Block 4; Oie's Second Addition to Scobey

Size: 34,887 square feet (150' X 232')

Amenities: City water and sewer.

#5

Sale Price: \$15,000

Recording Data: Document #223329

Seller: Fishell

Buyer: Fladager

Sale Date: 4/16/2010

Property Address: 705 3rd Avenue West

Legal Description: Lots 4, 5, 6; Block 4; Oie's Second Addition to Scobey

Size: 34,887 square feet (150' X 232')

Amenities: City water and sewer.

RESALE of #4, not necessarily an indication of time increase due to the moderate value increase.

#6

Sale Price: \$6,000

Recording Data: Document #220827

Seller: Edgar Richardson

Buyer: Cale Handran

Sale Date: 03/28/2008

Property Address: 705 3rd Avenue W

Legal Description: Lots 10, 11; Block 4; Oie's Second Addition to Scobey

Size: 15,486 square feet (100' X 150' irregular)

Amenities: City water and sewer.

#7-Pending

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.

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.



Looking west



Looking northwest.



Looking east toward Scobey along the northern boundary.



Looking to the northwest



View of the mid portion of the property looking west.

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