

***AN APPRAISAL OF THE  
NORTH ½ OF THE SOUTH ½, SECTION 24,  
TOWNSHIP 10 NORTH, RANGE 7 EAST (160 ACRES)  
&  
SOUTHEAST ¼ OF THE SOUTHEAST ¼, SECTION 26,  
TOWNSHIP 10 NORTH, RANGE 7 EAST (40 ACRES),  
MEAGHER COUNTY, MONTANA***

***DATE OF VALUATION  
SEPTEMBER 22, 2009***

***FOR  
MONTANA DEPARTMENT OF NATURAL RESOURCES AND  
CONSERVATION TRUST LAND MANAGEMENT DIVISION  
1625 ELEVENTH AVENUE, HELENA, MT 59620***

***BY  
GREGORY A. THORNQUIST  
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October 5, 2009

Montana DNRC Trust Land Management Division  
c/o Tom Konency, Appraiser  
P.O. Box 201601  
Helena, MT 59620-1601

RE: 160 acres (Sale 317) in Section 24, Township 10 North, Range 7 East and 40 acres (Sale 318) in Section 26, Township 10 North, Range 7 East, Meagher County, Montana.

Dear Tom:

In accordance with the contract with the Department of Natural Resources and Conservation, Trust Land Management Division, I have made the necessary inspection and analysis to appraise the above referenced property. The attached report provides the essential data, and detailed reasoning employed in estimating my final value estimate. The report contains 27 pages excluding the addenda

I have appraised the property as a whole, owned in fee simple and unencumbered. I assume no responsibility for matters that are legal in nature nor do I render any opinion as to title.

The property being appraised consists of 160 acres in Section 24, Township 10 North, Range 7 East and 40 acres in Section 26, Township 10 North, Range 7 East, Meagher County, Montana.

The value reported is qualified by certain definitions, assumptions and limiting conditions, hypothetical condition and certification, which are set forth within the attached report. The analysis contained herein is considered to be a complete appraisal, and is presented in a summary appraisal report format. This appraisal report is intended to conform to the Uniform Standards of Professional Appraisal Practice, and State of Montana, DNRC reporting requirements.

**The final conclusion to value was established from sales which have legal access. Attempts were made to identify vacant land sales without legal access but none could be found. Therefore, no market adjustment for lack of legal access could be established and the value reported is based upon the Hypothetical Condition as having legal access.**

Based on my analysis, the market value of the subject property, as set forth, documented and qualified in the attached report under conditions prevailing on September 22, 2009 was:

***Sale 317 (160 acres) in Section 24, Township 10 North, Range 7 East  
One Hundred Sixty Thousand Dollars\*  
\$160,000\****

***&***

***Sale 318 (40 acres) in Section 26, Township 10 North, Range 7 East  
Forty Thousand Dollars\*  
\$40,000\****

I direct your attention to the data, discussions and conclusions which follow.

Respectfully submitted,

---

Gregory A. Thornquist  
Montana State Certified  
General Real Estate Appraiser #867

\* This value is subject to the Hypothetical Conditions on page 10.

## **TABLE OF CONTENTS**

	<b>Page</b>
SUBJECT PROPERTY PHOTOGRAPHS (SALE 317) .....	5
SUBJECT PROPERTY PHOTOGRAPHS (Sale 318).....	6
SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS .....	7
ASSUMPTIONS AND LIMITING CONDITIONS.....	8
HYPOTHETICAL CONDITIONS .....	10
SCOPE OF THE APPRAISAL .....	11
DEFINITION OF MARKET VALUE.....	12
PURPOSE OF THE APPRAISAL .....	12
INTENDED USE OF THE APPRAISAL AND INTENDED CLIENT .....	12
PROPERTY RIGHTS APPRAISED.....	12
IDENTIFICATION OF PROPERTY AND LEGAL DESCRIPTION .....	13
PURPORTED OWNER .....	13
SALES HISTORY OF THE PROPERTY.....	13
REGIONAL MAP .....	14
REGIONAL AND CITY ANALYSIS .....	15
REAL ESTATE TAXES .....	16
PROPERTY DESCRIPTION .....	16
ZONING.....	17
HIGHEST AND BEST USE.....	17
HIGHEST & BEST USE OF LAND AS VACANT .....	17
PROPERTY VALUATION .....	19
DEFINITIONS .....	19
SITE VALUATION .....	20
LAND SALE LOCATION MAP .....	22
LAND SALE ADJUSTMENT GRID .....	23
VALUE ESTIMATE AND CERTIFICATION.....	26

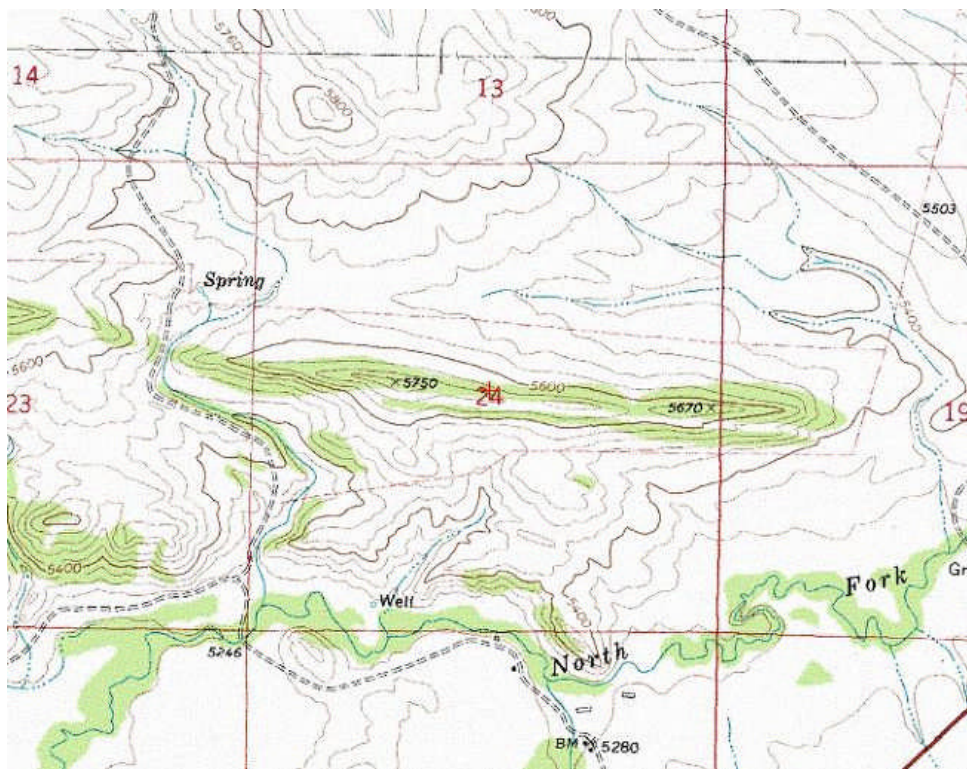
### **ADDENDA:**

Contract  
Scope of Work  
Subject Cadastral Data  
Comparable Land Sales  
Qualifications of the Appraiser  
State License

**SUBJECT PROPERTY PHOTOGRAPHS (SALE 317)**



View of the subject (horizon)  
Photograph taken from (9/22/09)



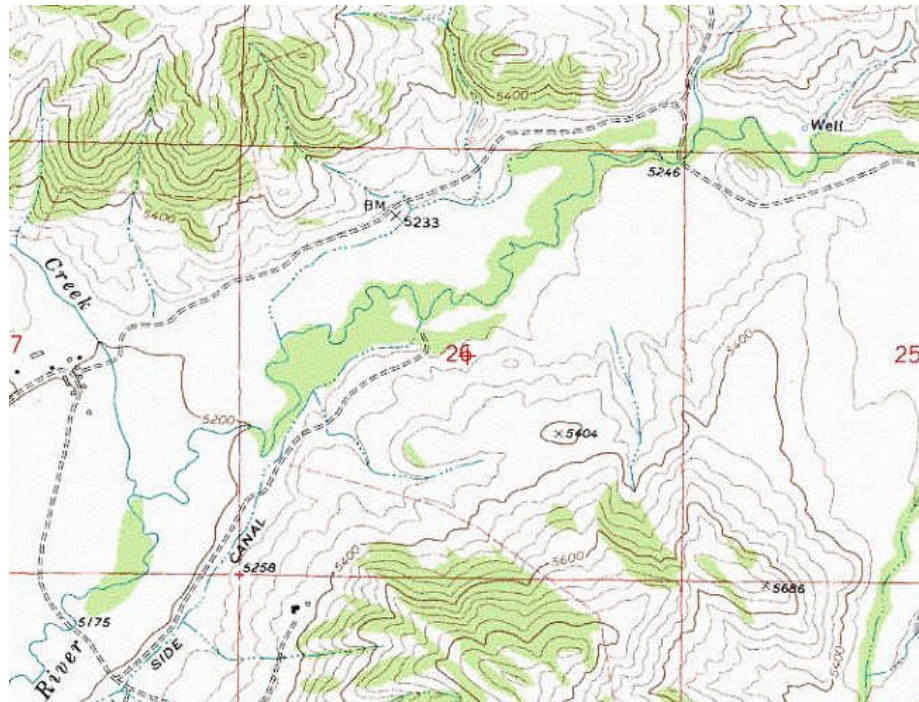
Topographical map view of the subject (Sale #317)



**SUBJECT PROPERTY PHOTOGRAPHS (Sale 318)**



View of the subject (horizon)  
Photograph taken from (9/22/09)



Topographical map view of the subject (Sale #318)

## **SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

<i>PURPORTED OWNER:</i>	State of Montana
<i>PROPERTY TYPE:</i>	Recreational/Agricultural
<i>LOCATION OF PROPERTY:</i>	Meagher County, MT.
<i>SITE:</i>	160 acres (Sale 317) 40 acres (Sale 318)
<i>PROPERTY RIGHTS APPRAISED:</i>	Fee Simple (See Hypothetical Conditions on page 10)
<i>ZONING:</i>	PLI (Public Lands and Institutions District)
<i>PRESENT USE:</i>	Agricultural/Recreational
<i>HIGHEST AND BEST USE:</i>	Assemblage with adjacent lands
<i>DATE OF VALUATION:</i>	September 22, 2009
<i>VALUE:</i>	Sale 317 (160 acres) - \$160,000* Sale 318 (40 acres) - \$40,000*

\* This value is subject to the Hypothetical Conditions on page 10.

## **ASSUMPTIONS AND LIMITING CONDITIONS**

This is to certify that the appraiser, in submitting this statement and opinion of value of subject property, acted in accordance with and was bound by the following principles, limiting conditions and assumptions. Unauthorized use of this report is set forth below.

1. No responsibility is assumed for matters that are legal in nature nor is any opinion rendered on title of property appraised.
2. Unless otherwise noted, the property has been appraised as though free and clear of all encumbrances.
3. Where the values of the land and the improvements are shown separately, the value of each is segregated only as an aid to better estimate the value which it lends to the whole parcel, rather than value of that particular item if it were by itself.
4. All maps, areas, plans, specifications, and other data furnished your appraiser were assumed to be correct. No survey of the property was made by this firm. Furthermore, all numerical references to linear measurements, area, volume or angular measurements should be assumed to be "more or less" (+/-) and are accurate to a degree consistent with their use for valuation purposes.
5. This appraisal considers only surface rights to the property with consideration of current zoning and land use controls. The estimate of **highest and best** use will form the basis for the value estimate. This appraisal does not consider mineral, gas, oil or other natural resource rights that may be inherent in the ownership of the property.
6. In this appraisal assignment, any potentially hazardous material found on the land or used in the construction of the buildings, such as urea formaldehyde foam insulation, petroleum residue, asbestos and/or existence of toxic waste or gases, which may or may not be present on the property, has not been considered. The appraiser is not qualified to detect such substances. Any interested party is urged to retain an expert in this field if there is any question regarding such potentially hazardous material. If such material or substance is present it could adversely affect the value reported herein.
7. The appraiser is not a seismologist. This appraisal should not be relied upon as to whether a seismic problem exists, or does not actually exist on the property. The property which is the subject of this appraisal is within a geographic area where earthquakes and other seismic disturbances have previously occurred and where they may occur again. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the appraiser concerning the geologic and/or seismic condition of the property. The appraiser assumes no responsibility for the possible affect on subject property on seismic activity and/or earthquakes. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed seismic requirements by the City or County. It is possible that a survey of the property could reveal that the property does not meet the required seismic requirements. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance requirements in estimating the value of the property.



8. All data contained in this report and in the appraiser's files, as obtained from other sources, upon which to any degree the opinions and conclusions were based, are considered reliable and believed to be true and correct. However, the appraiser does not assume responsibility for the accuracy of such items that were obtained from other parties.
9. There shall be no obligation to give testimony or attendance in court by reason of this appraisal with reference to the property in question unless arrangements have been previously made and at an additional fee.
10. Neither all nor any part of the contents of this report, especially the conclusions as to value, the identity of the appraiser or the firm with which he is connected shall be disseminated to the public through advertising media, news media, public relations media, sales media, or any other public means of communication without the prior written consent of the appraiser.
11. Gregory A. Thornquist does not authorize the out-of-context quoting from, or partial reprinting of, this appraisal report.
12. The liability of Gregory A. Thornquist 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 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 of a legal nature.
13. The fee for this appraisal report is for the service rendered and not for time spent on the physical report or for the physical report itself.
14. This appraisal report is prepared for the sole and exclusive use of the client, State of Montana, Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC). No third parties are authorized to rely upon this report without the expressed written consent of the appraiser.
15. This Summary Appraisal Report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analysis is contained in the appraiser's file.

## **HYPOTHETICAL CONDITIONS**

1. As noted in the “Supplemental Appraisal Instructions” my appraisal assignment is to appraise the subject as follows:
  - As though vacant (exclusive of existing improvements, i.e. fencing, buildings, etc).
2. The “Scope of Work” also notes that *“Landlocked parcel, (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”).* This is further discussed in the highest and best use section of this report.
3. Although the subject parcels are is leased, this appraisal assumes that the current lease does not exist. This is part of the scope of the assignment and is noted in the “Supplemental Appraisal Instructions”.

## **SCOPE OF THE APPRAISAL**

I initially spoke with Tom Konency, appraiser with the Montana DNRC Trust Land Management Division and I was retained to appraise the subject property. Mr. Konency provided me with the following information:

- Scope of work
- Parcel description
- Contact information for inspecting the subject property

On September 22, 2009 I met with Ed Fryer, Ranch Manager at the Castle Mountain Ranch and he accompanied me to the subject parcels.

The subject parcels are leased to Castle Mountain Ranch and physical access to these properties is from adjacent land owned by Castle Mountain Ranch.

General information pertaining to the subject property was also obtained from the client and the Meagher County Courthouse.

The neighborhood and surrounding competitive market areas were researched to find comparable market data. Real Estate agents, property owners, and real estate appraisers in Helena, Billings, Bozeman, White Sulphur Springs, Martinsdale, Harlowtown, and various other similar communities were interviewed in an attempt to find relevant market data. This market data has been confirmed by personal contact with the buyer, seller, broker, and/or property owner.

All of the comparables described in the body of the report are shown in detail on the summary sheets included in the addenda. In addition, attempts were made to physically visit photograph each of these comparables, but some were not as a result of crossing private land or the inability to locate the appropriate access.

### ***Effective Date:***

The effective date of this appraisal report is September 22, 2009. This is the date of valuation and was the actual date of the property inspection. This appraisal report was completed October 5, 2009.

## **DEFINITION OF MARKET VALUE**

Market value, as used in this report, was provided by the client and is defined as follows:

**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 any other relevant factors as to which evidence is offered.

## **PURPOSE OF THE APPRAISAL**

The purpose of the appraisal is to provide the clients with a credible opinion of current fair market value of the appraised subject property.

## **INTENDED USE OF THE APPRAISAL AND INTENDED CLIENT**

The intended use is for the decision making process concerning the potential sale of the subject property. 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).

## **PROPERTY RIGHTS APPRAISED**

This appraisal is made with the understanding and assumption that present ownership of the subject property includes all rights that may be lawfully owned, and is therefore, title in fee simple as of September 22, 2009. A fee simple estate is subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

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.

## **IDENTIFICATION OF PROPERTY AND LEGAL DESCRIPTION**

The property which is the subject matter of this report consists of two parcels located in Meagher County, Montana. The legal description for the subject sites as provided to me are as follows:

160 acres located in the N1/2S1/2, Section 24, Township 10 North, Range 7 East, Meagher County, Montana.

&

40 acres located in the SE1/4SE1/4, Section 26, Township 10 North, Range 7 East, Meagher County, Montana.

## **PURPORTED OWNER**

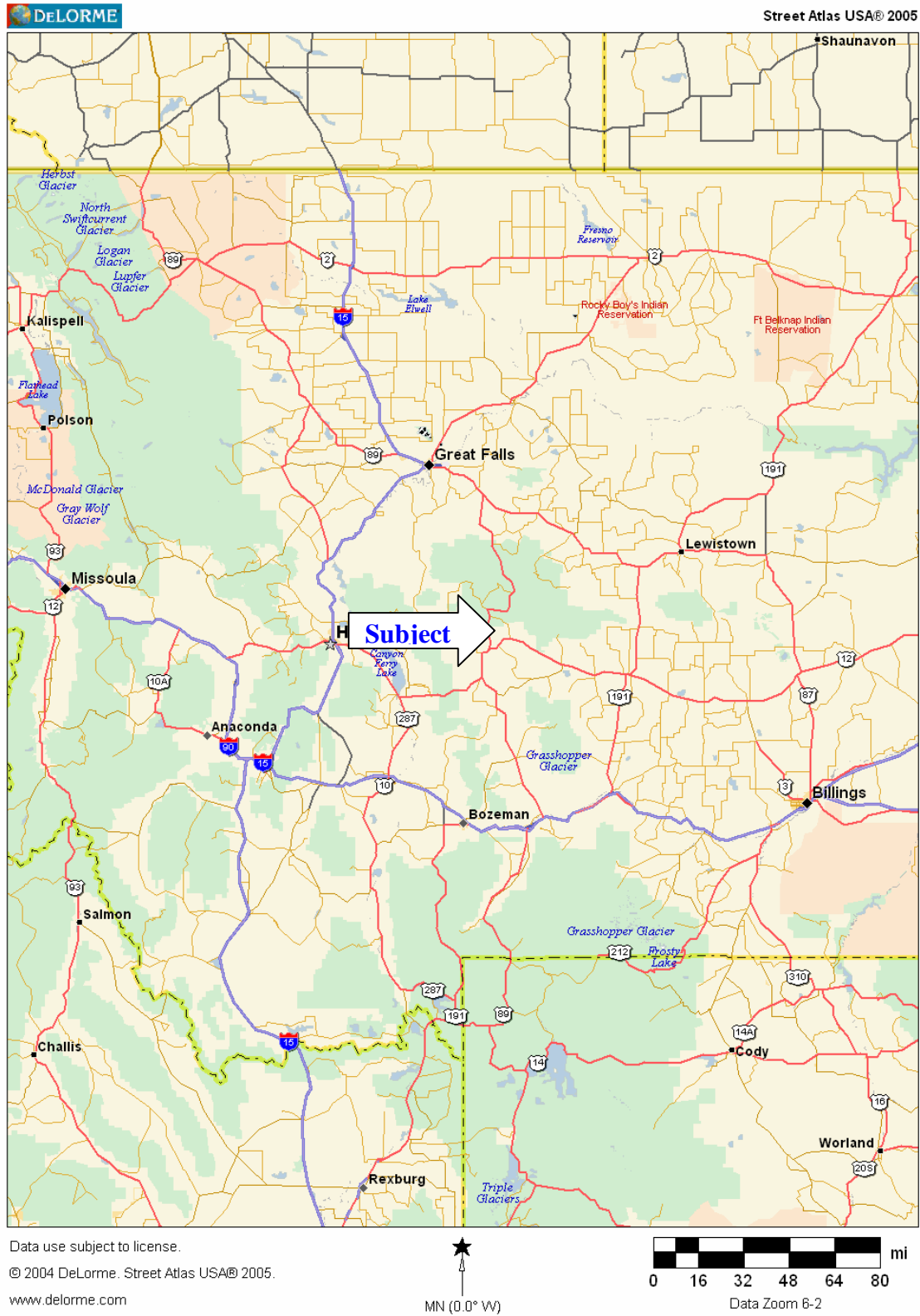
The subject parcels are owned by the State of Montana.

## **SALES HISTORY OF THE PROPERTY**

The subject parcels have been owned by the State of Montana for a number of years. It is my understanding the parcels may be sold through the State of Montana's Land Banking Program.



## REGIONAL MAP



## **REGIONAL AND CITY ANALYSIS**

The subject property is located in Meagher County, approximately ten miles northeast of White Sulphur Springs, Montana and just north of Highway 12.

White Sulphur Springs is located on Highway 89 between Yellowstone Park to the south and Glacier National Park to the north. Highway 89 is also known as Kings Hill Scenic Byway.

There are numerous recreational opportunities in the area that include skiing, snowmobiling, fishing, hunting, camping, mountain biking, hiking, etc. The Big Belt, Little Belt, and Castle Mountains surround the area with thousands of acres of public access and several campgrounds nearby in the Lewis & Clark National Forest. There are many ghost towns, old gold & silver mines, railroads and Victorian era historical sites.

White Sulphur Springs is the county seat and was one of the original counties in Montana. The town was named because of the white deposits around the hot sulphur springs that were found there.

The Smith River Valley, with White Sulphur Springs as its trading center, was once the home of buffalo and later of prospectors working the Castle Mountain lead and silver mines. Since the days of Fort Logan, White Sulphur Springs has been famous for cattle. Weathered homes and out-buildings at the nearby ghost town of Castle are all that remain of the 1880s silver mining boom.

The following information was obtained from various web sites offering data about Meagher County and White Sulphur Springs:

### White Sulphur Springs

- Population in July 2008: 951. Population change since 2000: -3.4%
- Males – 462 (48.7%)
- Females – 498 (51.3%)
- Median resident age – 44.1 years
- Montana median age – 37.5 years
- Median household income in 2007 - \$38,961
- Montana median income in 2007 - \$43,531
- Median house or condo value in 2007 - \$121,472
- Montana median house or condo value in 2007 - \$170,000
- 2008 cost of living index in White Sulphur Springs: 83.8 (less than average, U.S. average is 100)

In summary, Meagher County is made up of small communities with agriculture as a predominate economic base. In addition, the area offers a wide variety of recreational opportunities.

## **REAL ESTATE TAXES**

The subject property is owned by the State of Montana and is currently exempt from taxation. If the parcel sells and is in private ownership it will be subject to taxation pursuant to the applicable laws and administrative rules of the State of Montana.

## **PROPERTY DESCRIPTION**

***Site***

*Size:* Sale #317 consists of 160 acres and Sale #318 consists of 40 acres.

*Shape:* The subject parcels are rectangular in shape.

*Topography:* The parcels are predominately sloping, with hills, ravines and drainages which are typical in the area.

*Soil Conditions:* Soil conditions are unknown. No soil tests were provided to your appraiser.

*Easements:* No title policy was provided to your appraiser. A title policy should be used for the final determination of easements and encroachments.

*Access:* The subject parcels have no legal access and physical access is from private property from the adjacent lands owned by Castle Mountain Ranch.

*Water:* There is no live water on the subject parcels other than seasonal runoff.

*Utilities:* There are no utilities to the subject parcels.

*Flood Plain:* The subject parcels are located in an area that has not been mapped for flood hazards.

*Nuisances or Hazards:* None of the surrounding uses appear to have an adverse impact on the subject property.

## **ZONING**

The subject property has no underlying zoning.

### **HIGHEST AND BEST USE**

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value."<sup>1</sup>

The definition above applies to the highest and best use of vacant land or improved property. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the 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.

Quite often in estimating the highest and best use of land, the appraiser is controlled by governmental regulations. These controls are generally zoning ordinance, parking requirements and building codes. Also, in the estimate of highest and best use, one must recognize the attitude of typical investors in the marketplace.

Real estate will usually fall into certain definite development patterns, and their uses can be classified as: residential, agricultural, recreational, industrial, commercial and public use. In valuing the highest and best use of the land both as if vacant and improved, the following criteria must be met: 1) legally permissible, 2) physically possible, 3) financially feasible, and 4) maximally productive.

### **HIGHEST & BEST USE OF LAND AS VACANT**

#### ***Legally Permissible***

An investigation at the Meagher County Planning Office revealed the subject parcels are not zoned and therefore have no use restrictions. Although there is no use restrictions, its evident based upon the location of the subject, there is no need for the property to be used as commercial, industrial, or by a government entity (public use).

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<sup>1</sup> *The Appraisal of Real Estate, 12<sup>th</sup> Edition*, (Appraisal Institute, 2001), p. 305.

### ***Physically Possible***

This area is predominately agricultural and recreational lands. The subject property has no legal access and physical access is from adjacent private land. The “Assignment Conditions” as provided by the client instruct the appraiser to appraise the property as though legal and physical access exists.

The topography of the subject parcels is rolling hills which is typical for this immediate area

### ***Financially Feasible***

The predominate industry in this area is agricultural with recreational influences, i.e. hunting and fishing.

The subject is surrounded by agricultural/recreational land and the most financially feasible use is assemblage with adjacent land and continued agricultural/recreational use.

### ***Maximally Productive***

The use that conforms to the requirements of the first three tests, and would provide the maximum productivity of the subject site, is for assemblage with adjacent land.



## **PROPERTY VALUATION**

### ***Methods and/or Techniques Employed:***

Whenever possible, all three basic approaches to value (Cost Approach, Sales Comparison Approach and Income Approach) are utilized. The resulting indications of value are then correlated into a final estimate of market value. In the course of investigating the marketplace where this valuation will be made, sufficient data was found to employ the sales comparison approach.

## **DEFINITIONS**

### **Sales Comparison Approach:**

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments to the sales price of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant.<sup>2</sup>

The reliability of this technique is depended upon (A) the availability of comparable sales data, (B) the verification of sales data, (C) the degree of comparability or extent of adjustment necessary for time differences, and (D) the absence of non typical conditions affecting the sales price.

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<sup>2</sup>The Appraisal of Real Estate, 12th Edition, Page 417, 2001, sponsored by the Appraisal Institute.

## **SITE VALUATION**

The method employed to value the site as if vacant and available for sale is the Sales Comparison Approach. An investigation of the market revealed six sales which are indicative of what a well informed buyer or seller would consider in forming an opinion of value. Descriptive data of these sales are contained in the Addenda.

### ***Adjustments***

All of the comparable properties differ somewhat from each other, and from the subject in various ways. The usual differences are for cash equivalency, market conditions, location, and a number of physical characteristics. Many of these factors, in varying degrees, are applicable in the appraisal of the subject property. When dissimilarities are found in comparable properties, they are adjusted for by adding to the comparable price when the dissimilar factor is inferior to the same factor found in the subject property. Likewise, a minus adjustment should be made when the comparable sale has a factor which is superior to that found in the subject property. The sale properties, then, are adjusted to the subject property.

However, in the market it is often difficult and sometimes impossible to accurately isolate a given factor. In short, one very seldom finds sales which are identical in all respects but one, and thus is able to prove conclusively the value, or lack of it, for any one factor due to a difference in sale price. Often, there are plus and minus factors which offset each other. Thus, the use of subjective judgment, to some degree, may be exercised.

Nevertheless, the differences in values are real and adjustments based on as much fact as can be found, will be made. Then, the appraiser may call upon his experience to make subjective judgments.

### ***Property Rights***

Each of the sales involves fee simple property rights. As a result, no property rights adjustments are warranted.

### ***Financing:***

All sales are cash to the seller or on terms considered cash equivalent, and no adjustments are required.

### ***Conditions of Sale:***

No non-market conditions motivating the buyer or seller involved in the transactions are known or reported, therefore no adjustments are required.

***Expenditures Immediately After Sale:***

None of the sales required expenditures immediately after sale, and therefore no adjustments are required.

***Market Conditions:***

Typically in an active market an adjustment for market conditions is required to bring all comparable sales up to the effective date of the appraisal report, September 22, 2009.

I spoke with a number of real estate professionals familiar with the area and they all indicated there has been little or no appreciation in land values in recent years. Therefore, I have not applied an appreciation factor to the land sales used within this analysis.

***Remaining Adjustments:***

The remaining adjustments will be explained in a qualitative analysis which is an effective technique that recognizes the inefficiencies of a real estate market and the difficulty in expressing the adjustments with mathematical precision. The adjustments included in the qualitative analysis are location, size, water, use, topography and utilities. The land sales location map and adjustment grid can be seen on the following pages.

## *LAND SALE LOCATION MAP*



### **LAND SALE ADJUSTMENT GRID**

	Subject (Sale 317)	Subject (Sale 318)	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
<b>Sale Price</b>			\$1,300,000	\$165,000	\$1,160,000	\$1,210,000	\$900,000	\$195,000
<b>Date of Sale</b>	NA	NA	3/4/05	11/2/07	7/20/06	10/12/07	4/15/08	6/15/06
<b>Size (Acres)</b>	160 acres	40 acres	1,668 acres	160.10 acres	1,560 acres	1,097 acres	866.98 acres	115.65 acres
<b>Price Per Acre</b>			\$779/AC	\$1,031/AC	\$744/AC	\$1,103/AC	\$1,038/AC	\$1,686/AC
<b>Location</b>	±10 miles north of White Sulphur Springs, MT	±10 miles north of White Sulphur Springs, MT	±25 miles SE of White Sulphur Springs, MT	±15 miles SW of White Sulphur Springs, MT	±30 miles east of White Sulphur Springs, MT	±25 miles NE of White Sulphur Springs, MT	±10 miles north of White Sulphur Springs, MT	±10 miles north of White Sulphur Springs, MT
<b>Comparison</b>			Inferior	Inferior	Inferior	Inferior	Similar	Similar
<b>Size</b>	160 acres	40 acres	1,668 acres	160.10 acres	1,560 acres	1,097 acres	866.98 acres	115.65 acres
<b>Comparison</b>			Inferior	Similar	Inferior	Inferior	Inferior	Similar
<b>Water</b>	None	None	Sawmill Creek, seasonal springs, water rights	None	None	Trail Creek, seasonal streams and natural springs	Seasonal streams and natural springs	None
<b>Comparison</b>			Superior	Similar	Similar	Superior	Superior	Similar
<b>Use</b>	Agricultural/ Recreational	Agricultural/ Recreational	Agricultural/ Recreational	Recreational	Agricultural/ Recreational	Agricultural/ Recreational	Agricultural/ Recreational	Recreational
<b>Comparison</b>			Similar	Similar	Similar	Similar	Similar	Similar
<b>Topography</b>	Rolling and sloping	Rolling and sloping	Rolling and sloping	Rolling and sloping	Rolling and sloping	Rolling and sloping	Rolling, sloping and view of reservoir	Rolling, sloping and view of reservoir
<b>Comparison</b>			Similar	Similar	Similar	Similar	Superior	Superior
<b>Utilities</b>	None	None	None	Electricity	Electricity	None	None	None
<b>Comparison</b>			Similar	Superior	Superior	Similar	Similar	Similar
<b>Overall Comparability</b>			<b>Inferior</b>	<b>Similar</b>	<b>Inferior</b>	<b>Similar</b>	<b>Similar</b>	<b>Superior</b>



### ***Sales Analysis:***

The subject parcels are each approximately 160 acres (Sale 317) and 40 acres (Sale 318) respectively. Each of the parcels is located east of Highway 89 within the Castle Mountain Ranch. The topography of the parcels is predominately hillsides with small timber and native grasses. As previously noted the parcels have no legal access and physical access is from the adjacent private land. As noted in the "Scope of Work" the appraiser assumes the property has legal access. In fact each of the comparable sales used to estimate the value have legal access.

**Sale No. 1** occurred on March 4, 2005 for 1,668 acres at \$1,300,000 or \$779 per acre. This property is located approximately twenty-five miles south of White Sulphur Springs and approximately thirty miles southeast of the subject parcels. This sale involved a very desirable ranch property with excellent aesthetic qualities, good privacy, and fine recreational opportunities. This property has approximately ½ mile of common boundary with the Lewis and Clark National Forest. Water on the property is from Sawmill Creek, and seasonal streams, springs and the property has recorded water rights. One spring has been improved to supply water to serve two stock water tanks. The property has access via an easement across adjacent land. This sale is considered superior to the subject with respect to water, similar with respect to use (agricultural/recreational), topography, and utilities, but inferior with respect to location and size. Overall, this sale at \$779 per acre is considered somewhat inferior to the subject parcels.

**Sale No. 2** occurred on November 2, 2007 for 160.1 acres at \$165,000 or \$1,031 per acre. This property is located approximately fifteen miles southwest of White Sulphur Springs and approximately thirty-five miles south of the subject parcels. This parcel is located along the north end of the Grassy Mountain Subdivision and offers excellent views of the surrounding mountains and valley. This property is located approximately 1.5 miles north of Highway 12 along the boundary of Broadwater and Meagher counties. This property is also just west of Helena National Forest. This sale is considered superior to the subject with respect to utilities, similar with respect to size, water, use and topography, but slightly inferior with respect to location. Overall, this sale at \$1,031 per acre is considered similar to the subject parcels.

**Sale No. 3** occurred on July 20, 2006 for 1,560 acres, at \$1,160,000 or \$744 per acre. This property is located approximately thirty miles east of White Sulphur Springs, eight miles west of Martinsdale, and twenty-five miles southeast of the subject parcels. This land consists of native grasses with poor irrigation. The selling agent indicated there were some agricultural outbuildings and corrals on the property that were in poor condition and had no contributory value. This property was converted to non-irrigated hay land and is back on the market for \$1,700,000. This sale is considered superior to the subject with respect to utilities, similar with respect to use and topography, but inferior with respect to location and size. Overall, this sale at \$744 per acre is considered inferior to the subject parcels.

**Sale No. 4** occurred on October 12, 2007 for 1,097 acres at \$1,210,000 or \$1,103 per acre. This property is located approximately twenty-five miles northeast of White Sulphur Springs, three miles north of

Checkerboard and ten miles east of the subject parcel. This land is desirable recreational ranch property with excellent scenic and wildlife amenities. Water on the property consists of Trail Creek, small seasonal streams and natural springs. This sale is considered superior to the subject with respect to water, similar with respect to topography and utilities, but inferior with respect to location and size. Overall, this sale at \$1,103 per acre is considered similar to the subject parcels.

**Sale No. 5** occurred on October April 15, 2008 for 866.98 acres at \$900,000 or \$1,038 per acre. This property is located approximately ten miles north of White Sulphur Springs and just west of the subject parcels. This land is desirable recreational ranch property with excellent scenic and wildlife amenities. In addition, this property overlooks the Newlan Reservoir. This sale is considered superior to the subject with respect to water and topography (view), similar with respect to location, use, and utilities, but inferior with respect to size. Overall, this sale at \$1,038 per acre is considered similar to the subject parcels.

**Sale No. 6** occurred on May 15, 2006 for 115.65 acres at \$195,000 or \$1,686 per acre. This property is located approximately ten miles north of White Sulphur Springs and just west of the subject parcels. Although this parcel is irregular in shape, it has good recreational amenities and elevated views of Newlan Reservoir. This sale is considered superior to the subject with respect to topography (view), but similar with respect to location, size, water, use and utilities. Overall, this sale at \$1,686 per acre is considered superior to the subject parcels.

Considering each of the aforementioned sales and placing greatest emphasis on Sale No. 2 , Sale No. 4 and Sale No. 5, it is my opinion a reasonable estimate of value for each of the subject parcel as of September 22, 2009 is **\$1,000 per acre**.

**Sale 317 (160 acres)**

**\$160,000\***

**Sale 318 (40 acres)**

**\$40,000\***

\* This value is subject to the Hypothetical Conditions on page 10

## **VALUE ESTIMATE AND CERTIFICATION**

The undersigned does hereby certify that, to the best of his knowledge and belief, except as otherwise noted in this appraisal report:

1. The statements of fact contained in this report are true and correct.
2. The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and/or those found in the letter of engagement or appraisal consultation contract authorizing this report and is my personal, impartial, and unbiased professional analysis, opinions, and conclusions.
3. 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.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting a predetermined value.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. This appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
7. My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with The Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
9. I have made a personal inspection of the property that is the subject of this report.
10. Gregory A. Thornquist is currently licensed in the State of Montana (Certificate #867) as a Certified General Real Estate Appraiser. Regarding the Competency Provision of USPAP, I further attest I've had substantial approved education and experience in the appraisal of vacant land and commercial property.

Based upon all the elements of which I am aware of and which could reasonably affect value, I have estimated market value of the subject site, as of September 22, 2009, to be:

**Sale 317 (160 acres)**  
**One Hundred Sixty Thousand Dollars**  
**\$160,000\***

**Sale 318 (40 acres)**  
**Forty Thousand Dollars**  
**\$40,000\***

October 5, 2009  
Date

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Gregory A. Thornquist,  
General Certified Appraiser

\* This value is subject to the Hypothetical Conditions on page 10