

APPRAISAL OF
THREE PARCELS OWNED BY
THE STATE OF MONTANA
PONDERA COUNTY, MONTANA

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

Prepared By
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Date of Inspection - October 13 & 14, 2010
Date of Value Estimate - October 13 & 14, 2010
Date of Report - November 2, 2010

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November 2 , 2010

Mr. Tom Konency, Appraiser
Montana Dept. Of Natural Resource
and Conservation
P.O. Box 201601
Helena, MT 59620-1601

Dear Mr. Konency:

As you requested, I have prepared a summary appraisal report on three parcels of land owned by the State of Montana located in Pondera County, Montana.

The purpose of the appraisal is to estimate the current fair market value of the appraised property. The opinions stated in the accompanying report are based on my inspection of the property, the comparable sale and assembly of all pertinent data.

Market research and sales analysis indicates that there is not difference in market value between those sales with and without legal access.

It is my opinion, after weighing all of the facts gathered during the preparation of the report, that the estimated value of the three parcels as of October 13 and 14, 2010, was:

Parcel 595 - Circle 4 Farms - \$12,600 (10-13-2010)
Parcel 596 - Lindseth Charolais Ranch - \$14,400 (10-14-2010)
Parcel 597 - Gus Winterrowd - \$20,000 (10-13-2010)

Sincerely,

Dennis C. Hoeger
Certified General Appraiser #75
State of Montana

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CERTIFICATION

The undersigned does certify that, except as otherwise noted in this report:

Employment and the compensation received for this assignment is not contingent upon the development or reporting of a predetermined value, a 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.

I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or the parties involved in this assignment.

To the best of my knowledge and belief, statements contained in this report, on which the analyses, opinions and conclusions expressed are based, are true and correct, and no important facts have been withheld.

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

The report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, and of the American Society of Farm Managers and Rural Appraisers. The American Society and Appraisal Institute have a legal right to review this report.

My analysis, opinions and conclusions were developed, and this report has been prepared in conformity with the Montana Department of Transportation Right-of-Way Manual, *Uniform Standards of Professional Appraisal Practice* and the *Uniform Appraisal Standards for Federal Land Acquisitions*, except to the extent that the *Uniform Appraisal Standards for Federal Land Acquisitions* requires invocation of the Jurisdictional Exception rule, as described in Section D-1 of the *Uniform Appraisal Standards for Federal Land Acquisitions*.

No one other than the undersigned provided significant professional assistance in the analysis, conclusions and opinions concerning the real estate that are set forth in this report

The appraisal assignment was not contingent on developing or reporting predetermined results, a requested minimum valuation, a specific valuation, or approval of any proposed financing.

As of the date of this report, I Dennis C. Hoeger, MAI, have completed the requirements under the continuing education program of the Appraisal Institute. Dennis C. Hoeger, ARA, is currently certified under the voluntary continuing education program of the American Society of Farm Managers and Rural Appraisers.

I have made a personal inspection of the appraised properties which are the subject of this report and all comparable sales used in developing the opinion of value. The date of inspection was October 13 and 14, 2010 and the method of inspection was a personal visit to the property.

In my opinion, as of October 13 and 14, 2010, the market value of the appraised properties was:

Parcel 595 - October 13, 2010 - \$12,600

Parcel 596 - October 14, 2010 - \$14,400

Parcel 597 - October 13, 2010 - \$20,000

Dennis C. Hoeger, ARA, MAI
Certified General Appraiser #75
State of Montana

SUMMARY OF FACTS AND CONCLUSIONS

Parcel 595 - Lease No.: 9317

Owner of Record:	State of Montana
Lessee:	Circle 4 Farms - Joe Sretheim
Type of Property:	Native rangeland and dry cropland
Effective Date of Appraisal:	October 13, 2010
Property Rights Appraised:	Fee simple
Location:	Approximately 14 air miles northeast of Conrad, MT
Improvements:	None
Highest and Best Use:	Native rangeland and dry cropland
Estimated Market Value:	\$12,600

Parcel 596 - Lease No.: 1308

Owner of Record:	State of Montana
Lessee:	Lindseth Charolais Ranch
Type of Property:	Native rangeland
Effective Date of Appraisal:	October 14, 2010
Property Rights Appraised:	Fee Simple
Location:	Approximately 20 air miles northwest of Pendroy, MT
Improvements:	None
Highest and Best Use:	Native rangeland
Estimated Market Value:	\$14,400

Parcel 597 - Lease No.: 9963

Owner of Record:	State of Montana
Lessee:	Gus Winterrowd
Type of Property:	Native rangeland
Effective Date of Appraisal:	October 13, 2010
Property Rights Appraised:	Fee simple
Location:	Approximately 2 ½ air miles south of Brady, MT
Improvements:	None
Highest and Best Use:	Native rangeland with the potential for dry cropland
Estimated Market Value:	\$20,000

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report, the letter of transmittal and certification are subject to the following assumptions and limiting conditions; and also, any special qualifying conditions which may be contained elsewhere in the report are incorporated by reference.

ASSUMPTIONS

That the legal description, as furnished, is correct; and that the title to the property is good and marketable. The property is appraised as though it is under responsible ownership and competent management.

That the land dimensions taken from available maps, plats, and/or surveys are correct. It has been assumed that those boundaries that are apparent are correct.

That no adverse water table or soil conditions exist, and no representation regarding such conditions is made in this report unless specifically stated; and, that the value estimated is predicted on the absence of any such conditions occurring.

That opinions, estimates, data and statistics supplied by others in the course of this study, are correct; the assumption has been made that the sources are reliable, but no responsibility has been inferred for their accuracy.

Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. I have no knowledge of the existence of such materials on or in the property. I am not qualified to detect such substances. The presence of potentially hazardous materials may affect the value of the property. This extends to any leaks from underground fuel storage tanks. The value estimate is predicated on the assumption that there is no such material on or in the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired. Any such environmental risk discovered at a later date may require a revised estimate of value that may or may not be simply a reduction of the value by the estimated cost to cure the environmental condition. Properties known to have environmental risk may also carry a stigma in the market place that may or may not effect the value. If future soil tests should reveal the existence of any such soil conditions or hazardous waste, we reserve the right to review and adjust this appraisal accordingly.

LIMITING CONDITIONS

The appraiser is not responsible for any matter legal in character, nor is any opinion rendered as to title, which is assumed to be marketable.

The value reflected in the analysis applies only to the program of utilization considered in this report. The use of the value in conjunction with any other appraisal or under other influences invalidates the conclusions developed.

This analysis and estimate of value is made for the exclusive use and benefit of the clients to whom it is addressed; and, possession of this report or a copy, does not carry with it the right of publication, nor may it be used for any purpose other than that intended without the previous consent of the appraiser. In any event only the entire report may be used and no part shall be taken or used out of context.

Included as an integral part of this appraisal report are maps and photographs of the appraised property and sales. Although they do not purport to represent survey accuracy, they are substantially correct and adequately serve as visual reference to the property.

Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute and the American Society of Farm Managers and Rural Appraisers. Neither all nor any part of the contents of this report (especially any conclusions of value, the identity of the appraiser or the firm with which he is connected or any reference to the MAI or ARA designations) shall be disseminated to the public through advertising media, public relations, news media, sales media, or any other public means of communication without the prior written consent and approval of the author.

The Appraisal Institute and the American Society of Farm Managers and Rural Appraisers conducts a voluntary program of continuing education for its members. ARA's and MAI's who meet the minimum standards of this program are awarded periodic educational certification. Dennis C. Hoeger is currently certified under the AI and ASFMRA voluntary continuing education programs.

HYPOTHETICAL CONDITIONS

“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).”¹

“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.”¹

¹Attachment A, Scope of Work for Appraisals of Potential Sales through the Land Banking Program.

SCOPE AND SUMMARY OF THE APPRAISAL PROBLEM

The following is a summary of the scope of work relevant to arriving at a conclusion of value for the appraised property, and a summary of the appraisal problem to be solved by this appraisal.

The appraisal involves estimating the market value of three properties owned by the State of Montana and managed by the Department of Natural Resources and Conservation. These three parcels may be sold at auction as a part of the land banking program. In the land banking program, scattered parcels are sold to the lessees and the money generated by the sales is used to purchase more productive (blocked) tracts that will generate more money to the State of Montana.

These three parcels are isolated 40 acre parcels located within the fee owned land of the lessee. Due to their relative small size and their highest and best use, the sales comparison approach to value will be used to appraise these parcels. There are no building improvements to consider, so the cost approach will not be used. Since these tracts are small, the income generated by the parcel has little bearing on the prices paid for similar property in the area, so the income approach is not used.

Sales research was conducted in Pondera and surrounding counties for sales that could be considered comparable to the three appraised properties. Information regarding the sales used to estimate market value was confirmed with buyers, sellers, Realtors and/or other appraisers knowledgeable of the transactions. Based on those conversations and discussions, the information is considered factually accurate and the sales used in this report represent arms length transactions. I have personally inspected all of the sales used to arrive at the conclusions of market value for the appraised properties.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the current fair market value of the appraised properties. The date of value is the date of the inspection, October 13 and 14, 2010.

Current fair market value is defined in **MCA 70-30-313** as follows:

“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.”

When developing an opinion of market value, the appraiser must also develop an opinion of reasonable exposure time linked to the value opinion.

Exposure time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

The sales used in this report all were sold within one year. Some properties listed for sale have been on the market for longer periods of time, but that relates more to the asking price. Considering the present market conditions, an exposure time of one year is appropriate.

The condition I am appraising for is cash, or in market terms equivalent to cash.

While the appraised properties are currently subject to long term leases, the premise of this valuation is that the appraised properties are valued as though they were in fee simple ownership. Full ownership of all of the rights of real property is commonly known as a “fee simple estate”. The owner of the fee simple estate holds “fee simple title” that is subject to the four inherent powers of government: taxation, eminent domain, escheat and police power.

My clients and the intended users of this report are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation. The intended use of the appraisal is for a decision making process concerning the potential sale of the appraised properties.

PART II
FACTUAL DATA

LEGAL DESCRIPTION

Parcel 595 - Lease No. 9317 - SW1/4SE1/4 Section 34,
Township 30 North, Range 1 West, MPM

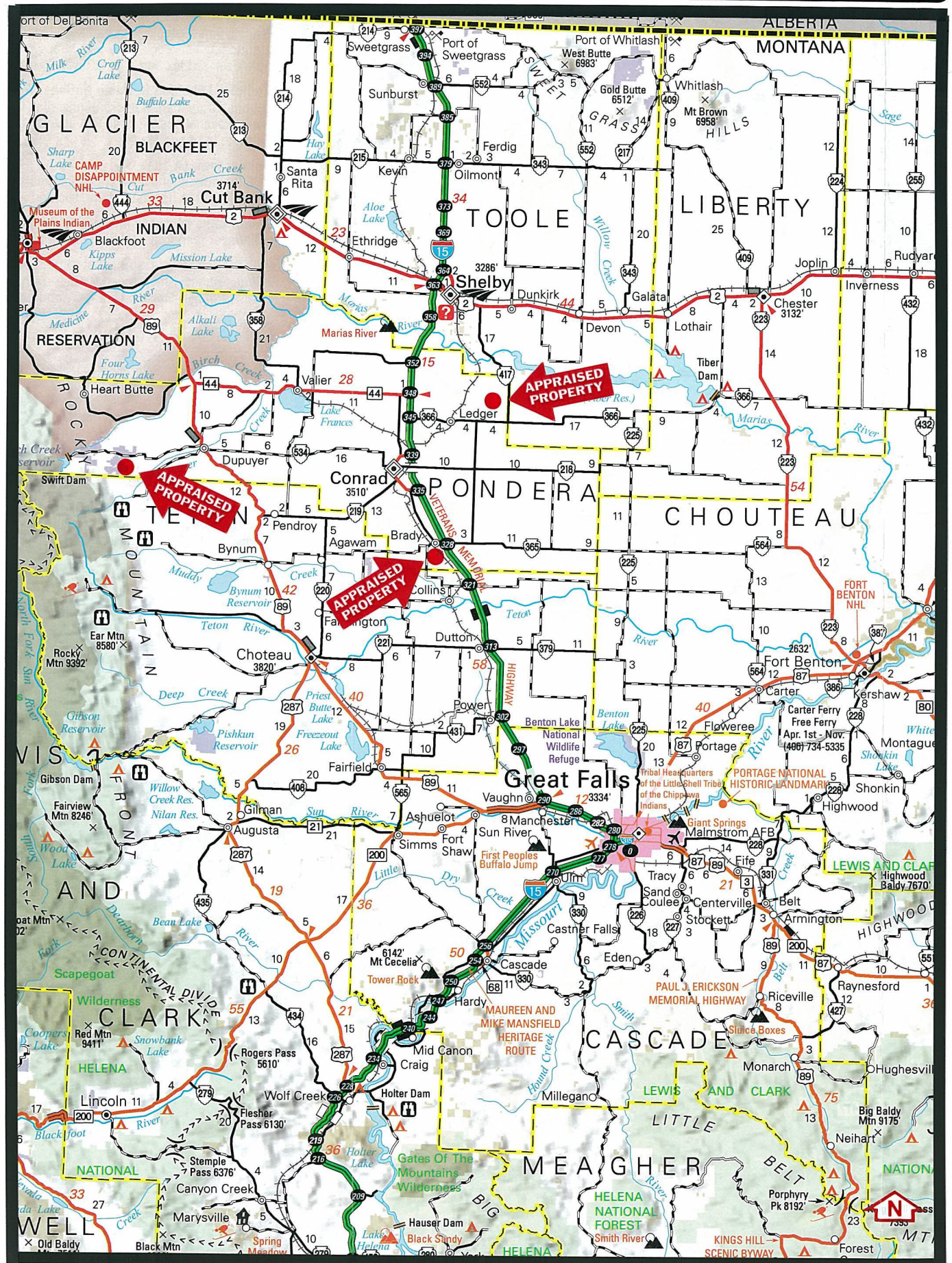
Parcel 596 - Lease No. 1308 - NE1/4SW1/4 Section 23
Township 28 North, Range 9 West, MPM

Parcel 597 - Lease No. 9963 - SE1/4SW1/4 Section 14
Township 26 North, Range 2 West, MPM

PROPERTY RIGHT APPRAISED

The estate appraised is the fee simple title to the appraised property.

Regional Map



MARKET AREA DATA

The appraised properties are located in Pondera County in north central Montana. Parcels 595 and 597 are located in the eastern part of the county, while Parcel 596 is located in the western part of county.

Access in and out of the general area of these three parcels is good from County paved and gravel roads that provide access to State and Federal highways.

Pondera County has a population of \pm 5,600 and encompasses over 1,600 square miles. The county is serviced by and accessed from various highways and secondary roads, including Interstate 1-15 and State Highways 44 and 89. The county seat is the town of Conrad.

Pondera County is a mix of lowland, bench prairie and hill country, with the western edge of the county on the Rocky Mountain eastern slope. The most notable bodies of water are the Marias River at the northern edge of the county, and Lake Frances south of the town of Valier.

Pondera County has approximately \pm 900,000 acres of agricultural land, approximately 91% of the entire county, and an average farm size of \pm 1,700 acres. The majority of the crops include winter wheat, barley and alfalfa hay and livestock include cattle, sheep and hogs. Although Pondera County is smaller than some of the surrounding counties, it is big on production, ranking tenth in the state in receipts from farm marketing in 2007.

Pondera County generally has good production in large part due to the fact that water is available for irrigation in parts of the market area. The area around Lake Frances and the town of Valier, as well as some areas around Conrad, are considered to be areas of good production and, consequently, demand higher land prices. The south end of the county is reported to have gravelly soils and reduced yields, while farther north toward Toole County is considered to be more average production ground.

Teton County has a population of approximately \pm 6,000 and encompasses nearly 2,300 square miles. The county is serviced by and accessed from several highway and secondary roads, most notably I-15 and the county seat is the town of Choteau.

Teton County has many rivers and streams, including the North Fork of the Sun River as well as the Teton River. The county is generally a mix of lowlands, bench prairie and hills, with the western edge of the county located on the eastern slope of the Rocky Mountains.

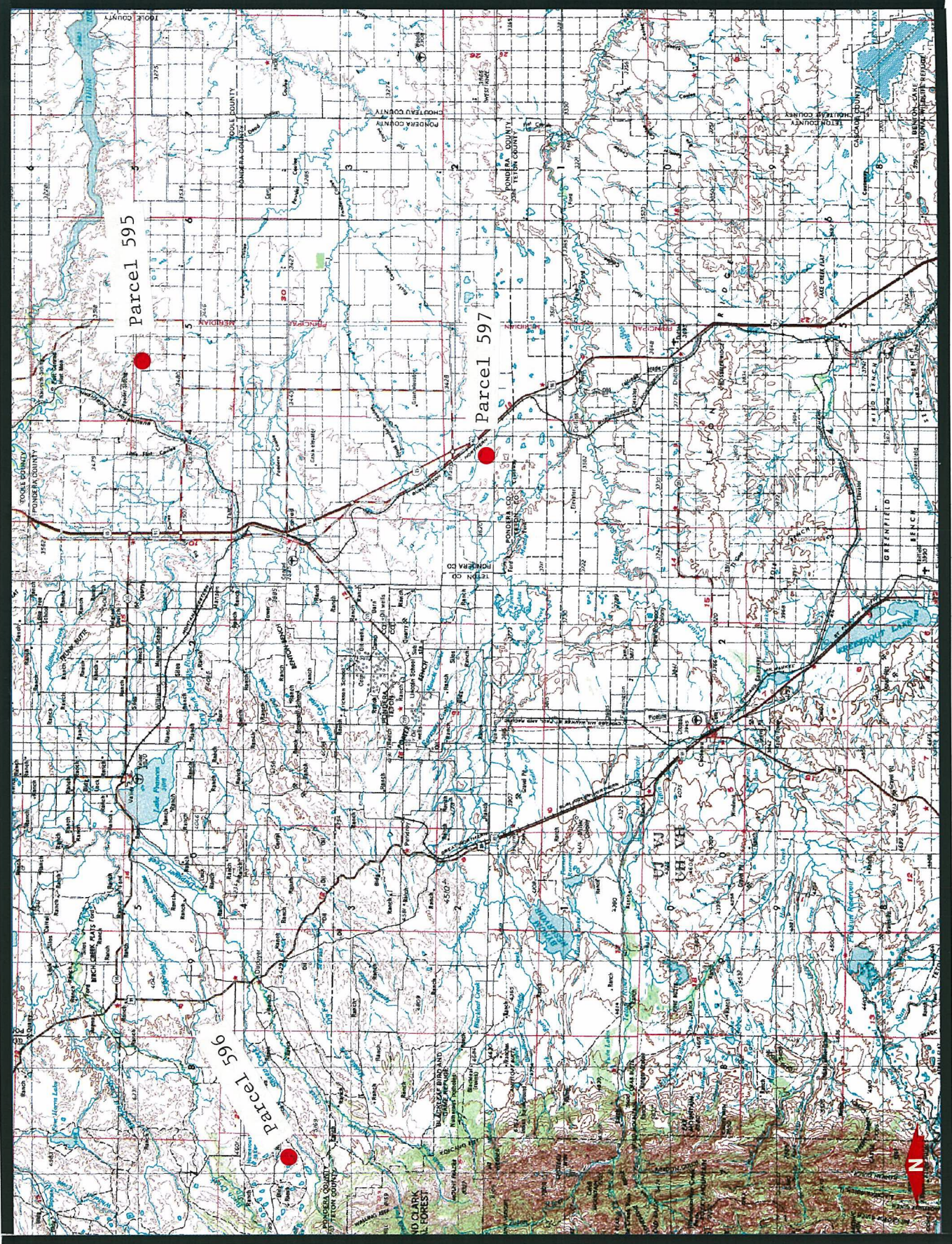
Teton County has over 1.2 million acres of agricultural land, approximately 79% of the entire county, with an average farm size of \pm 1,500 acres. The majority of the crops are winter

wheat, barley and alfalfa hay and livestock include cattle, sheep and hogs. In the State of Montana in 2007, Teton County ranked eighth in cash receipts from farm marketing.

Central and eastern Teton County is generally a good area of production in terms of agriculture. According to local data, the area north of the Teton River is not as highly sought after as that area south of the river. In addition, historically prices tend to soften the farther east you go toward Chouteau County, due to the increased distance to town. However, when agricultural demand is high this becomes much less important to potential buyers. The areas east and west of Dutton and south of the Teton River are considered to be of good production with strong market demand for agricultural land, particularly in the Diamond Valley area east of Dutton. South of Dutton in an area known as the Teton Ridge, it was reported that crop yields tend to be lower than the area north of the ridge.

Those two counties are important agricultural areas in Montana and will continue to be in the foreseeable future.

Neighborhood Map



PROPERTY DATA

Parcel 595 - Lease No. 9317

This 40 acre parcel is currently leased to Circle 4 Farms, Joe Sretheim. It is located approximately 20 road miles northeast of Conrad by way of Interstate 15, Ledger, Harvest, Affinity and Kapor Roads. Ledger Road is a paved County road; Harvest, Affinity and Kapor are gravel county roads. From Kapor Road a ½ mile dirt wheel track trail provides seasonal access to the appraised property.

This parcel has 6.6 acres of dry cropland in the southwest corner of the parcel and the balance of 33.4 acres is native rangeland. The dry cropland is gently sloping from south to north. The native rangeland is mostly very steeply sloping. A very deep coulee runs through the parcel from southeast to northwest. It is so steep that livestock would have a difficult time grazing the sides of this coulee if they could at all. There are small pockets of water in the bottom of the coulee, but it is evident that it is salty from the alkali residue. The photos and topographic map in this section of the report shows the size of this coulee. The lease allows 6 animal unit months (AUM's) on this parcel, or 5.5 acres per AUM, but it is difficult to imagine that amount of grazing is achievable. Where there is grass on this parcel it appears to be in good condition; the lessee reported that he is not running livestock on the parcel at this time.

The soil on the dry cropland is Scobey - Kevin clay loams, 0 to 4 percent slopes. This soil is used primarily for irrigated and dryland crops, and produces an average of 50 bushels of dryland winter wheat and 70 bushels of dryland barley. The soil on the native rangeland is Neldore-Lambeth-Rock outcrop complex, 35 to 70 percent slopes. This soil is only usable for grazing. The primary forage species found on the rangeland portion of the parcel are bluebunch and western wheatgrass, and needleandthread grass.

This parcel has a cross fence that separates the dry cropland from the rangeland. There are no other fences on the parcel.

This parcel has historically been used for agricultural production. There are no known sources of livestock water on the tract except that water that accumulates in the bottom of the coulee.

Parcel 596 - Lease No. 1308

This 40 acre parcel is currently leased to Lindseth Charolais Ranch, Raymond Lindseth. It is located approximately 12 miles west of Dupuyer, MT, south of the Swift Dam Road. From U.S. Highway 89, Swift Dam Road is a gravel county road; the appraised parcel is



Parcel 595 looking northwest at cropland along access trail from the north boundary of the parcel, 10-13-10. DCH



Parcel 595 looking southeast from south boundary, cropland on right, 10-13-10. DCH



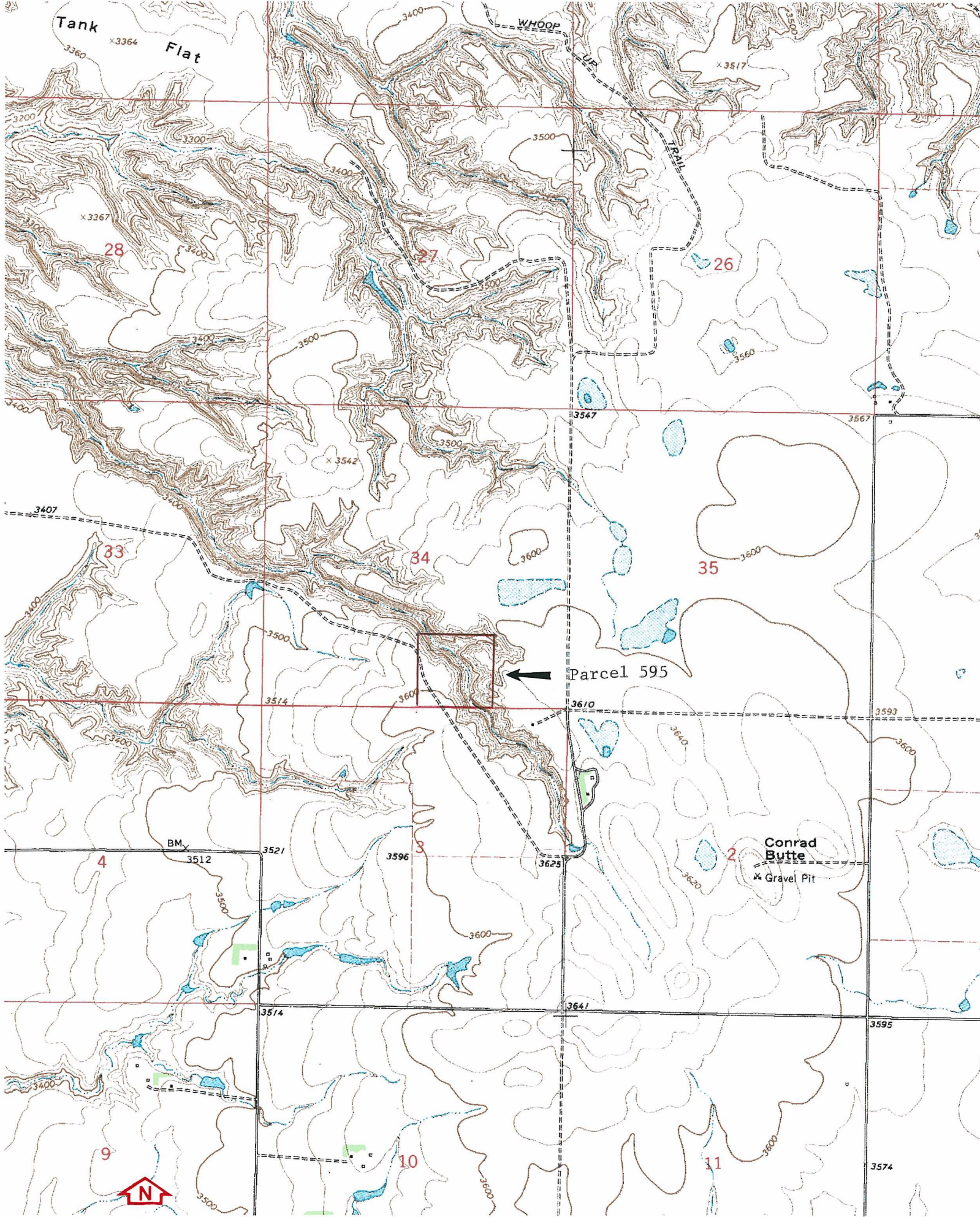
Parcel 595 looking southeast from near south boundary at deep coulee and native range, cropland in distance on right, 10-13-10. DCH



Deep coulee looking east along the north boundary
of Parcel 595, 10-13-10. DCH



Deep coulee looking north from just north of the
north boundary of the parcel, 10-13-10. DCH





Parcel 596 looking south
along the east boundary of
the parcel from mid point of
the parcel, 10-14-10. DCH



Parcel 596 looking north
along the east boundary of
the parcel from mid point of
the parcel, 1-14-10. DCH



Parcel 596 looking west for
near the east boundary of the
parcel near the mid point of
the parcel, 1-14-10. DCH



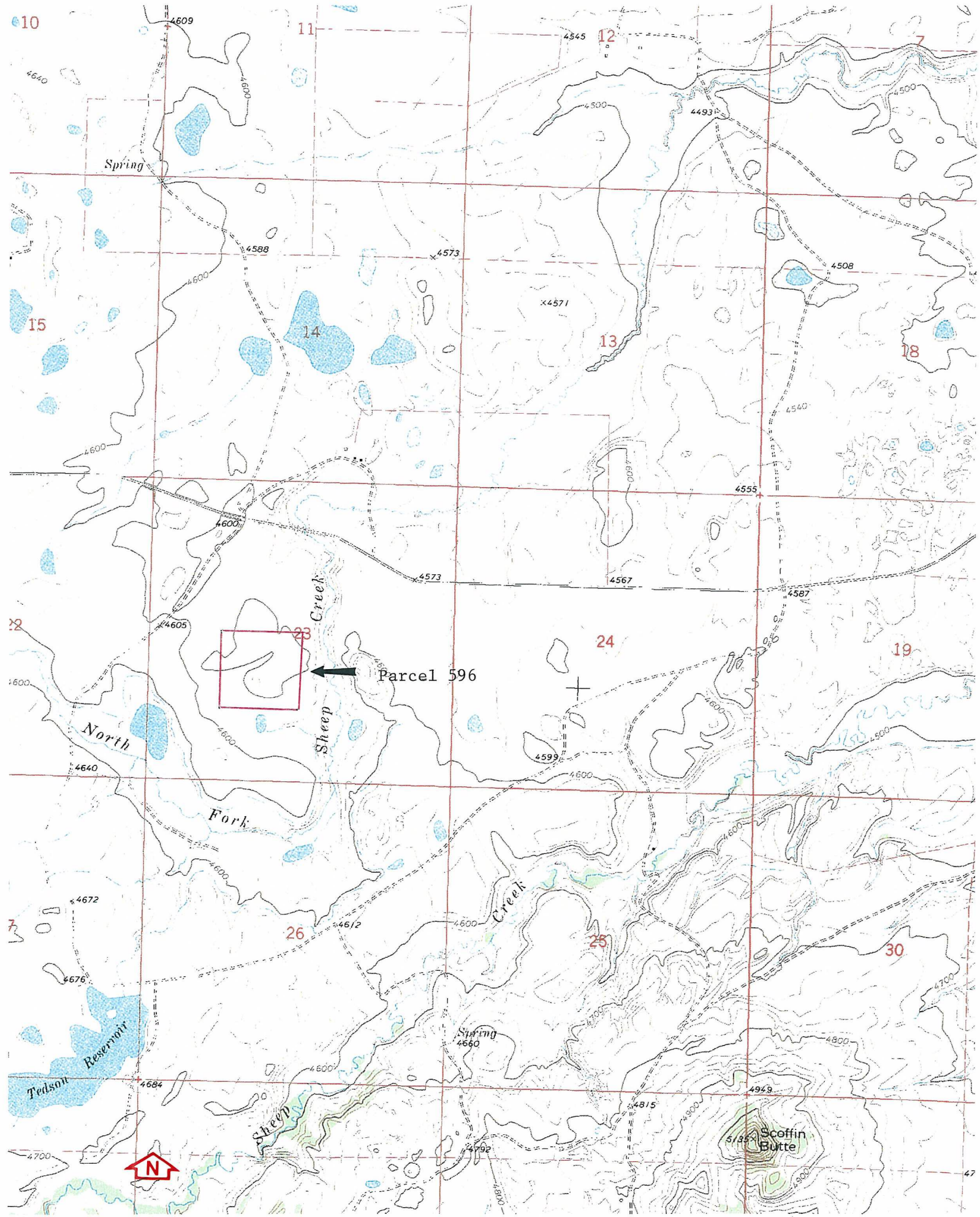
Parcel 596 looking east
along the south boundary of
the parcel from the
southwest corner, 10-14-10.
DCH



Parcel 596 looking north
along the west boundary of
the parcel from the
southwest corner, 10-14-10.
DCH



Parcel 596 looking west from
near the mid part of the
parcel, 10-14-10. DCH



approximately 1/3 mile south of Swift Dam Road. A dirt wheel track trail provides seasonal access to the appraised property.

The appraised property is comprised of 40 acres of native rangeland; the lease allows grazing of 15 AUM's or 2.67 acres per AUM. The rangeland is gently rolling and is in good to excellent condition. There is no source of livestock water on this parcel. This parcel is fenced on its south boundary; there is a fence on the east side, but it is believed that the fence is east of the east boundary line of the parcel. The fences are in excellent condition.

The soils on this parcel include Beanlake-Cabba-Castner complex, 8 to 35 percent slopes, Beanlake-Winspect cobbly loams, 2 to 15 percent slopes and a small amount of Beanlake-Saypo-Winspect complex, 0 to 8 percent slopes. These soils are best suited for native rangeland. The primary vegetation found on these soils include rough fescue and bluebunch wheatgrass.

This parcel has historically been used for agricultural production. There are no known sources of livestock water on this parcel.

Parcel 597 - Lease No. 9963

This 40 acre parcel is currently leased to Gus Winterrowd. It is located approximately 3 road miles south of Brady, MT. The appraised parcel can be approached from either the east or west. From the west on Thompson Road, a county gravel road, a 3/4 mile long dirt wheel track trail runs along the south boundary of the appraised parcel. From Collins Road, a county gravel road on the east, it is a 1/2 mile of dirt wheel track trail to the edge of the southeast corner of the parcel. This trail provides seasonal access to the south edge of the appraised parcel.

The appraised property is comprised of 40 acres of native rangeland; the lease allows 10 AUM's or 4 acres per AUM. The rangeland is gently sloping and is in good to excellent condition. There is no known source of livestock water on this parcel and Mr. Winterrowd couldn't recall the last time livestock were grazed on the parcel. He said at one time horses were grazed here and water had to be hauled to them. The parcel is fenced on all four sides with four strands of barb wire on wood posts. The fences are in fair to average condition.

This parcel is surrounded by dryland farm land. The primary soil is Scobey-Kevin clay loams, 4 to 8 percent slopes. There is a smaller amount of Scobey-Kevin clay loams, 0 to 4 percent slopes. These are the same soils that are found on the surrounding property that is being dryland farmed. These soils are glacier till and are cobbly, but farmed none the less. These soils produce an average of 50 bushels of dryland winter wheat and 70 bushels of dryland barley.

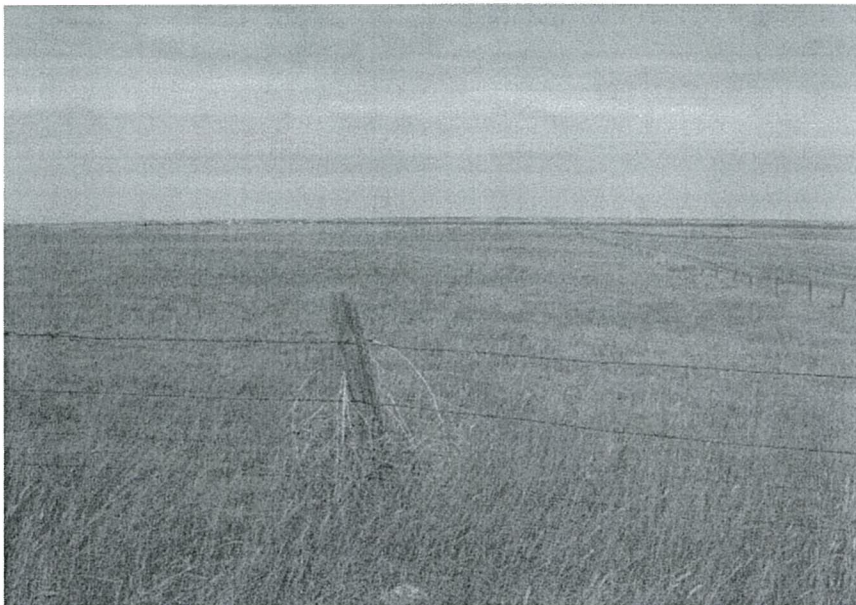
While this parcel has historically been in rangeland, there appears to be no reason that wouldn't be plowed and converted to dry cropland.



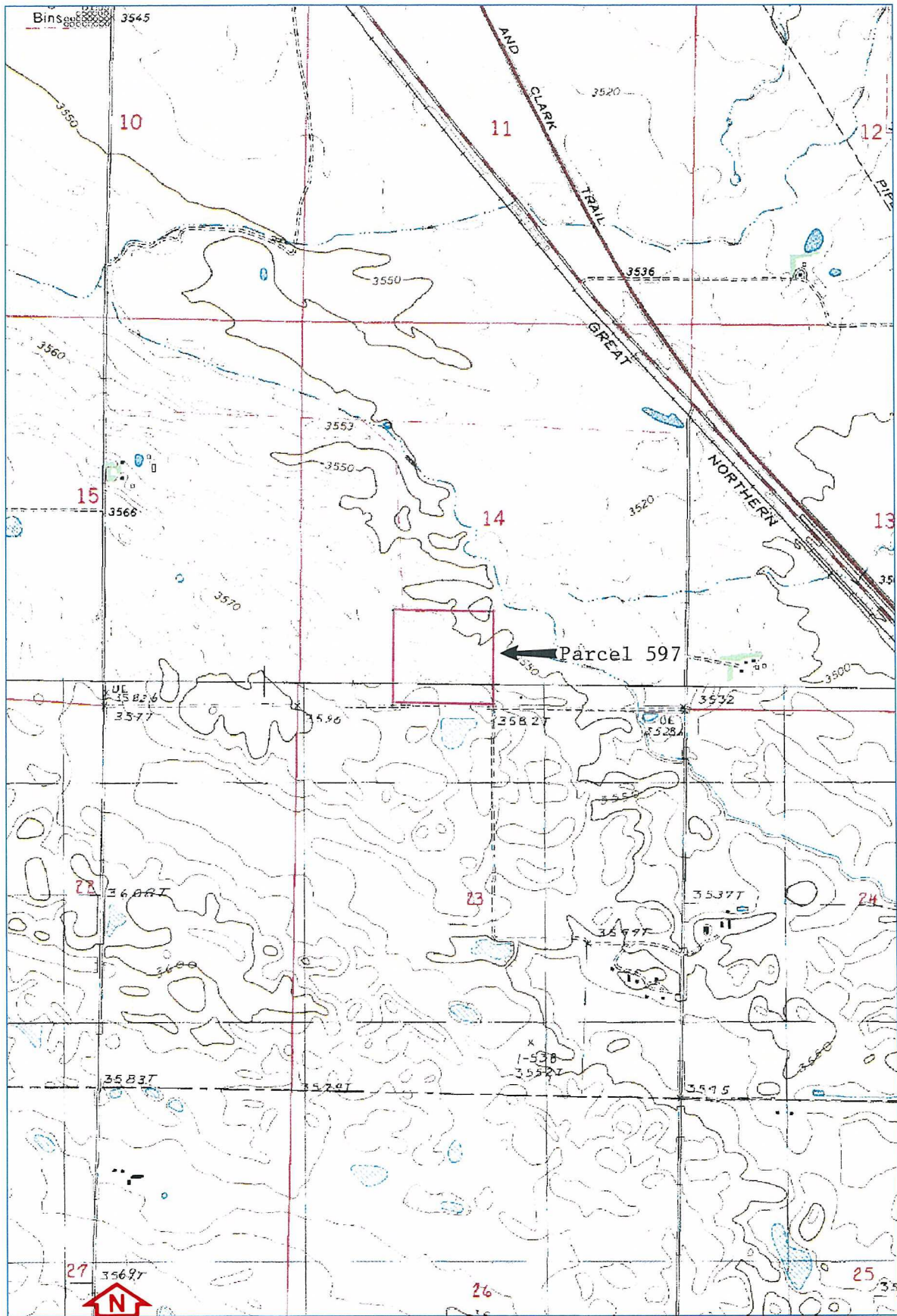
Parcel 597 looking north
from the south boundary,
west boundary at left,
10-13-10. DCH



Parcel 597 looking north
from the south boundary
from mid point of the parcel,
10-13-10. DCH



Parcel 597 looking north
from the south boundary, east
boundary at right, 10-13-10.
DCH



PART III
ANALYSIS AND CONCLUSIONS

THE APPRAISAL PROCESS

The appraisal process is an orderly procedure of gathering information from the market which will lead to an estimate of value.

There are three approaches to value which should be considered when arriving at an estimate of value for real estate. These are: 1) The cost approach; 2) the sales comparison approach; 3) the income approach.

In the cost approach, the value of the land portion of the property is estimated from comparable market data. Next, the replacement cost of the building and improvements is estimated; accrued depreciation is estimated and subtracted from the replacement cost estimate, for an indication of the contributing value of the buildings. The estimated value of the land added to the contributing value of the buildings, results in an estimate of value by the cost approach.

The sales comparison approach estimates market value by comparing the appraised property with recently sold comparable properties. The comparable sales are analyzed, and compared to the subject property using the appropriate units of comparison to derive an indication of market value for the appraised property.

The income capitalization approach to value consists of methods and techniques that an appraiser uses to analyze a property's capacity to generate future benefits (i.e. usually the monetary benefits of income and/or reversion). These future benefits are converted into an indication of present value in the income capitalization approach to value.

Whenever possible, all three approaches should be used. One approach, however, will often be given greater weight than the others depending on the type of property, the most convincing factual data, and the objective of the appraisal.

The sales comparison approach is the most appropriate approach to value the appraised properties in this report. There are no building improvements to be valued, so the cost approach to value is not appropriate. Parcel 595 does have two land classifications and each land class will be valued separately, then added together for an indication of value. The income generated from these small tract is so small that its relationship to value is so insignificant that the income approach becomes meaningless.

ANALYSIS OF HIGHEST AND BEST USE

The highest and best use of a specific parcel of land does not depend on subjective analysis by the property owner, the appraiser, or a property developer. Rather, highest and best use is shaped by the competitive forces within the market where the property is located.

In all valuation assignments, value estimates are based on use. Consequently, highest and best use is the foundation of any property value estimate.

Highest and best use may be 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.¹

When a site contains improvements, the concluded highest and best use may be different from the existing use. The existing use will continue unless and until the vacant land value, at its highest and best, exceeds the sum of the value of the entire property in its existing use, plus the cost to remove the improvements.

In order to ascertain the highest and best use of the appraised site, a number of factors were taken into consideration. These include the physical characteristics of the property such as location, access, size, topography and utilities. Legal factors considered in this analysis include the zoning ordinance which may restrict use of the appraised property. The present use of surrounding land as well as the demand for properties for different types of development in the area were also considered.

The following discussion will test for the four basic criteria. The highest and best use must be:

1. Physically possible
2. Legal permissible
3. Financially feasible
4. Maximally productive

¹. Appraisal Institute, The Appraisal of Real Estate, 13th Edition, (2008), p.277 - 278.

Physically Possible

Theoretically, there are several conceivable uses of the appraised properties which would be physically possible. The most likely use is the present use for agricultural production

Legally Permissible

The appraised properties are not zoned. The present agricultural use is a legally permissible use. A more intensive use that would require a septic system would have to be approved by the County Sanitarian.

Financially Feasible

An agricultural use of the appraised properties is financially feasible if the property can be operated or leased so that income can offset ownership costs. It is clear that agricultural operations could not support any substantial debt at the present land costs, but the property has been in agricultural use for decades and is leased to local farmers/ranchers.

The size of the appraised properties are typically considered add on units to existing, neighboring farm or ranch operations. There is no apparent demand for a more intensive use in the area of the appraised properties. The appraised properties are “in the middle” of farming and ranching areas that have been in that use for decades.

Maximally Productive

The maximally productive use of the appraised properties in this report are for continued use for agricultural production. There appears to be no more productive use available to these properties.

Conclusion

Parcel 595 - Based on my analysis of this property, there is no better use of the appraised property, as of October 13, 2010, than for agricultural production, the production of small grains and livestock.

Parcel 596 - Based on my analysis of this property, there is no better use of the appraised property, as of October 14, 2010, than for agricultural production, the production of livestock.

Parcel 597 - Based on my analysis of this property, there is no better use of the appraised property, as of October 13, 2010, than for agricultural production, the production of livestock as an interim use to conversion to small grain production.

MARKET ANALYSIS AND OBSERVATIONS

Earlier this year, I did extensive sales research in Cascade, Teton, Pondera, Toole and Glacier Counties. The following is the analysis of these sales and while it covers more area than that of the appraised properties, it is representative of the market for agricultural land in north central Montana. An update of the sales data revealed only a few new sales. Most sales seem to occur in the "off season" when there is no field work or harvest to be done.

The sales comparison approach to value relies on making comparisons between sales and the appraised property. However, since no two properties are identical, adjustments to the sales are required to arrive at an indication of value for the appraised property. Factors which most often require adjustments are terms (cash vs contract sales), time, size, location, access and physical features.

Adjustments for these characteristics are best shown by the analysis of sales within the market area, although it is occasionally necessary to go outside the market area for adjustments. Although not all differences can be pinpointed with mathematical precision, most often a reasonably narrow range of values can be obtained. Beyond that, bracketing will be used to arrive at a final conclusion of value.

Terms (Cash vs Contract Sales)

Three of the 60 sales sold on a contract for deed. A comparison of these three sales with the cash sales does not indicate a difference that would require an adjustment.

Time

Market conditions change over time, sometimes necessitating an adjustment for appreciation or depreciation in prices. The 60 sales that were analyzed occurred from January, 2006 through December, 2009. Of the 60 sales, 3 were in 2006, 14 were in 2007, 30 were in 2008 and 13 were in 2009. The increase in sales activity in 2008 is most likely do to the high grain prices that occurred in that year.

An analysis of these sales does not support an adjustment for time. In some cases, it may appear that there is an upward trend, but the difference is attributable to other factors such as access or buyer motivation.

Size

Smaller parcels often sell for more, on a per acre basis, than do larger parcels and, conversely, larger parcels often sell for less on a per acre basis than do smaller parcels. The 60 sales range from 40 to 2,729 acres. Only one sale is as small as 40 acres and there are 12 sales over 1,000 acres. The 47 remaining sales average 389 acres. Analyzing the various land classes, there is no definite trend for the size of a parcels versus the price paid. This analysis does not indicate an adjustment for size.

Location

The location of a property can have a significant affect on the price paid. The appraised properties and the sales are all agricultural properties; there is demand for the property where they are located. There is no evidence that there is an adjustment for location. Location and access are often intertwined and in the analysis of the sales, it appears that physical access is an item of consideration.

Access

Most of the 60 sales that were analyzed have access on a public road or a recorded easement for access. While a few of the sales lacked legal access, in all cases, it was reported that the buyer had access across his existing land, or that there was a prescriptive easement for access. There was no indication that a buyer paid less because a lack of legal access.

Physical access seems to make a difference, although there is a limited amount of data. In southeastern Teton County, Sales T-22 and T-23 are located on a road that is impassable when wet, or what I would term seasonal access. These two sales are purely native rangeland. The other sales that have native rangeland as a part of the sale, also have either dry cropland or CRP as a part of the sale. In this case, the limited physical access sales sold below the other sales that have native rangeland as a part of the property.

Utilities

Not all of the sales have utilities to the property, but since these are strictly agricultural properties, the lack of utilities to the sales does not appear to have an adverse affect on value.

Physical Features

The physical features on the 60 sales vary somewhat, but generally range from gently to moderately rolling or sloping land. Parcel 595 has very steeply sloping land, parts of which are classified as rock outcrop and are barren of any grass. While the physical features on most of the sales don't suggest an adjustment, a conclusion at the low end of the range for native rangeland

on Parcel 595 is appropriate considering the physical features on this parcel. The physical features will be discussed in the valuation of Parcel 595.

Observations

Access and buyer motivation appear to have the greatest impact on the prices paid for property in the Cascade, Pondera, Teton, Glacier and Toole Counties covered by the sales analyzed.

There are a number of buyers who are aggressively buying property to expand their operations and are in a position to pay “top dollar” for the dry cropland that they want. This is evident throughout most of the area researched for sales, but is most pronounced in the higher production and reputation areas south of the Marias River to the area between Power and Brady.

SALES COMPARISON APPROACH

In the sales comparison approach to value, market value is estimated by comparing the appraised properties with recently sold comparable sales. The comparable sales are analyzed and compared to the appraised property using an appropriate unit of comparison to derive an indication of market value for the appraised properties. The price per acre is the most appropriate unit of comparison in this appraisal. Sales research was conducted primarily in Pondera and Teton Counties for sales that could be used in this appraisal. The five sales used here are the most recent and most comparable.

Parcel 595 - Dry Cropland

The following is a summary of the sales, a complete sales sheet can be found in the Addendum of this report.

Sale	Grantor	Grantee	Date	Ac. Dry Crop	Price/Ac. Dry Crop
P-1	Wright	Birch	10-09	36	\$ 700
P-2	Wright	New	09-09	768	\$ 700
P-6	Schlepp	Winterrowd	12-08	218	\$ 700
P-11	Bouma	Destaffany	03-08	196	\$ 700
P-12	Boumans	Crawford	09-08	233	\$ 805

Sale P-1, Theodore & Elizabeth Wright to Bradley L. Birch is the October, 2009 sale of 36.3 acres of dry cropland located approximately 11 miles west of Conrad. This is primarily a sale of native rangeland with a small tract of dry cropland. This sale indicates a conclusion of \$700 per acre for the dry cropland on the appraised property.

Sale P-2, Theodore & Elizabeth Wright to New Miami Colony, Inc. is the September, 2009 sale of 768 acres of dry cropland located approximately 11 miles west of Conrad. This is a sale of both dry cropland and native rangeland. This sale indicates a conclusion of \$700 per acre for the dry cropland on the appraised property.

Sale P-6, Anna M. Schlepp to Augustus Q. & Patti A. Winterrowd, is the December, 2008 sale of 218 acres located approximately 1 ½ miles northeast of Brady. This is a tract of dry cropland. This sale indicates a conclusion of \$700 per acre for the appraised property.

Sale P-11, Edward & Frank Bouma to Joe L. Destaffany is the March, 2008 sale of 196 acres located approximately 7 air miles southeast of Conrad. This is a tract of dry cropland. This sale indicates a conclusion of \$700 per acre for the appraised property.

Sale P-12, Randall Boumans to Theodore P. & Dianna L. Crawford is the September, 2008 sale of 233 acres located approximately 4 air miles southeast of Valier. This is a tract of dry cropland. This sale indicates \$805 per acre for the appraised property.

These 5 sales form a narrow range of indicated values from \$700 to \$805 per acre for the dry cropland. Clearly, four of the five sales indicate a conclusion of \$700 per acre for the dry cropland.

The concluded value of the dry cropland on Parcel 595 is \$700 per acre.

Parcel 595 - Native Rangeland

The following is a summary of the sales, a complete sales sheet can be found in the Addendum of this report.

Sale	Grantor	Grantee	Date	Ac.	Price/Ac.
				Nat. Rng	Nat. Rng.
P-1	Wright	Birch	10-09	636	\$ 360
P-2	Wright	New	09-09	238	\$ 360
P-10	Boumans	Triple P	07-08	283	\$ 300
T-22	Grossman	Burgmaier	12-08	800	\$ 291
T-23	Grossman	Vick	12-08	560	\$ 291

Sale P-1, Theodore & Elizabeth Wright to Bradley L. Birch is the October, 2009 sale of 636 acres of native rangeland located approximately 11 miles west of Conrad. This is primarily a sale of native rangeland with a small tract of dry cropland. This sale indicates a conclusion of \$360 per acre for the dry cropland on the appraised property.

Sale P-2, Theodore & Elizabeth Wright to New Miami Colony, Inc. is the September, 2009 sale of 238 acres of native rangeland located approximately 11 miles west of Conrad. This is a sale of both dry cropland and native rangeland. This sale indicates a conclusion of \$360 per acre for the native rangeland on the appraised property.

Sale P-10, Randall Boumans to Triple P, LLC, is the July, 2008 sale of 283 acres of native rangeland located approximately 4 air miles southeast of Valier. This is a tract of improved pasture and native rangeland. This sale indicates a conclusion of \$300 per acre for the native rangeland on the appraised property.

Sale T-22, Gordon C. & Shirley Grossman to Kyle Burgmaier is the December, 2008 sale of 800 acres located approximately 7 air miles northeast of Power. This is a tract of native rangeland and State leased land. This sale indicates \$291 per acre for the native rangeland on the appraised property.

Sale T-23, Gordon C. & Shirley Grossman to Duane J. Vick is the December, 2008 sale of 560 acres located approximately 11 air miles northeast of Power. This is a tract of native rangeland and State leased land. This sale indicates \$291 per acre for the native rangeland on the appraised property.

These 5 sales form a range of indicated values from \$291 to \$360 per acre for the native rangeland. Due to the very steep and essentially none useable area on the native rangeland portion of the appraised property a conclusion below the low end of the range is considered appropriate. There is no market evidence for an adjustment, but based strictly on the appraiser's opinion, a downward adjustment of 20 percent will be applied to indicate a range of \$233 to \$288 per acre for the appraised property.

The concluded value of the native rangeland on Parcel 595 is \$240 per acre.

Summary - Parcel 595

Dry cropland -	6.6 ac. @ \$700/ac. =	\$ 4,620
Native rangeland -	33.4 ac. @ \$240/ac. =	\$ <u>8,016</u>
	Total	\$12,636
	Rounded to	\$12,600

Parcel 596 - Native Rangeland

The following is a summary of the sales, a complete sales sheet can be found in the Addendum of this report.

Sale	Grantor	Grantee	Date	Ac. Nat. Rng.	Price/Ac. Nat. Rng.
P-1	Wright	Birch	10-09	636	\$ 360
P-2	Wright	New	09-09	238	\$ 360
P-10	Boumans	Triple P	07-08	283	\$ 300

Sale P-1, Theodore & Elizabeth Wright to Bradley L. Birch is the October, 2009 sale of 636 acres of native rangeland located approximately 11 miles west of Conrad. This is primarily a sale of native rangeland with a small tract of dry cropland. This sale indicates a conclusion of \$360 per acre for the native rangeland on the appraised property.

Sale P-2, Theodore & Elizabeth Wright to New Miami Colony, Inc. is the September, 2009 sale of 238 acres of native rangeland located approximately 11 miles west of Conrad. This is a sale of both dry cropland and native rangeland. This sale indicates a conclusion of \$360 per acre for the native rangeland on the appraised property.

Sale P-10, Randall Boumans to Triple P, LLC, is the July, 2008 sale of 283 acres of native rangeland located approximately 4 air miles southeast of Valier. This is a tract of improved pasture and native rangeland. This sale indicates a conclusion of \$300 per acre for the native rangeland on the appraised property.

These sales form a range of indicated values from \$300 to \$360 per acre for the native rangeland. Sales P-1 and P-2 are the most comparable indicating a conclusion at the upper end of the indicated range. The concluded value of the native rangeland on Parcel 596 is \$360 per acre.

$$40 \text{ acres @ } \$360/\text{ac.} = \$14,400$$

Parcel 597 - Native Rangeland

The native rangeland on this parcel has the potential to be converted to dry cropland. The land on all four sides of this parcel are being farmed and have the same soil as Parcel 597. None of the sales researched had this same potential; to value this parcel, a conclusion between the value of native rangeland and dry cropland will be the best indication of value for this parcel.

The following is a summary of the sales, a complete sales sheet can be found in the Addendum of this report.

Sale	Grantor	Grantee	Date	Ac. Nat.Rng	Price/Ac. Nat. Rng.	Ac. Dry Crop	Price/Ac. Dry Crop
P-1	Wright	Birch	10-09	636	\$ 360	36	\$ 700
P-2	Wright	New	09-09	238	\$ 360	768	\$ 700
P-6	Schlepp	Winterrowd	12-08	----	----	218	\$ 700
P-10	Boumans	Triple P	07-08	283	\$ 300	----	----

Sale P-1, Theodore & Elizabeth Wright to Bradley L. Birch is the October, 2009 sale of 636 acres of native rangeland and 36.3 acres of dry cropland located approximately 11 miles west of Conrad. This sale indicates a conclusion of \$700 per acre for the dry cropland and \$360 per acre for the native rangeland on the appraised property.

Sale P-2, Theodore & Elizabeth Wright to New Miami Colony, Inc. is the September, 2009 sale of 238 acres of native rangeland and 768 acres of dry cropland located approximately 11 miles west of Conrad. This sale indicates a conclusion of \$700 per acre for the dry cropland and \$360 per acre for the native rangeland on the appraised property.

Sale P-6, Anna M. Schlepp to Augustus Q. & Patti A. Winterrowd, is the December, 2008 sale of 218 acres of dry cropland located approximately 1 ½ miles northeast of Brady. This sale indicates a conclusion of \$700 per acre for dry cropland for the appraised property.

Sale P-10, Randall Boumans to Triple P, LLC, is the July, 2008 sale of 283 acres of native rangeland located approximately 4 air miles southeast of Valier. This is a tract of improved pasture and native rangeland. This sale indicates a conclusion of \$300 per acre for the appraised property.

These four sales indicate a conclusion of \$700 per acre for dry cropland and a conclusion in a range of \$300 to \$360 per acre for native rangeland. The appraised parcel is native rangeland, but the land on all four sides is being used for dry cropland and has the same soils as the appraised parcel. It is the appraiser's opinion that the value of this parcel is between the indicated price for dry cropland and native rangeland, \$300 to \$700 per acre. The concluded value of the native rangeland on Parcel 597 is \$500 per acre.

40 acres @ \$500/ac. = \$20,000

RECONCILIATION AND FINAL VALUE ESTIMATE

Reconciliation is the final step in the valuation process. In this step, the indications of value are reconciled into a final indication of value.

In this report, the sales comparison approach to value was used to value the appraised properties. There are no building improvements on the appraised property, so the cost approach was not used. Since these tracts are small, the income generated by the parcel has little bearing on the prices paid for similar property in the area, so the income approach is not used.

The sales comparison approach was the most appropriate approach to use since these are vacant tracts and there was good sale data available to process the sales comparison approach.

After considering all of the data gathered during the preparation of this report, it is the appraiser's opinion that the estimated market value of the appraised parcels, as of October 13 and 14, 2010, was:

Parcel 595 - 10-13-2010 - \$12,600
Parcel 596 - 10-14-2010 - \$14,400
Parcel 597 - 10-13-2010 - \$20,000