

**AN APPRAISAL OF 641.607 ACRES LOCATED IN
ROSEBUD COUNTY MONTANA
PARCEL 683**

DATE OF VALUATION

February 14, 2013

**FOR
STATE OF MONTANA,
DEPARTMENT OF NATURAL RESOURCES & CONSERVATION**

***ELKHORN APPRAISAL SERVICES
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March 13, 2013

State of Montana
Department of Natural Resources & Conservation
Trust Land Management Division
P.O. Box 201601
Helena, MT 59620-1601

RE: An appraisal of 641.607 acres located in Rosebud County, Montana – Parcel #683. This appraisal report establishes an “as is” value in fee ownership.

In accordance with the letter of engagement, 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 21 pages excluding the addenda.

I have appraised the property as a whole, owned in fee simple ownership. The lease indicates the property is leased to Jump Angela Farms, LLC – Lease #1291. 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 641.607 acres and in the body of the report is a complete legal description and detail of the subject property

The value reported is qualified by certain definitions, assumptions and limiting conditions, hypothetical conditions 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 including the assumptions and limiting conditions on 2/14/13 is:

One Hundred Forty Eight Thousand Dollars*

\$148,000*

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

Respectfully submitted,

X

Gregory A. Thorquist

Montana State Certified
General Real Estate Appraiser #867
3/13/2013

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

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Addenda

- Contract
- Scope of Work & Legal Description
- State of Montana Cadastral Data
- Land Sales
- Appraiser's Qualifications
- Appraiser's License

SUBJECT PROPERTY TOPOGRAPHICAL MAP



Arial view of the subject

SUBJECT PHOTOGRAPHS

(3/14/13)



Looking northwest across the subject
Photograph taken from the southeast corner



Looking north along the east boundary
Photograph taken from the southeast corner

SUBJECT PHOTOGRAPH



Looking north along the east boundary
Photograph taken from the southeast corner

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

<i>PURPORTED OWNER:</i>	State of Montana
<i>PROPERTY TYPE:</i>	Grazing
<i>LOCATION OF PROPERTY:</i>	Lewis and Clark County, MT
<i>SITE:</i>	641.607 acres
<i>PROPERTY RIGHTS APPRAISED:</i>	Fee simple
<i>ZONING:</i>	None
<i>PRESENT USE:</i>	Non-productive agricultural land
<i>HIGHEST AND BEST USE:</i>	Agricultural
<i>DATE OF VALUATION:</i>	2/14/13
<i>LAND VALUE:</i>	\$148,000*

* 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.

- No responsibility is assumed for matters that are legal in nature nor is any opinion rendered on title of property appraised.
- Unless otherwise noted, the property has been appraised as though free and clear of all encumbrances.
- 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.
- 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.
- 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.
- 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 effect 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.
- 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.
- 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.
- Neither all nor any part of the contents of this report, especially the conclusions 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.

- Gregory A. Thornquist does not authorize the out-of-context quoting from, or partial reprinting of this appraisal report.
- 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.
- 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.
- 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.
- 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 files.

HYPOTHETICAL CONDITIONS

- The subject property is owned by the State of Montana and this appraisal assumes the property is in held in private ownership. This is noted in the *"Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program"* which is included in the addenda
- The *"Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program"* 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.
- Although the subject parcel 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 Emily Cooper with the Montana DNRC Trust Land Management Division and I was retained to appraise the subject property. Mr. Cooper provided me with the following information:

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

On February 14, 2013 I met with Scott Aye, Land Use Specialist with the Department of Natural Resources and Conservation and Mr. Aye and I drove to the subject property. Due to the wet soil conditions we did not drive across the parcel. We accessed the property at the southeast corner and this is the location the photographs were taken.

The subject parcel is currently leased to Jump Angela Farms, LLC and the lessee contacted the DNRC inquiring about purchasing the subject property. The subject is bordered on all sides by property owned by Jump Angela Farms, LLC and therefore does not have access without crossing private property.

The neighborhood and surrounding competitive market areas were researched to find comparable market data. Real Estate agents, property owners, and real estate appraisers in the area 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 comparable sales described in the body of the report are shown in detail on the summary sheets in a separate document. I did not physically inspect each of the comparable sales.

Effective Date:

The effective date of this appraisal report is February 14, 2013. This is the date of valuation and was the actual date of the property inspection. This appraisal report was completed March 13, 2013.

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 this appraisal is to arrive at a supportable estimation of the market value.

INTENDED USE OF THE APPRAISAL AND 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).

PERSONAL PROPERTY

None

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 February 14, 2013. 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 641.607 acres located in Rosebud County, Montana. The legal description for the subject as noted on the State of Montana's Cadastral Data is as follows:

All of Section 36, Township 12 North, Range 43 East, Rosebud County, State of Montana.
Geo-code 29-2165-36-1-01-01-0000

PURPORTED OWNER

The subject parcel is owned by the State of Montana.

SALES HISTORY OF THE PROPERTY

The subject parcel has been owned by the State of Montana for a number of years. The parcel was nominated by the lessee and may be sold through the State of Montana's Land Banking Program.

REGIONAL ANALYSIS

The subject is located northwest of Miles City, Montana and approximately 1 ½ miles west of Highway 59 North. Although the subject is located within Rosebud County the DNRC office oversees the operation and management of the property.

The property is located in eastern Montana and properties in this area are agricultural in nature.

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

<i>Size:</i>	The subject consists of 641.607 acres.
<i>Shape:</i>	The subject parcel is rectangular in shape.
<i>Topography:</i>	The parcel has mildly rolling topography.
<i>Soil Conditions:</i>	Soil conditions are unknown. No soil tests were provided to your appraiser.
<i>Easements:</i>	A title policy should be used for the final determination of easements and encroachments.
<i>Access:</i>	The subject parcel has no legal access and physical access is from adjacent private property.
<i>Water:</i>	Seasonal runoff.
<i>Utilities:</i>	None
<i>Flood Plain:</i>	Not within a designated flood zone
<i>Nuisances or Hazards:</i>	None of the surrounding uses appear to have an adverse impact on the subject property.
<i>Improvements:</i>	There are no improvements on the 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."¹

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.

Legally Permissible

The subject property has no underlying zoning. The subject has historically been used as agricultural. Based upon the location there is no apparent need for the property to be used as commercial, industrial, or by a government entity (public use).

Physically Possible

This area is predominately agricultural 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 parcel is mildly rolling.

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

Financially Feasible

Predominate use in the area is agricultural. The subject is surrounded by agricultural owned by the lessee and the most financially feasible use is assemblage with the adjacent agricultural land.

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.²

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.

²The 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 five 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 in the addenda which follows.

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/listings 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/listings 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 were reportedly involved in the transactions, therefore no adjustments are required.

Expenditures Immediately After Sale:

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

Improvements:

Sales 1, 4 and 5 included building improvements. The contributory value of the improvements has been deducted in order to establish an indication of value for the land.

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, February 14, 2013.

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. In addition, they indicated no market evidence is present which suggests land values have declined even though there has been limited sales activity of large acreage tracts. Therefore, I have not applied an upward or downward adjustment 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, access, water, use and topography. The land sales adjustment grid can be seen on the following page.

LAND SALE ADJUSTMENT GRID

	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Date of Sale	NA	11/2/11	9/21/11	6/20/11	10/22/10	4/20/10
Sale Price	NA	\$21,626	\$249,600	\$105,000	\$749,900	\$530,000
Less Imp Value	NA	\$5,000	\$0	\$0	\$96,785	\$5,000
Adjusted Price	NA	\$16,626	\$249,600	\$105,000	\$653,115	\$525,000
Size (Acres)	641.607 acres	78.97 acres	640 acres	464 acres	2,828 acres	1,960 acres
Price Per Acre		\$211/AC	\$390/AC	\$226/AC	\$231/AC	\$268/AC
Location	±30 miles northwest of Miles City, MT	±10 miles north of Circle, MT	±20 miles west of Brockway, MT	±10 miles north of Melstone, MT	Rosebud County	±6 miles north of Melstone, MT
Comparison		Similar	Similar	Similar	Similar	Similar
Size	641.607 acres	78.97 acres	640 acres	464 acres	2,828 acres	1,960 acres
Comparison		Inferior	Similar	Similar	Inferior	Inferior
Access	None	County Road	County road	Possible prescriptive	Private	County road
		Superior	Superior	Similar	Superior	Superior
Water	None	Well	Wells & creek	Irrigation canal	Wells & River	Wells
Comparison		Superior	Superior	Superior	Superior	Superior
Use	Agricultural	Agricultural	Agricultural	Agricultural	Agricultural	Agricultural
Comparison		Similar	Similar	Similar	Similar	Similar
Topography	Rolling	Generally level	Rolling	Rolling	Rolling	Rolling
Comparison		Similar	Similar	Similar	Similar	Similar
Overall Comparability		Similar	Superior	Similar	Similar	Similar

The following table is an array of the overall comparability of the aforementioned sales:

Sale No.	Price Per Acre	Overall Comparability
Sale No. 1	\$211/AC	Similar
Sale No. 3	\$226/AC	Similar
Sale No. 4	\$231/AC	Similar
Sale No. 5	\$268/AC	Similar
Sale No. 2	\$390/AC	Superior

Considering each of the aforementioned sales, it is my opinion a reasonable estimate of value for the subject parcel as of February 14, 2013 is **\$230 per acre or \$147,569 (\$230/ac. x 641.607 acres).**

\$148,000 Rounded*

* This value is subject to the Hypothetical Conditions on page 7

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:

- The statements of fact contained in this report are true and correct.
- 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.
- 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.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting a predetermined value.
- 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.
- 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.
- I have made a personal inspection of the property that is the subject of this report.
- 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 parcel, as of February 14, 2013, to be:

One Hundred Forty Eight Thousand Dollars*

\$148,000*

X

Gregory A. Thomquist

Montana State Certified
General Real Estate Appraiser #867
March 13, 2013

* This value is subject to the Hypothetical Conditions on page 7