

**ROGERS FARM**

**REAL ESTATE APPRAISAL**

**TREASURE COUNTY, MONTANA**

**Prepared For**

**JOHN GRIMM  
DEPT. OF NATURAL RESOURCES & CONSERVATION  
TRUST LAND MANAGEMENT DIVISION  
PO BOX 201601  
HELENA, MT 59620-1601**

**Prepared By**

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BILLINGS, MONTANA**

**&**

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MONTANA LICENSED APPRAISER TRAINEE  
COWLEY, WYOMING**

**APPRAISAL REPORT**

**DATE OF VALUATION - JULY 14, 2014**

July 23, 2014

John Grimm  
Dept. Of Natural Resources & Conservation  
Trust Land Management Division  
P.O. Box 201601  
Helena, MT 59620-1601

Re: Rogers Farm Real Estate Appraisal

Dear Mr. Grimm:

Transmitted herewith is our report covering findings and conclusions resultant from my inspection of the above referenced property. The facts and opinions of the Market Value, based on cash, as of July 14, 2014 as follows:

**Rogers Farm Real Estate**

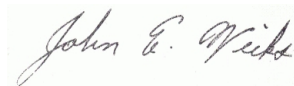
**\$1,000,000.00**

The main body of my report provides you with detailed studies, as well as the assumed limitations placed upon this work product by the undersigned. You will also find the development of Market Value. If any of the Hypothetical Conditions or Extraordinary Assumptions on page 11 are different from what is shown, the market value may change. The Appraiser has not preformed appraisal services regarding the subject property within the three year period immediately preceding acceptance of the appraisal assignment. Please review this material carefully so that you will properly understand my working guidelines.

We trust this report will be found satisfactory for your needs. The appraisal is an appraisal report and the clients are the State of Montana Board of Land Commissioners and the Department of Natural Resources and Conservation. The values of the appraised property are based on cash. If any additional detail is required, please do not hesitate to call upon me. Our conduct in the preparation of this report has been governed by the Code of Ethics of the various professional organizations in which we ascribe.

Your confidence in allowing us to serve you is greatly appreciated, and we have considered this work a privilege.

Respectfully submitted,



John E. Wicks, ARA  
Certified General Real Estate Appraiser  
Montana Certificate #5,  
Wyoming Certificate #93



J. Scott Crosby  
Appraiser Trainee Real Estate Appraiser  
Montana Certificate #5010  
Wyoming Certificate #1256

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**SUMMARY AND SALIENT FACTS**

<b>Owner of Record:</b>	Kenneth E & Karen L Rogers 113 Mackley Road Sanders, MT 59076
<b>Location:</b>	Approximately 6.5 miles east of Hysham, MT.
<b><u>Interest Appraised:</u></b>	Fee simple unencumbered value of the property as a whole.
<b><u>Date of Value:</u></b>	July 14, 2014
<b>Property Description:</b>	406.15 acres of deeded sub irrigated pasture, and irrigated land
<b><u>Zoning:</u></b>	Agricultural
<b><u>Highest and Best Use:</u></b>	Agricultural/Recreation
<b><u>Conclusion of Value:</u></b>	\$1,000,000.00

**Authorization:**

John E. Wicks and Scott Crosby have been authorized to appraise real estate for Rogers Farm. The property is located in Treasure County, Montana. Authorization to do the appraisal was given by John Grimm, Dept. of Natural Resources & Conservation, Trust Land Management Division, P.O. Box 201601, Helena, MT 59620-1601. The clients are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation. The appraisal is written as an appraisal report under the guidelines of the Uniform Standard of Professional Appraisal Practice.

**Statement of Limiting Conditions:**

1. The information contained in this report was gathered from reliable sources, but is no way guaranteed.
2. It is assumed that the title of this property is good and merchantable and that there are no encumbrances which cannot be cleared through regular processes.
3. The Appraiser did not search validity of title, nor does he assume responsibility for corrections which survey of the property may reveal. A title report was not provided to the appraiser showing the legal description, easements or any clouds that may be on the title. It is assumed that there are no clouds on the title that would affect value. The legal description of the various properties was taken from the respective County Assessors computer records. It could be possible that not all of the properties were on the computer records. A title search would be the only way to verify the accuracy of the legal description use for this appraisal.
4. This report is not to be reproduced in part without written consent of the Appraiser.
5. The employment of John E. Wicks to make this appraisal is not in any manner contingent upon the value reported.
6. The value of the land and improvements as contained in this report are constituent parts of the total value and neither is to be used in aiming a summation appraisal by a combination of value created by another Appraiser.
7. The total purchasing power of the dollar is the basis for the value reported.
8. I am not required to give testimony in court with reference to the subject property unless further

- written arrangements are made.
9. John E. Wicks and Scott Crosby have personally inspected the appraised property.
  10. Neither all nor any part of the contents of this report shall be used for any purposes by anyone but the client without the previous written consent of the Appraisers; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author, particularly as to valuation and conclusions, the identity of the Appraiser or firm with which they are connected.
  11. The Appraiser assume that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
  12. Unless otherwise stated in this report, the existence of hazardous or non hazardous material, which may or may not be present on the property, was not observed by the Appraiser. The Appraiser have no knowledge of the existence of such materials on or in the property. The Appraiser, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde am insulation, pesticides, herbicides, petroleum products, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property (unless specifically identified) that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The reader is urged to retain an expert in this field.
  13. This appraisal can be reviewed by the American Society of Farm Managers and Rural Appraiser Ethics Committee for compliance with their Code of Ethics and Standards of Professional Practice without permission of the Client.
  14. **Should mathematical, judgmental, or data errors be found in this report the Appraiser reserves the right to make corrections.**
  15. The appraiser is **not responsible** for any Federal or State Income Tax consequences that may result from the values arrived at in this appraisal.
  16. **The liability of the appraiser and employees is limited to the client and to the fee collected.**

Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The Appraiser assume no responsibility for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, and legally.

17. The State of Montana is a "non disclosure" state and as such, sale prices of real estate are not publicly recorded, therefore, few centralized sources of sale prices for real estate transactions exist. In addition no one associated with a real estate sale transaction is obligated to release or verify information. The client is hereby notified that it is possible there may be sales of comparable properties of which we have no knowledge and, therefore, have not been analyzed herein. The information presented herein has been gathered from sources deemed reliable and every effort has been made to insure its accuracy.
18. Furnishing and equipment, personal property or business operations except as specifically indicated and typically considered as part of the real estate, have been disregarded with only the real estate being considered in the value estimate unless otherwise stated. **All irrigation equipment including pumps, sprinkler systems, gated irrigation pipe, headgates and any other items required to provide irrigation water to the land are not included in the irrigated land value.**
19. This appraisal is written as an Appraisal Report according to the Uniform Standards of Professional Appraisal Standards. My office file may contain additional information relating to valuation not included in this report.
20. The Appraiser has not provided appraisal services regarding the subject property within the three year period immediately preceding acceptance of the assignment.
21. **ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT BY THE CLIENT OR ANY THIRD PARTY CONSTITUTE ACCEPTANCE OF THE ABOVE CONDITIONS.**



### **Appraisal Process:**

An appraisal is defined as:

*"An analysis, opinion, or conclusion relating to the nature, quality, value, or utility of specified interest, or aspects or, identified real estate."*  
(Appraisal Institute, The Dictionary of Real Estate Appraisal, Third Edition)

An appraisal is based on an impartial or unbiased perspective; it is not made for the purpose of favoring a specific cause or any particular part.

The appraisal process is an orderly procedure in which the data used in estimating the value of the subject property is assembled, classified, analyzed, and interpreted into a final opinion or conclusion. The final conclusion of market value is developed through a course of accepted analytical procedure reflecting only the opinion(s) of the appraisers involved in the analysis.

The first step in this process involves defining the appraisal problem: that is, the identification of the real estate, the effective date of value estimate, the identification of the property rights to be appraised, and the type of value sought. Detailed market information pertaining specifically to the subject property's value is then collected and analyzed. This market information includes an area and neighborhood analysis, site and improvement analysis, highest and best use analysis, and the application of specific approaches used in estimating the property's value. The final step in the appraisal process is the reconciliation of correlation of the values as indicated by the applicable valuation approaches. The following report details the entire appraisal process.

### **Statement of Competency:**

The Competency Provision of the Uniform Standards of Professional Appraisal Practice (USPAP) recognizes that the background and experience of appraisers can vary widely, and that a lack of knowledge or experience can lead to an inaccurate or inappropriate appraisal practice. The Competency Provision states:

*Prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently; or alternatively:*

1. *disclose the lack of knowledge and/or experience to the client before accepting the assignment; and*
2. *take all steps necessary or appropriate to complete the assignment competently; and*
3. *describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.*

The knowledge and experience of the signatory of this appraisal in the valuation of agricultural property is well established, it is confirmed through the successful completion of numerous appraisals completed over the last 40 years. The signatory appraiser is certified as a General Real Estate Appraiser by the Montana State Appraisal Board, in addition the appraiser is designated as an Accredited Rural Appraiser by the American Society of Farm Managers and Rural Appraisers. This is the highest designation that can be earned in this organization.

It is the opinion of this appraiser that all necessary and appropriate steps were taken to insure that a properly developed appraisal has been completed. Scott Crosby, appraiser trainee, assisted in arriving at a value and writing this appraisal.

**Purpose of Appraisal:**

The purpose of this appraisal is to determine the Market Value (based on terms of cash) of the property as a whole. The definition of Market Value is included in the section of the report titled "Valuation".

**Effective Date of Appraisal:**

The effective date of the appraisal for the subject properties is July 14, 2014. The property was inspected on July 14, 2014. This report was written on July 16, 2014.

**Estate to be Appraised:**

The estate or property right being appraised is the surface right subject to reservations, restrictions, easements, encumbrances and conveyances of record in the real property known as Hougardy Farms, hereafter referred to as Rogers Farm.

A title search has not been seen by the appraiser. The appraisal assumes that full and complete marketable title is available to the subject property, subject to standard easements, such as power lines and underground oil or gas pipelines. The appraisal also assumes that there is legal

access to all parts of the property.

**Function of Appraisal:**

The function (intended use) of the appraisal is to provide the State of Montana, the Montana Board of Land Commissioners, the Department of Natural Resources and Conservation and Kenneth E and Karen L Rogers (intended users) with a market value estimate of the property to be used for the decision making process concerning the potential acquisition of property through the Land Banking program. This is an **Appraisal Report**. The clients are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation.

**Sales History of Property:**

The appraised property has been owned by Rogers Farm for more than three years. It is currently under a buy-sell agreement for \$1,000,000.

**Hypothetical Conditions:**

Uniform Standards of Professional Appraisal Practice defines a hypothetical condition as "that which is contrary to what exists, but is supposed for the purpose of analysis."

Currently there is a pivot on the property. Under the negotiated contract with the State, the lessee can keep the system after the ten year period is up or sell it. The land will be valued assuming the pivot currently on the property will be sold to the next lessee after the 10 year lease has expired. The State will retain the water rights.

**Extraordinary Assumptions:**

An extraordinary assumption presumes as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property or about conditions external to the property. Extraordinary assumptions in this report include assumptions that:

1. There is legal access to all parts of the property. The property is being appraised as having legal access to all Tracts.
2. No easements exist on the property that have a diminutive effect on the value of the property.
3. No environmental hazards exist on the property that have a diminutive effect on the value of the property.

The readers of this report needs to be aware that any of the above extraordinary assumptions that are proven to not be true could have an effect on the value of the property.

**Distribution of Value:**

Value as assigned in this report applies to the real estate as described and is based on the unencumbered value. It does not consider the value of personal property. As noted herein, a separate contributory value analysis of any existing mineral rights or water rights is not made. These property rights are considered as part of the overall values as assigned the real estate and their values are reflected by the land values exhibited in the market. In other words, water rights are considered part of the value identified for the various land classes. The land value includes all livestock water facilities such as dams, wells and spring developments. In addition, fences and are included in the land value.

**Scope of Appraisal:**

The property was inspected on July 14, 2014. The appraiser was accompanied by Scott Crosby, appraiser trainee, and Kenny Rogers during the inspection. Mr. Rogers is the land owner. Scott Crosby assisted in analyzing sales comparisons, writing the appraisal, gathering information and creating maps under the direction and/or guidance of John Wicks. The final opinion of value was determined by John Wicks and Scott Crosby. John Wicks, ARA reviewed the appraisal and discussed the report with Scott Crosby. A conversation was had with Mr. Rogers, as to the operation of the property, land use and boundaries. We analyzed several real estate sales that have taken place in the area during the last 3 to 4 years. Considered the cost, sales and income approach to value in arriving at the final value of the property

Background property information was gathered from several sources including the County Assessor, the County Clerk and Recorder, the USDA Farm Service Agency, the State of Montana Department of Natural Resources, plus personal knowledge of the local and surrounding area.

The sales comparison, cost and income approaches to value were considered. To develop the opinion of value, the appraisers preformed a complete appraisal process, as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). In developing the Summary Appraisal Report the appraiser uses (or considers) all applicable approaches to value and the value conclusion reflects all known information about the subject property, the market conditions and all

pertinent available information. The appraiser is not responsible for unauthorized use of this report.

**Map Source:**

Included as an integral part of this appraisal report are maps of the appraised property. These maps were prepared by John E. Wicks or others and, although they do not purport to represent a survey accuracy, it is believed that they are substantially correct and therefore adequately serve as visual reference to the property.

**LEGAL DESCRIPTION:**

Following is the legal description of the deeded lands being appraised. The acreage shown are the assessed acres and were verified with Treasure County records.

**Township 6 North. Range 37 East. M.P.M., Treasure County, Montana.**

Section 09: 2,610 +/- FEET OF TRACT A COS 56AE, LESS	113.460 AC
TR 2-B AMENDED COS 20	
Section 09: TRACT B COS 56AE	30.900 AC
Section 10: COS 57AE, PARCEL TRACT B, N2NW SOUTH OF RR, S2NW, N2NW	202.990 AC
Section 10: COS 57AE, PARCEL TRACT A, COS 58AE TRACT B	37.700 AC
Section 10: COS 58AE, PARCEL TRACT A	21.100 AC

<b>Total Rogers Farm Deeded Land</b>	<b>406.150 AC</b>
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**Leases**

**No Leases are being valued with this appraisal.**

state location map

county location map

## **AREA DESCRIPTION**

The Rogers Farm property headquarters is located approximately 6.5 miles east of Hysham, Montana and 2 miles northeast of the Sarpy Creek Interstate #94 Interchange via the Sarpy Creek Road and approximately 60 miles northeast of Hardin, Montana via the Sarpy Creek Road.

Treasure County is located Eastern Montana. The county seat of Treasure County is Hysham. Hysham had a 2000 population of 330 and Treasure County a 2000 population of 861. Hysham is located 78 miles east of Billings, Montana via Interstate Highway #94.

Treasure County is bordered on the north and east by Rosebud County, the west by Yellowstone and Big Horn Counties and the south by Big Horn County.

Hysham is the only town in the county. Agricultural is the major economy for the county. There is some oil and gas production in the county. Interstate #94 crossed the county from east to west at the approximate center of the county. The grade and high school are located in Hysham. The town of Hysham is the location of the county courthouse, USDA offices, post office, cafes, several bars, grocery store, machinery dealer, bank and other small businesses. There is bus service at Hysham. UPS and Fed Ex serve the area. The Yellowstone River flows through the County from west to east at the approximate center of the county.

## **PROPERTY DESCRIPTION**

The Rogers Farm property headquarters is located approximately 6.5 miles east of Hysham, Montana via the State Hwy #311 and approximately 60 miles northeast of Hardin, Montana via the Sarpy Creek Road. The Sarpy Creek Road is paved State highway and maintained year around.

State and county location maps are shown on page 14 and 15.

### **Markets:**

Grain markets are located at Miles City, Hardin and Billings, Montana.

Livestock auction markets are located at Miles City and Billings, Montana.

### **Community Facilities:**

School for grades K-12 are located in Hysham. School bus service is available.

Medical facilities, including a hospital, are located in



Hardin. Major medical services are located in Billings.

Most supplies are purchased in Billings.

**Climate:**

Annual precipitation for the area averages approximately 14 inches. The average precipitation for April 1 to September 31 is 9.63 inches. The frost free period averages 135 days in length.

**Farm Operation:**

The farm has historically been operated as a feedlot and cow/calf grazing operation along with flood and pivot irrigated hay, corn, wheat and barley operation. Only a portion of the farmland is being sold. The rangeland consists of open pasture and grass land throughout the farm that is dense and sub-irrigated from canal. Livestock water is provided by the canal and open drains. There are mule and whitetail deer, upland birds and migratory birds in abundance on the property.

**Land Use:**

The land current use as a whole is for livestock grazing and small acreage sites.

Sub Pasture	150.26 Ac
Irrigated	191.51 Ac
Pivot Irrigated	64.39 Ac
<b>Total Deeded Land</b>	<b>406.15 Ac</b>

The native range consists of a small portion of open native range with grass that will be included in the sub pasture acres. Most of the rangeland is located throughout the farmland and is well watered through sub irrigation from canal and consists of heavy grassland. The farmland is flood irrigated with one pivot also located on the property. Another pivot could be put on the property with pipe and electricity already at the site. The ground is flat to slightly sloping and is good farm ground. Corn, wheat, barley and hay are grown on the irrigated ground. Sugar beets could be grown as well. A good reliable water source provides irrigation water.

**Flood Plain:**

There can be some occasional flooding of rangeland in the ravines. This flooding is generally due to rapid snow melt or heavy thundershowers. This flooding is generally beneficial to the land.

**Accessibility:**

Access to the property is from the Mackley County Road which is accessed from Sarpy Creek Road and the Old Highway. There are roads giving access to the interior of the farm that are graded by Kenny Rogers. The county Road runs through the farm as well. Access is excellent for machinery and livestock. All of the land is available for livestock grazing during winter months.

**Physical Features:**

The rangeland varies from nearly level to slightly sloping. Hilly land make up the southern boundary but is minimal in acreage. The physical feature does not hinder livestock grazing or farming.

**Soils:**

The Soil Conservation Service has completed a published soil survey of Treasure County. The title of the publication is "Soil Survey of Treasure County Area, Montana." A copy of this publication can be had at the FSA office in Hysham.

Following is a brief description of the major soils that make up the Rogers Farm property.

MAP SYMB	NAME	CAPABILITY CLASS	SLOPE %	% of Acres
Lc	Lismas clay	VIIe	-	18.70
Nu	Nunn clay loam	IIIe	3-8	11.60
Ma	Marias clays, saline-alkali	IVs	0-1	11.00
Hm	Havre loam, saline	VIw	-	10.80
Bw	Bowdoin clay	VIc	-	8.20
Nn	Nunn clay loam	IIIc	0-1	6.90
Cb	Cherry Clay	IVe	1-3	6.50
Lu	Lohmiller-Hysham clays	IVs	-	6.30

**Vegetation:**

Range vegetation includes Western wheatgrass, Needleandthread, Green needlegrass, Bluebunch grass, Western wheatgrass, Crested wheatgrass. The range is in fair condition based on USDA Natural Resource and Conservation range guidelines. There is scattered pine tree cover through most of the ranch.

**Water:**

Livestock water for the property is provided by 2 irrigation canal/ditch and open drains that provide water to

areas around the property year round. The farm has adequate livestock water.

The property has irrigation water rights underneath the Yellowstone Irrigation District and the Hysham Irrigation District. A field could be used under the HID but is currently pulling water out of the YID for the pivot.

Fees underneath the Yellowstone Irrigation District and Hysham Irrigation District are as follows:

	<u>Water Assessment</u>	<u>TV Assessment</u>	<u>Total</u>
YID	\$1,803.38	\$15	\$1,818.38
HID	\$ 688.27	\$15	\$ 703.27

\*Estimated by taking total acres under ditch and taking out acres not for sale.

A copy of the water rights filed with the Montana Department of Natural Resources for this property can be found in the addendum.

#### **Government Programs:**

The appraiser is not aware of any FSA grain base with the property. This information was not provided to the appraiser. Any grain base with the property would not alter the market value.

#### **Livestock Carrying Capacity:**

An animal Unit (AU) is the annual feed required to maintain one mother cow or the equivalent in thrifty condition. A Animal Unit Month (AUM) is one-twelfth of an animal unit, or the feed required to maintain a mother cow in thrifty condition for an average month of the year. Carrying capacity is that portion of the animal units of the maximum feed production that can be utilized after consideration of all limiting factors and customary operation practices.

I have rated the native range as being in excellent condition. Based on this range condition the following AUMs and AUs were arrived:

#### **CARRYING CAPACITY**

Sub Pasture 150.26 Ac @ .40 AUMs/Ac	60 AUMs
Irrigated Crop Aftermath 255.90 Ac @ .40 AUMs/Ac	102 AUMs
<b>Total Grazing</b>	<b>305 AUMs</b>
Irrigated Crop-255.90 Ac @ 4.5T/Ac @ 2.5 AUMs/Ac	2,879 AUMs
<b>Total</b>	<b>3,184 AUMs</b>

Based on a 4 month grazing period the land would carry approximately 76 AUs. The grazing period is only 4 months due to

the rangeland being mixed in with the irrigated ground. The farm does not have leases being valued. Based on this carrying capacity you would have excess feed to sell. The farm currently can support more due to more irrigated ground and leases that are not being valued in this appraisal. There is hay, corn, and grain being produced on the property for winter feed.

**Hazards and Detriments:**

The main hazards in the area of the subject property consist of normal climate problems such as frost, severe winters and drought. Hail also can be a problem. These hazards are normal for this area of Montana. Winds can be severe in the area.

**Zoning and Mineral Rights:**

There are no zoning ordinances in the area and the property is classified as agriculture land.

No opinion of value for any mineral rights with the property is being given in this appraisal.

**Fences:**

There are perimeter fences around the property as well as cross fences. Fences seen were constructed of wood and steel post and 4 barbed wire. The fences that were inspected were in good to fair condition.

**Utilities:**

There is electricity to the pivot and an additional field which can be used for a pivot.

**Real Estate Taxes:**

The real estate taxes for Rogers property in 2013 were \$6,439.98.

**Environmental Audit:**

The appraiser is not an expert in the field of environmental hazards or toxic substances and has not completed an environmental audit of the subject property. During the property inspection no visible environmental hazards were evident and no buried fuel tanks were observed on the property. The property is being appraised assuming there are no toxic or hazardous substances located on the subject property that would render the property more or less valuable. Should it be discovered that there are toxic or

hazardous substances located on the subject property, the appraiser reserves the right to re-analyze the situation and adjust values if deemed necessary.

## **VALUATION**

### **Highest and Best Use:**

The determination of the market value includes consideration of the highest and best use for which the appraised property is clearly adapted.

Highest and Best Use is the legal and probable use that supports the highest present value, as defined, of vacant land or improved property, as of the date of the appraisal.

It is that use found to be:

- (1) legally permissible
- (2) physically possible
- (3) financially feasible
- (4) maximally productive

Consideration is given to trends of recent land sales, economic factors, and strength of the local market. An analysis of the highest and best use of the property forms a basis for the valuation of the property. Highest and best use serves as a guide in the selection of comparable sales to be used in the analysis of the subject property.

The definition applies specifically to the highest and best use of the land. It is to be recognized that in cases where a site has existing improvements, the highest and best use may very well be determined to be different from 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. These definitions imply a recognition of the contribution of existing specific uses to the community environment or to community development goals in addition to increasing the wealth of individual property owners.

The final determination of the highest and best use is a result of appraisers' judgement and analytical skills. The use determined from analysis represents an opinion, not a determination of fact. Consideration has to be given to that range of uses which fit the appraised property. Consideration has to be given to alternative uses, as well as existing use.

The property has a current existing use of agricultural/recreation. The grazing of livestock and the growing of hay, corn and grain are the agricultural use.

#### **Highest and Best Use As Vacant**

The land value is based on a premise of the Highest and Best Use of the property as though vacant. The four test of Highest and Best Use, as stated above, have to be considered.

This use is legally permissible in this area of Treasure County, as the land is classified as agricultural.

The use is physically possible as it is developed at this time.

The use for agricultural use is financially feasible.

The current use of the property, as a whole, is maximally productive as an agricultural farm.

Much of the surrounding area land is being used for the same purposes as the subject.

There is no demand for industrial use for land in the immediate area of the property. There are some small acreage home sites in the area but this is not the major use of land in the area.

The Highest and Best Use of the land as vacant is for an agricultural/recreation.

#### **Highest and Best Use As Improved**

The last step in the highest and best use analysis is to consider the existing improvements in light of the highest and best use conclusion of the underlying land value as vacant.

The buildings currently on the land conform to agricultural use.

The land, with buildings, has no physical limitation for the type of agricultural buildings located on the land.

The highest and best use of the Rogers Real Estate as

improved is for agricultural.

## **Conclusion**

The conclusion is that the highest and best use of the Rogers Real Estate property is for agricultural/recreation both as **unimproved** and **improved**.

## **Market Value:**

FIRREA defines market value "as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of good title from seller to buyer under conditions whereby:

- (1) buyer and seller are typically motivated;
- (2) both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) a reasonable period of time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) the price represents normal consideration for the property sold unaffected by special or creative financing or sales concessions granted to anyone associated with the sale."

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.

### **Approach to Value:**

There are three major factors that must be considered in arriving at an estimate of value of real estate. These are: (1) The Cost Approach, (2) The Sale Comparison Approach and (3) The Income Approach. **All three methods are based on comparable sales.**

The cost approach includes estimating the reproduction or replacement cost of all improvements new, subtracting from these costs any accrued depreciation, and adding the various land class values.

The sale comparison approach is the comparison of the appraised property with recently sold, similar properties. This comparison includes a specific consideration of each sale as it relates to the market at the time of the sale and a specific comparison of each sale as it relates to the appraised property.

The income approach or earning power of the property is based on an accurate measurement of the property's productivity under typical management, a conversion of the yields into gross and net income, and capitalization of this net income at the current market rate of interest. This method normally indicates the lower limits of value of property, particularly in an area where non-income factors affect value.

It should be emphasized these approaches are actually three different methods of market analysis. No one of these factors should be used alone in estimating the value of the property. But it needs to be emphasized that in contemporary appraisals all three approaches to value may not necessarily apply to all types of real property due to the market available. The appraiser must decide whether or not a particular approach is applicable to the assignment.

All three approaches to value will be **considered** but may not be used in this appraisal.

### **Comparable Sales:**

Following is a summary of the comparable sales that have taken place in the area and will be used to value the Rogers Farm real estate.



**SALE #1**

**SALE DATE:** 12/12

**GRANTOR:** Phyllis Lindeen Estate

**GRANTEE:** Dale Osness

**DEED:** Warranty Deed

**DOCUMENT #:** 3651549

**SALE PRICE:** \$1,500,000

**COUNTY:** Yellowstone

**ACREAGE:** 2,974.15

**LOCATION:** This property is located south of Pompeys Pillar, MT.

**LEGAL DESCRIPTION:** Yellowstone County, T2N,R30E, Lengthy land in Sections 3,9,10,14,15,22,and 23. Big Horn County, T1N R30E, Sec. 11: SW, Sec. 14: All west RR, Sec. 15: All; T2N, R30E, Sec. 27: NWNW

**COMMENTS:** Private treaty sale between an estate and adjoining landowner, with multiple bids from other area landowners. The property is irregular in shape and situated in two parcels along the Fly Creek drainage. The buyer had leased the south parcel for several years and the north parcel, including the irrigated land had been rented to several other neighbors over the past few years. Irrigation water was provided by the Huntley Project Irrigation District, via the Highline Canal. Approximately 70 acres of the irrigated land had been irrigated over the past few years, with the remainder of the lands idle. They system was entirely gravity flow ditches and several of the fields needed to be re-done. The native grazing lands were located along Fly Creek, with water provided by the creek and springs in the southern parcel. The buildings were in poor to dilapidated condition and not considered a significant factor in the sale.

Rangeland	2,783.15 Ac @ \$ 344.16/Ac
Irrigated Crop	189.00 Ac @ \$2,294.38/Ac
Farmstead	2.00 Ac @ \$25,000/Ac
Improvements	\$58,513



**SALE #2**

**SALE DATE:** 10/12

**GRANTOR:** Robbins, Jamie W.

**GRANTEE:** Spitzer, Steven

**DEED:** Warranty Deed

**DOCUMENT #:** 3641487

**SALE PRICE:** \$429,000 Cash

**COUNTY:** Yellowstone

**ACREAGE:** 259.64

**LOCATION:** This property is located approximately 2 miles SE of Shepherd, MT.

**LEGAL DESCRIPTION:** T2N,R27E, Sec. 13: Lots 6-10, COS 664 Parcel 2 and Tracts B, C & D

**COMMENTS:** Open market sale of a small farm in the Shepherd, Montana area. The farm is located at the corner of Yeoman and Frey Roads and is bisected by the Yellowstone River, with approximately 138 acres located in the river channel and on a small island and considered to have limited accessibility. Thus, effective acreage is estimated at 121.72. Broker indicated that the seller was motivated to sell and listed the property within the market. The mobile homes, given no value in this analysis. Overall, the structural improvements were in poor condition, with the area having numerous poorly maintained properties. Property was purchased by two individuals and split after the sale.

Rangeland	4.00 Ac @ \$ 440.66/Ac
Irrigated Crop	116.72 Ac @ \$2,937.73/Ac
River Channel Land	137.92 Ac @ \$ 0.00/Ac
Farmstead	1.00 Ac @ \$25,000/Ac
Improvements	\$59,345



**SALE #3**

**SALE DATE:** 6/12

**GRANTOR:** Bayles, Mike & Tracy

**GRANTEE:** NCV-II LLC

**DEED:** Warranty Deed

**DOCUMENT #:** 81882

**BOOK #:** 21

**PAGE #:** 934

**SALE PRICE:** \$1,800,000 Cash

**COUNTY:** Treasure

**ACREAGE:** 2,874.81

**LOCATION:** This property is located approximately 4 miles SE of Hysham, MT.

**LEGAL DESCRIPTION:** T6N,R37E, Sec. 19: E2,ESW less Interstate, Sec. 20: W2 less Interstate; T5N,R36E, Sec. 11: All, Sec. 12: All, Sec. 13: All, Sec. 14: N2

**COMMENTS:** Open market sale of a ranch located in the Sarpy Creek drainage. The property is situated in two parcels, with 634.81 acres located at the Sarpy Creek Interchange and the remaining 2,240 acres located three miles south and one mile west of the Sarpy Creek Road. The smaller parcel contains all the cropland and is accessed via Sarpy Creek Road, which bisects the property. The cropland was under gated pipe and assessment records indicates additional irrigated lands but analysis is based on realtors documents. The second parcel consists of strictly native grazing lands with timbered areas. This parcel is accessed via an unimproved dirt road for one mile through an adjoining landowner and is not considered to be insurable. Livestock water was provided by wells and reservoirs. The property was listed for at least two years with several real estate brokers. Resale indicates an annualized appreciation rate of 13.01% over the 9.2 year holding period.

Rangeland	2,704.81 Ac @ \$ 486.29/Ac
Irrigated Crop	145.00 Ac @ \$3,241.95/Ac
Tame Pasture	25.00 Ac @ \$ 583.55/Ac



**SALE #4**

**SALE DATE:** 5/12

**GRANTOR:** Manley, Nick

**GRANTEE:** Steven Maughan, etal

**DEED:** Warranty Deed

**DOCUMENT #:** 81845

**BOOK #:** 21

**PAGE #:** 922

**SALE PRICE:** \$2,100,000

**COUNTY:** Treasure

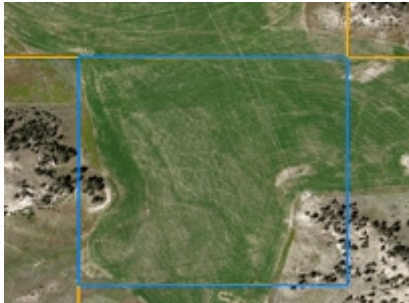
**ACREAGE:** 3,450.43

**LOCATION:** This property is located approximately 4 miles south west of Hysham, MT.

**LEGAL DESCRIPTION:** T6N,R36E, Sec. 19: Tract 1 COS #73,SESE, Sec. 20: E2SE less CF #78848, W2SE,E2SW, Sec. 28: All, Sec. 29: All, Sec. 30: All frac, Sec. 31: All, Sec. 32: W2,N2NW less Interstate; T6N,R35E, Sec. 35: All east of Old US Hwy #10

**COMMENTS:** Open market sale of a ranch located in the Hysham Hills with Interstate 94 frontage. The ranch had an average set of structural improvements and pipe corrals with scale. Livestock water is provided by 5 electric wells, pipelines and some reservoirs. The irrigated lands included 155 acres under two center pivots with the balance flood irrigated. Irrigation water is provided by the Hysham Highlift Canal. Buyers received 100% of the minerals owned by the seller. There is a cell tower site on the ranch that pays \$375 per month. The ranch was heavily grazed at the time of sale, but was in otherwise good condition and had been utilized as base property for several area grazing leases. Sale closed to two relatives (Steve & Geraldine Maughan), but was purchased and is analyzed as one transaction.

Rangeland	3,257.43 Ac @ \$ 430.86/Ac
Pivot Irrigated Crop	187.00 Ac @ \$2,872.40/Ac
Farmstead	6.00 Ac @ \$25,000
Improvements	\$99,894



**SALE #5**

**SALE DATE:** 3/12

**GRANTOR:** Holmes, Carol

**GRANTEE:** Elsie Keil Trust

**DEED:** Notice of Purchaser's Interest

**DOCUMENT #:** 3616732

**SALE PRICE:** \$120,000

**COUNTY:** Yellowstone

**ACREAGE:** 37.84

**LOCATION:** This property is located approximately 1.5 miles north east of Worden, MT.

**LEGAL DESCRIPTION:** T3N,R29E, Sec. 30: Tract 2 of COS #3461 (Part Unit T in the S2SE)

**COMMENTS:** Open market sale of small parcel of irrigated cropland and bottom pasture. The parcel was part of an estate that had been marketed for several years and may have become market worn. The cropland is considered average quality, with the pasture having some saline areas. Irrigation water is provided by the Huntley Project Irrigation District, with all irrigation water transferred via an appurtenance to the land.

Irrigated Crop	17.66 Ac @ \$3,171.33/Ac
Sub Pasture	20.18 Ac @ \$3,171.33/Ac



## SALE #6

**GRANTOR:** McFerran, Eugene  
**GRANTEE:** Ty Thompson Trust  
**COUNTY:** Yellowstone  
**DATE OF SALE:** 10/12  
**DOCUMENT:** Warranty Deed  
**DOCUMENT #:** 3640827  
**TOTAL SALE PRICE:** \$375,000  
**TOTAL ACRES:** 138.03

**LOCATION:** This property is located approximately 1.5 miles east of Huntley, MT.

**DESCRIPTION:** T2N,R28E, Sec. 16: Farm Units G & I less COS #1507 & 1508 and RR Right-of-Way

**SALES ANALYSIS:** Open market re-sale of a small farm in the Huntley, Montana area. The farm was purchased in 2010, at an IRS Foreclosure sale. The farm is located on Road 7 South and is surrounded on three sides by the railroad spur line to Fly Creek. The structural improvements are older and in generally poor condition. They include two homes, several pole sheds, several smaller utility sheds and several older sheds constructed in the 1920's and given no value in this analysis. The property had been under a purchase contract for \$385,000 and the buyer backed out just prior to closing and this buyer immediately purchased the property. The irrigated cropland is heavy soils and considered poor quality for the market area. Seller had reportedly been working on getting the dry cropland under irrigation, but it had not been completed prior to closing.

Rangeland	12.43 Ac @ \$ 388.47/Ac
Irrigated Crop	70.60 Ac @ \$2,589.82/Ac
Tillable Land	53.00 Ac @ \$ 466.17/Ac
Farmstead	2.00 Ac @ \$25,000
Improvements	\$112,623





## SALE #7

**GRANTOR:** Collins, Chad & Paula

**GRANTEE:** Bobek Family Farms, LLC

**COUNTY:** Custer

**DATE OF SALE:** 12/13

**DOCUMENT:** Warranty Deed

**DOCUMENT #:** 159244

**TOTAL SALE PRICE:** \$722,500

**TOTAL ACRES:** 235.44

**LOCATION:** This property is located approximately 6 miles south west of Kinsey, MT.

**DESCRIPTION:** T9N,R48E, Sec. 18: Lot 2A of the Gillette Minor Subdivision in Unit 1 of Kinsey Flats, Unit 7 of Kinsey Flats-less tracts, Portion of Parcel 1 &2 of Unit 2 of Kinsey Flats described as Tract D

**SALES ANALYSIS:** Sale from a local land owner to an area operator who owns nearby land. Property was not listed on the open market. It was originally offered to a tenant. The irrigated land is average quality for the Kinsey area. The property does front the Yellowstone River for approximately .5 miles. Access is provided by a private road from the Kinsey highway. There is a 45 foot wide strip of land included with the legal that connects the property to the Kinsey highway. This could be used to build a road in the future. Irrigation water is provided by the Kinsey Irrigation Project, however, only 149 acres are assessed in the district. There are approx 32.36 acres of irrigated ground that does not include water. The buyer stated he did not realize there was a shortage of water until after purchase. The pasture is along Sand Creek and the river and also the odd areas and drainages between fields. Appears to be a purchase by a strongly motivated buyer. Water delivery was through gated pipe however the buyer intends to put up two pivots. The buyer stated there was approximately 10,000 feet of gated pipe that was used to irrigate the property that was also included with the sale.

Pasture	54.08 Ac @ \$1,120.00/Ac
Irrigated Crop	181.36 Ac @ \$3,650.00/Ac



**SALE #8**

**GRANTOR:** Ponessa, Russel

**GRANTEE:** Diamond J Cattle, LLC

**COUNTY:** Custer

**DATE OF SALE:** 8/13

**DOCUMENT:** Warranty Deed

**DOCUMENT #:** 157982

**TOTAL SALE PRICE:** \$263,000

**TOTAL ACRES:** 94.53

**LOCATION:** This property is located approximately 2 miles north east of Kinsey school, MT.

**DESCRIPTION:** T10N,R49E, Sec. 30: Tract 1 in Unit No 77 of Kinsey Flats Project

**SALES ANALYSIS:** Sale of a small irrigated unit northeast of the Kinsey School. Sold by a local operator to another local operator/area businessman. Irrigated ground is flood irrigated with water from Kinsey Irrigation District. The condition and layout of the fields is fair. The building site is located along the country road. The house that was once there has burned down. The remaining buildings are all older and are of minimal value, they include two smaller garages, a barn and a pole frame shed. There is a domestic well at the building site. It is reported that there is joint use agreement with a neighbor for the use of this well. The property is perimeter fenced.

Irrigated Crop	86.00 Ac @ \$2,900.00/Ac
Farmstead	2.25 Ac @ \$2,900.00/Ac
Other	6.28 Ac @ \$ 0.00/Ac





# SALES CHART

SALE NUMBER	1	2	3	4	5	6	7	8
GRANTOR	Lindeen	Robbins	Bayles	Manley	Keil	McFerran	Collins	Ponessa
GRANTEE	Osness	Spitzer	NCV-II	Maughan	Holmes	Thompson	Bobek	Diamond J
DATE OF SALE	12/12	10/12	6/12	5/12	3/12	10/12	12/13	8/13
SALE PRICE	\$1,500,000	\$429,000	\$1,800,000	\$2,100,000	\$120,000	\$375,000	\$722,500	\$263,000
ACRES	2,974.15	259.64	2,874.81	3,450.43	37.84	138.03	235.44	94.53
PRICE/AC	\$504	\$1,652	\$626	\$609	\$3,171	\$2,717	\$3,069	\$2,782
PRICE/AC								
UNIMPROVED	\$485	\$1,424	\$626	\$580	\$3,171	\$1,901	\$3,069	\$2,782
IMPROVEMENTS	\$58,513	\$59,345	\$0	\$99,894	\$0	\$112,623	\$0	\$0
NATIVE RANGE	2,783.15/\$344	4/\$440.66	2,704.81/\$486	3,257.43/\$430	-	12.43/\$388.47	\$0	\$0
IRRIGATED	89/\$2,294.38	116.72/\$2,937	145/\$3,241.95	-	17.66/\$3,171	70.60/\$2,589.82	181.36/\$3,650	86/\$2,900
PIVOT IRRIGATED	-	-	-	187/\$2,872.40	-	-	-	-
TILLABLE	-	-	-	-	-	53/\$466.17	-	-
TAME PASTURE	-	-	25/\$583.55	-	-	-	-	-
PASTURE	-	-	-	-	-	-	54.08/\$1,120	-
RIVER CHANNEL/OTHER	-	137.92/\$0	-	-	-	-	-	6.28/\$0
SUB IRRIGATED PASTURE	-	-	-	-	20.18/\$3,171	-	-	-
FARMSTEAD	2/\$25,000	1/\$25,000	-	6/\$25,000	-	2/\$25,000	-	2.25/\$2900

## Improvement Description and Valuation:

There are two generally accepted methods of establishing the contributory value of building improvements. The first uses a **reproduction** cost which is the dollar amount required to exactly duplicated an improvement at today's prices. Second, **replacement** cost is a dollar amount needed to replace the present structure with a building of equal utility. Since actual duplication is often prohibitory, if not impossible to estimate for agricultural buildings, the replacement cost new (RCN) is generally the preferred standard of measure for rural appraisals. To arrive at the improvement value on the subject I have reviewed the Marshall Valuation Service Guide as the basis for replacement costs.

Depreciation consists of physical, functional and external components.

Depreciation is defined as *"A loss of utility and hence value from any cause. An effect caused by deterioration and or obsolescence. Deterioration*

*or physical depreciation is evidenced by wear and tear, decay, dry rot, cracks, and structural defects. Obsolescence is divisible into two parts; functional and economic. Functional obsolescence may be due to poor plan, mechanical inadequacy or superadequacy due to size, style, age, etc. It is evidenced by conditions within the property. Economic obsolescence is caused by changes outside to the property, such as neighborhood infiltrations, or inharmonious groups or property use, legislation, etc. It is also the actual decline in the market value of the improvement from time of purchase to the time of resale"... (Boise: Real Estate Appraisal Terminology, revised addition, 1981).*

Following is a brief description, the RCN, depreciation (physical, functional, external), and **contributory value** of the improvements located on the property.

The physical depreciation was based on effective age and remaining age. The Marshall Valuation Service Guide depreciation schedules were used as a guideline for physical depreciation as well the analysis of approximately 40 sales as to contributory value of various types of farm buildings to the land.

#### **IMPROVEMENT DESCRIPTION**

There are no improvements being valued in this appraisal.

#### **COST APPROACH:**

In my opinion the best measurement of market data value of the property, in comparison to the sales, is to value the various land classes of the subject based on the land class values as reflected by the comparable sales.

This relieves the appraiser from having to make a series of adjustments for comparability factors which the market is not specific enough to isolate in most instances. Many times these adjustments have to be made as a matter of judgement rather than being based on documented market evidence.

In order to value the subject property I have investigated the area market to ascertain market

activity and values. This area is influenced by recreational investment and in such markets values tend to be disjointed.

In consideration of the subjects location and features I have concluded that the value should be estimated by sales which are reflective of similar highest and best use.

Valuation under this premise is based on the principle of substitution in that the sales reflect the facts associated with alternative choices that existed in the market and which would hypothetically compete with the subject if exposed to the market, thus directing value. It is valuation approach based on historical data of actual sales.

My primary reasons for selecting the chosen comparable sales are:

1. All are considered comparable in location and market demands.
2. All are or could be reasonable expected to be utilized for purposes comparable to the subject.
3. All lie within the market area of the subject.
4. All have adequate access, marketable title and were not affected by any unusual sale condition.

An adjustment for time of sale will be made. The market does show an increase since 2012 that can be documented. For 2012 a 7% increase will be made. For 2013 a 5% increase will be made.

The range of value per acre for the comparable sales is as follows, these sales have been adjusted for time:

**Land (Site)**

Sub Pasture	\$1,120/Ac to \$3,171/Ac
Irrigated Crop	\$2,294/Ac to \$3,650/Ac
Pivot Irrigated Crop	\$2,872/Ac to \$2,872/Ac

The subject property consists of 406.15 acres of sub irrigated pasture land, flood irrigated cropland and pivot irrigated cropland. There is a small amount of native

rangeland that will be included in the sub pasture acreage. The land does not border USFS land. The land would be around the average of the value range. Based on these facts I have valued the Rogers property land as follows:

Following is the value arrived at by the Cost Approach:

**Rogers Value**

<b>CLASS</b>	<b>ACRES</b>	<b>PER AC.</b>	<b>VALUE</b>
SUB PASTURE	150.26	\$1,500	\$ 225,383
IRRIGATED	191.51	\$3,200	\$ 612,816
PIVOT IRRIGATED	64.39	\$2,800	\$ 180,292
<b>TOTAL DEEDED LAND</b>	<b>406.15</b>	<b>\$2,508</b>	<b>\$1,018,491</b>
ROUNDED TO			\$1,000,000

**Sales Comparison Approach:**

The Sales Chart on page 33 shows the unadjusted value of each of the sales on a overall value per acre and by component land class.

A direct comparison on a overall value per acre of the sales with the subject will be made.

The range in value per overall acre for the comparable sales used to value the appraised property is \$504 to \$3,171. These sales represent a combination of land class percentages which are subject to many variables. Thus applicable adjustments to the total sale are difficult to document by data. Some of the adjustments will be based on the appraisers experience and knowledge of the area.

The following shows the sales adjustment chart used to arrive at the Sales Comparison Approach value.

**SALES ADJUSTMENT CHART**

SALE	1	2	3	4	5	6	7	8
SALE PRICE/AC	504	1,652	626	609	3,171	2,717	3,069	2,782
TIME %	7%	7%	7%	7%	7%	7%	5%	5%
TIME \$	35	116	44	43	222	190	153	139
SUB TOTAL	540	1,768	670	651	3,393	2,907	3,222	2,921
BUILDINGS	____(20)	____(229)	____-	____(29)	____-	____(816)	____-	____-
SUB TOTAL	520	1,539	670	622	3,393	2,091	3,222	2,921
LAND ADJ.	____1,596	____960	____1,854	____1,913	____(106)	____319	____(490)	____(341)
SUB TOTAL	2,116	2,500	2,524	2,536	3,287	2,410	2,733	2,580
SIZE ADJ.	____-	____-	____-	____-	____-	____-	____-	____-
SUB TOTAL	2,116	2,500	2,524	2,536	3,287	2,410	2,733	2,580
LEASE ADJ.	____-	____-	____-	____-	____-	____-	____-	____-
VALUE/AC	2,116	2,500	2,524	2,536	3,287	2,410	2,733	2,580

Time Adjustment: A time adjustment was made and explained in the cost approach section.

Building & Improvement Adjustment: No improvements were valued in this appraisal.

Land Adjustment: Adjustments were made and the adjustment spreadsheet can be found in the addenda.

Size Adjustment: An adjustment was not made. The comparables are similar.

Lease Adjustment: An adjustment was not made. The comparable sales did not have any leases and no leases were being valued for the subject.

Summary of Adjustments: If a simple statistical analysis is done the remaining sales show the mean to be \$2,586/Ac and the median to be \$2,530/Ac. Based on the adjusted comparable sales and comparing each adjusted sale with the subject I have valued the Rogers deeded land and improvements \$1,055,990 (406.15 Ac x \$2,600/Ac). Rounded to \$1,100,000.

**INCOME APPROACH:**

In arriving at a value based on the income approach the Appraiser should not consider management ability of a farm or ranch operator when pro-

jecting income and expenses, but should consider the typical income and expenses for like operations.

The income approach will be based on a cash lease of \$115/ac. Irrigated cropland will be considered leased on a cash lease with the landlord paying for utilities, taxes, and repairs to improvements.

The native pasture lands will be considered grazed at a rate of \$23/AUM.

The management fee is based on 8% of the total income. Management fees will range from 5% to 10% of the gross income when a property is managed by a professional farm management firm.

Property insurance and repairs to permanent improvements are based on the appraisers analysis of farm and ranch expenses taken from tax returns.

The income and expense for the comparable sales will be analyzed the same as the appraised property.

Following are the estimated income and expenses for the Rogers Farm.

## INCOME APPROACH

INCOME							
			TOTAL		GROSS		NET
LAND USE	ACRES	YIELD	YIELD	VALUE	INCOME	SHARE	INCOME
GRAZING (AUMs)	305	2.50	762.50	\$ 23	\$ 17,538	100%	\$ 17,538
IRRIGATED CROPLAND (Cash Lease)	130.72	-	-	\$ 115	\$ 37,582	100%	\$ 37,582
	0	-	-	\$ -	\$ -	0%	\$ -
TOTAL INCOME							\$ 55,120
EXPENSES							
R. E. TAXES							\$ 6,440
INSURANCE							\$ 2,000
STATE LEASE							\$ -
YID							\$ 1,818
HID							\$ -
REPAIRS IMPROV.							\$ 3,000
MANAGEMENT							\$ 4,410
TOTAL EXPENSE							\$ 17,668
NET INCOME							\$ 37,452

The remaining step in this analysis is to convert the projected income stream of the appraised property into an indication of value through the following formula:

Income divided by Capitalization Rate  
equals Value Indication

Following is a chart showing the capitalization rate for each sale. The Addenda has a chart that shows how the capitalization rates were calculated.

## CAPITALIZATION RATE CHART

SALE					CAP.
#	INCOME	EXPENSE	NET INC	SALE PRICE	RATE
1	\$ 70,341	\$ 22,509	\$ 47,832	\$ 1,500,000	3.2%
2	\$ 33,580	\$ 10,746	\$ 22,834	\$ 429,000	5.3%
3	\$ 57,815	\$ 18,501	\$ 39,314	\$ 2,100,000	1.9%
4	\$ 72,493	\$ 23,198	\$ 49,295	\$ 2,100,000	2.3%
5	\$ 5,541	\$ 1,773	\$ 3,768	\$ 120,000	3.1%
6	\$ 21,588	\$ 6,908	\$ 14,680	\$ 375,000	3.9%
7	\$ 26,381	\$ 8,442	\$ 17,939	\$ 722,500	2.5%
8	\$ 24,725	\$ 7,912	\$ 16,813	\$ 263,000	6.4%

Comparable sales show of capitalization rates of 2.1% to 6.4%. The sale with the highest rate has a low amount of acreage. Comparable sales with a similar amount of acreage to the subject range from 2.1% to 5.3%. This would indicate that the subject property would be higher than the lowest rates and less than the higher rate. The average capitalization rate is 3.6%. Based on a capitalization rate of 3.6% I have arrived at the following value for the subject using the Income Approach.

\$37,452 divided by 3.6% equals \$,1,040,332.22  
**Rounded to \$1,050,000.00**

### Valuation Summary:

The final step in the appraisal process is termed Reconciliation; it is defined in the "Dictionary of Real Estate Appraisal", P.296, The Appraisal Institute as:

*"The last phase of any valuation assignment is which two or more value indications derived from market data are resolved into a final value estimate, which may be either a final range of value or a single point estimate"*

The objective of this appraisal was to estimate the fee simple market value of the subject properties assuming cash or equivalent financing terms. The Cost, Sales Comparison and the Income Approaches were considered.



Following are the rounded values arrived at by each approach:

Cost Approach	\$1,000,000.00
Sales Comparison Approach	\$1,100,000.00
Income Approach	\$1,050,000.00

The difference between the highest and lowest value is approximately 9.09%. The cost approach will be given the greatest weight. The varying percentages of comparable land classes often require adjustments that are difficult to substantiate with the limited data available using the sales approach and income approach.

Based on the comparable sales data I have arrived at Market Value, as of July 14, 2014 for the Rogers property, real estate of \$1,000,000.00.

## APPRAISAL CERTIFICATE

The undersigned hereby certify that to the best of his knowledge and belief the statements contained in this appraisal report are correct.

- : 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 are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- : We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- : We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- : We engagement in this assignment was not contingent upon developing or reporting predetermined results.
- : Our 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 values opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- : Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- : We have made a personal inspection of the property that is the subject of this report.
- : No one provided significant real property and business appraisal assistance to the persons signing this certification..
- : The Appraiser has not preformed appraisal services regarding the subject property within the three year period immediately preceding acceptance of the appraisal assignment.

This report is subject to confidential peer review for Standards and Ethics compliance. The appraisal is a complete appraisal communicated by a appraisal report. John E Wicks is currently certified under the continuing education program of the American Society of Farm Managers and Rural Appraisers through December 31, 2016.

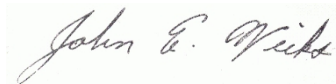
Scott Crosby, Appraiser Trainee, assisted in analyzing sales comparisons, writing the appraisal, gathering information and creating maps under the direction and/or guidance of John Wicks. The final opinion of value was determined by John Wicks and Scott Crosby. John Wicks, ARA reviewed the appraisal and discussed the report with Scott Crosby.

After weighing all of the factors herein reported, to the best of my knowledge and belief, it is the Appraisers' opinion that the Market Value , based on cash, of the Rogers real estate as of July 14, 2014 is as follows:

Real Estate & Leases

\$1,000,000.00

Respectfully submitted,



John E. Wicks, ARA  
Certified General Real Estate Appraiser  
Montana Cert. #5, Wyoming Permit #89



J. Scott Crosby  
Appraiser Trainee Real Estate Appraiser  
Montana Cert. # 5010, Wyoming Cert. #1256

## QUALIFICATIONS

### JOHN E. WICKS

#### EDUCATION:

**MONTANA STATE UNIVERSITY**, Bozeman, Montana. Graduated with a M. S. Degree in Agricultural Economics.

**COLORADO STATE UNIVERSITY**, Fort Collins, Colorado. Graduated with a B. S. Degree in Dairy Science.

Numerous seminars and schools on the subjects of appraising and farm and ranch management. A partial list is shown at the end of this document.

#### DESIGNATIONS:

**ACCREDITED RURAL APPRAISER (ARA)**, Certificate #971, American Society of Farm Managers and Rural Appraisers.

**MONTANA CERTIFIED GENERAL REAL ESTATE APPRAISER**, Certificate #5

**WYOMING CERTIFIED GENERAL REAL ESTATE APPRAISER**, Permit #89, Certificate #93.

**MONTANA REAL ESTATE BROKER**, License #4439.

#### PUBLICATIONS:

MANAGEMENT ALTERNATIVES OF A COW-CALF RANCH, Roger Brownson and John E. Wicks; Montana State University, Bulletin 1090, September 1971.

ECONOMICS OF SPRINKLER IRRIGATION, John E. Wicks; Montana State University, April 1972.

INTERPRETING ECONOMIC, FEED AND LIVESTOCK OUTLOOK  
INFORMATION FOR THE COW-CALF RANCH MANAGER, John E. Wicks; Montana State University, August 1971.

COST OF PRODUCING A CALE, Limousine Journal, John E. Wicks; 1979.

FARM AND RANCH MANAGEMENT MANUAL, American Society of Farm Managers and Rural Appraisers, Co-Author, John E. Wicks, 1980.

#### EXPERIENCE:

1981 to Present: Wicks & Associates, LLC (Formally Wicks Agri Services), Billings, Montana.

I am currently self employed and doing work in the areas of real estate appraisals, farm and ranch management, agricultural economic and financial consulting.

Appraisal assignments include appraising the value of partial interests in property, valuation of corporation stock for farm and ranch corporations, business valuation of agricultural related businesses, conservation easement appraisals, estate, lender appraisals; and valuation and partition analysis for agricultural properties.

Completed management plans for dry and irrigated farms and ranches for owners and potential owners of agricultural land.

I have calculated and testified as to economic damages in various types of litigation related to agricultural and the death of agricultural employees and operators.

Prepared the economic and cost analysis for agricultural justification section for the enlargement of the North Fork Dam Smith River.

1979 to 1981: Doane-Western, Inc., Billings, Montana and Fort Collins, Colorado.

During this time period, as manager of the Fort Collins office and then the Billings, Montana

office, I was involved in corresponding long-term loans for Aetna and Mutual of New York Insurance Companies in Montana, Wyoming, North and South Dakota and Colorado. This included doing the appraisal work for these companies. In addition, I did fee appraisals, farm and ranch management and consulting work.

1973 to 1979: Western Agri Services, Billings, Montana.

I originated this firm and owned it until I sold the firm to Doane-Western in 1979. During this time period I was doing land appraisals, farm and ranch management and economic consulting work.

1963 to 1973: Montana State University, Bozeman, Montana.

I was a County Extension Agent for seven years and then Extension Economist for three years, specializing in farm and ranch management education.

#### **SUMMARY OF KINDS OF WORK COMPLETED**

I am a qualified expert witness in the areas of land valuation and earning capacities of real estate. I have testified and completed damage calculations in numerous lawsuits related to agricultural and real estate in the Montana and Wyoming Federal and State Courts and the U.S. Court of Claims, Washington D.C. In addition I have completed damage calculations in many lawsuits that were later settled out of court. I have testified in approximately 90 agricultural Chapter 12 or Chapter 11 Bankruptcy hearing on either real estate appraisals or the Debtors financial plan analysis. I have managed a 2,200 cow/calf ranch; a 200 cow/calf, 4,000 head feedlot and 2,000 acre irrigated cropland ranch; a 3,000 acre dry farm operation; a 800 cow/calf and 1000 acre irrigated hayland ranch; a 1,200 acre irrigated corn and hay ranch; and several small irrigated or dryland farms.

I have completed approximately 1,226 real estate appraisals as of March 3, 2013 with a total of approximately 5,180,000+/- acres and a total value of \$1,635,175,700+/- **These appraisals included Uniform Standards of Professional Appraisal Practice (USPAP) and Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book) appraisals.** These appraisals include agricultural, commercial and subdivision analysis and conservation easements. I completed 45 conservation easement appraisals. There are some personal property (machinery, equipment, vehicles, livestock) valuations included in the total number of appraisals completed.

#### **PROFESSIONAL SOCIETIES**

**American Society of Farm Managers and Rural Appraisers, Montana Chapter:** Accredited Member, President Montana Chapter in 1976, National Board of Directors in 1976, Past member of the National Farm Management Committee, Member of Montana Chapter Board of Directors 1998-2001.

I am current and in compliance with the Mandatory Continuing Education Program of the American Society of Farm Managers and Rural Appraisers through December 31, 2016.

#### **PARTIAL LIST OF REAL APPRAISAL COURSES COMPLETED**

A-15 Report Writing  
A-20 Principles of Rural Appraising  
A-25 Eminent Domain Appraising (Included some Yellow Book discussion)  
A-30 Advanced Rural Appraising  
A-12 Standards and Ethics School-1/2005  
Applied Sales Comparison  
Valuation Using Spreadsheets  
Valuation of CRP Contracts  
The Appraiser As A Witness In Civil Litigation  
Mineral Appraising Seminar  
Farm and Ranch Management Course  
Environmental Liabilities and Risk Management in  
Real Estate - Realities and Practicalities  
Discounted Cash Flow Analysis  
Subdivision Analysis  
Business Valuation - 201

Business Valuation - 202  
 Income Capitalization Unleveraged - A-27  
 Conservation Easements Seminar (Included some Yellow Book discussion)  
 Highest & Best Use Course - A29  
 Rural Residential Appraisal  
 Instructed ASFMRA Farm & Ranch Management Course  
 FannyMae Appraisal Guidelines  
 Subdivision Analysis  
 Appraisal of Transitional Properties  
 Land Access Seminar  
 Uniform Appraisal Standards for Federal Land Acquisitions (Yellowbook)  
 Update of Uniform Standards of Professional Appraisal Practice (10/06)  
 Discounting and Leases Seminar  
 Valuation of Conservation Easements (1/08)  
 ASFMRA Code of Ethics (2/08)  
 Subdivision Regulations (2/08)  
 Update of Uniform Standards of Professional Appraisal Practice (2/08)  
 Requirements of UASFLA (10/08)  
 Cost Approach (2-09)  
 Wind Leases (2/09)  
 Cost Estimating (2/3/10)  
 Update of Uniform Standards of Professional Appraisal Practice 2010-2011 (2/4/10)  
 Sales Comparison Approach (2/8/11)  
 Montana Navigable Waterways & Origins of Ownership (2/9/11)  
 CAFO & AFO (Animal Feeding & Concentrated Animal Feeding Operations State Regs. (2/9/11)  
 Trends in Agricultural Finance (2/9/11)  
 Update of Uniform Standards of Professional Appraisal Practice 2012-2013 (2/8/12)  
 Land Easement Seminar (2-9-12)  
 Cadastral Seminar (2-9-12)  
 Appraising Natural Resources (2-5-13)  
 Wind Power (2-6-13)  
 ASFMRA Ethics (2-4-14)  
 DNRC Water Rights Education (2-4-14)  
 Update of Uniform Standards of Professional Appraisal Practice 2014-2015 (2/5/14)  
**CONTINUING EDUCATION**

I am currently certified under the continuing education program of the American Society of Farm Managers and Rural Appraisers through December 31, 2016.

**TYPICAL CLIENTS ECONOMIC CONSULTING & APPRAISAL WORK HAS BEEN COMPLETED FOR:**

1. Various private farm, ranch and commercial property owners located in Montana, Wyoming, Colorado, S. Dakota and Mississippi including sole proprietors, partnerships and corporations. Properties ranged in size from a few acres to 180,000 acres.
2. Government Agencies including, Farmers Home Administration, Internal Revenue Service, Bureau of Reclamation, Bureau of Indian Affairs, Bureau of Land Management, FDIC, Montana Fish & Wildlife and City of Billings, Montana.
3. Various private institutions such as banks located in Montana, Wyoming and South Dakota; Farm Credit Services, The Northern Trust Company, private trust organizations, Peabody Coal Company, Cargill Grain Company, Land Trust Organizations, Westmorland Coal, Conoco Pipeline and Cenex Pipeline, Pacific Power and Light.

## **QUALIFICATIONS**

**J. SCOTT CROSBY**

### **EDUCATION:**

**UNIVERSITY OF UTAH**, Salt Lake City, UT. Graduated with an MBA Degree.

**BRIGHAM YOUNG UNIVERSITY-IDAHO**, Rexburg, Idaho. Graduated with a B.A. Degree in Agricultural Business, Minored in Economics.

### **DESIGNATIONS:**

**MONTANA APPRAISER TRAINEE REAL ESTATE APPRAISER**, Certificate #5010

**WYOMING APPRAISER TRAINEE REAL ESTATE APPRAISER**, Certificate #1256.

### **PROFESSIONAL SOCIETIES**

**American Society of Farm Managers and Rural Appraisers, Montana Chapter:** Accredited Member

**American Society of Farm Managers and Rural Appraisers, Wyoming Chapter:** Accredited Member

### **LIST OF REAL APPRAISAL COURSES COMPLETED**

Basic Appraisal Principles  
Basic Appraisal Procedures  
National Uniform Standards and Professional Appraisal Practices  
Commercial Appraisal Review  
Expert Witness for Commercial Appraisers  
General Appraiser Market Analysis Highest and Best Use  
General Appraiser Sales Comparison Approach  
General Appraiser Site Valuation and Cost Approach  
Statistics, Modeling and Finance  
ASFMRA Ethics (2-4-14)  
DNRC Water Rights Education (2-4-14)  
Update of Uniform Standards of Professional Appraisal Practice 2014-2015 (2-5-14)  
Valuation of Conservation Easements and Partial Interests

## **ADDENDA**