

**STATE SECTION 16 PROPERTY  
REAL ESTATE APPRAISAL  
YELLOWSTONE COUNTY, MONTANA**

**Prepared For**

**EMILY COOPER  
DEPT. OF NATURAL RESOURCES & CONSERVATION  
LANDS SECTION SUPERVISOR  
PO BOX 201601  
HELENA, MT 59620-1601**

**Prepared By**

**JOHN E. WICKS, ARA  
ACCREDITED RURAL APPRAISER  
MONTANA CERTIFIED GENERAL REAL ESTATE APPRAISER  
BILLINGS, MONTANA**

**&**

**J. SCOTT CROSBY  
MONTANA CERTIFIED GENERAL REAL ESTATE APPRAISER  
COWLEY, WYOMING**

**APPRAISAL REPORT**

**DATE OF VALUATION - OCTOBER 10, 2016**

# Wicks & Associates, LLC

2820 Lyndale Lane, Billings, MT 59102 • Phone: (406) 652-1989 • Fax: (406) 652-6871

October 18, 2016

Emily Cooper  
Dept. Of Natural Resources & Conservation  
Lands Section Supervisor  
P.O. Box 201601  
Helena, MT 59620-1601

Re: State Section 16 Real Estate Appraisal Yellowstone County, MT

Dear Ms. Cooper:

Transmitted herewith is our report covering findings and conclusions resultant from our inspection of the above referenced property. The facts and opinions of the Market Value, based on cash, as of October 10, 2016 as follows:

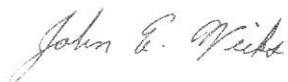
State Section 16 Real Estate With Legal Access	\$280,000.00
State Section 16 Real Estate Without Legal Access	\$190,000.00

The main body of our 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 Appraisers have 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 our working guidelines.

We trust this report will be found satisfactory for your needs. The appraisal is an Appraisal Report and the client are the State of Montana, the 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 us. 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  
Certified General Real Estate Appraiser  
Wyoming Certificate #1512  
Montana Certificate #8183

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SUMMARY AND SALIENT FACTS

Owner of Record:

State of Montana  
Mail To: Dept of State Lands  
Helena, MT 59601-4600

Location:

Approximately 20 miles east of  
Billings, MT.

Interest Appraised:

Fee simple unencumbered  
value of the property as  
a whole.

Effective Date of Value:

October 10, 2016

Property Description:

640.00 acres of rangeland

Zoning:

None

Highest and Best Use:

Agricultural

Conclusion of Value:

With Access	\$ 280,000.00
Without Access	\$ 190,000.00

**Authorization:**

John E. Wicks and Scott Crosby have been authorized to appraise real estate vested to the State of Montana. The property is located in Yellowstone County, Montana. Authorization to do the appraisal was given by Emily Cooper, Lands Section Supervisor, PO 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 Wicks & Associates to make this appraisal is not in any manner contingent upon the value reported.
6. The value of the land and improvements (if applicable) 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. We are 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 Appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraisers 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 Appraisers. The Appraisers have no knowledge of the existence of such materials on or in the property. The Appraisers, 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 Appraisers reserve the right to make corrections.**
15. The Appraisers are **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 Appraisers 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 Appraisers 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. If applicable, 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 included in the irrigated land value.**
19. This appraisal is written as an Appraisal Report according to the Uniform Standards of Professional Appraisal Standards. Our office file may contain additional information relating to valuation not included in this report.
20. Unless otherwise disclosed in this report, we have provided no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year (36-months) period immediately preceding acceptance of the assignment that resulted in this report.
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, Certified General Appraiser, 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. 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 property is October 10, 2016. The property was inspected on October 10, 2016. This report was written on October 18, 2016.

**Estate to be Appraised:**

The estate or property right being appraised is the surface rights of record in the real property known as the State of Montana Section 16, T1N,R28E.

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.

**Intended Use of Appraisal:**

The 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 with a market value estimate of the property to be used for the decision making process concerning



the potential sale of the subject property. 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 the State of Montana for more than three years.

**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." The following are the hypothetical conditions upon which this appraisal is based:

1. The subject property has legal access.
2. No leases/licenses exist on the property and it is being appraised as fee simple.

**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. There are no extraordinary assumptions upon which this appraisal is based.

**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 irrigation equipment, if applicable, are included in the land value.

**Scope of Appraisal:**

The property was inspected on October 10, 2016. Scott Crosby inspected the property. Teen Patterson, prospective buyer, accompanied the appraiser. Scott Crosby assisted in analyzing sales comparisons, writing the appraisal, gathering information and creating maps. 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. Patterson concerning the appraised property. He owns the land surrounding the subject and leases it for his livestock. 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 performed a complete appraisal process. In developing the 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 Scott Crosby 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 Yellowstone County records.

**Township 1 North. Range 28 East. M.P.M., Yellowstone County, Montana.**

Section 16: ALL

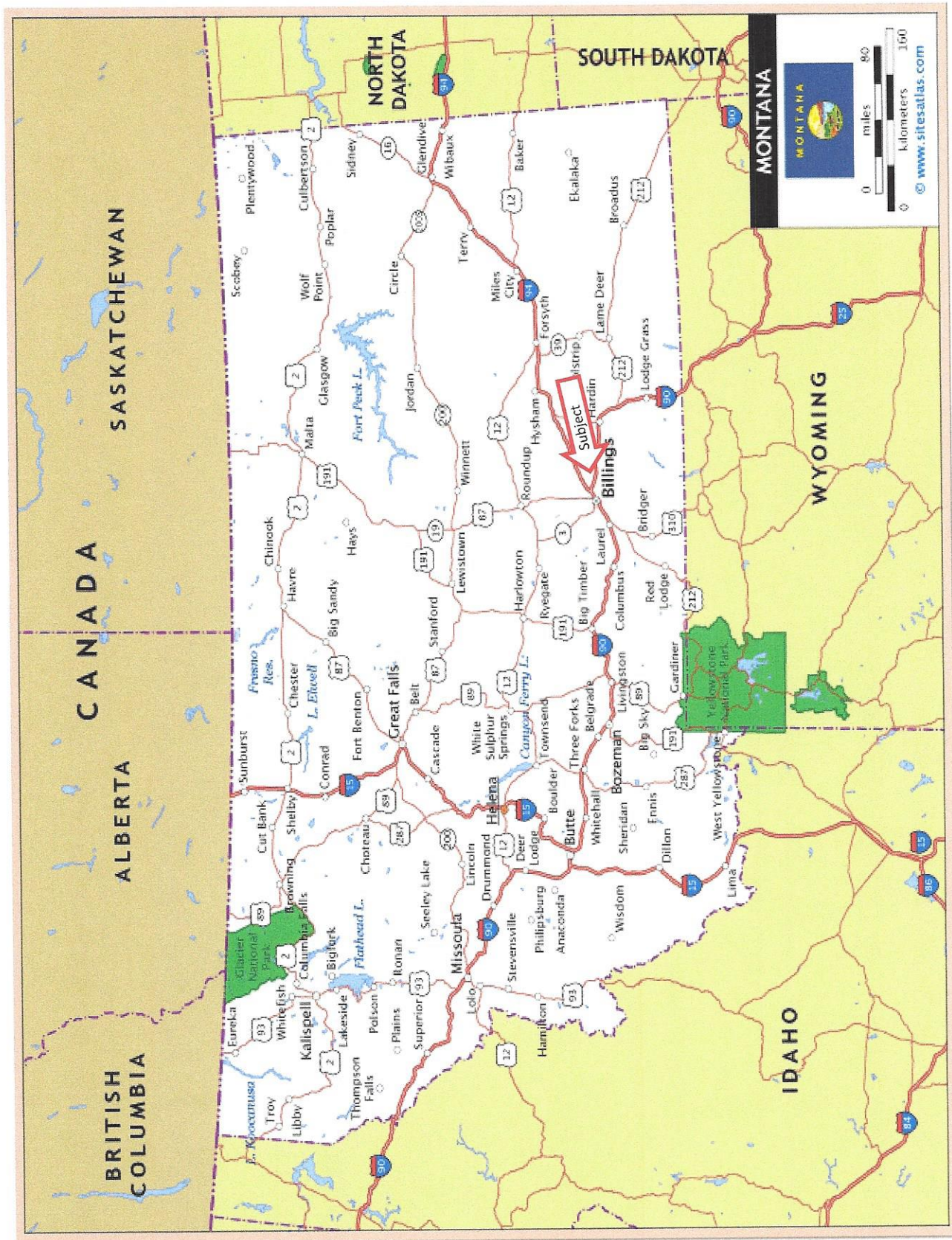
640.00 AC

**Leases**

The property is currently leased to Teen Patterson. However, a Hypothetical Condition is being used that the property is not leased so this lease will not be analyzed in this report.

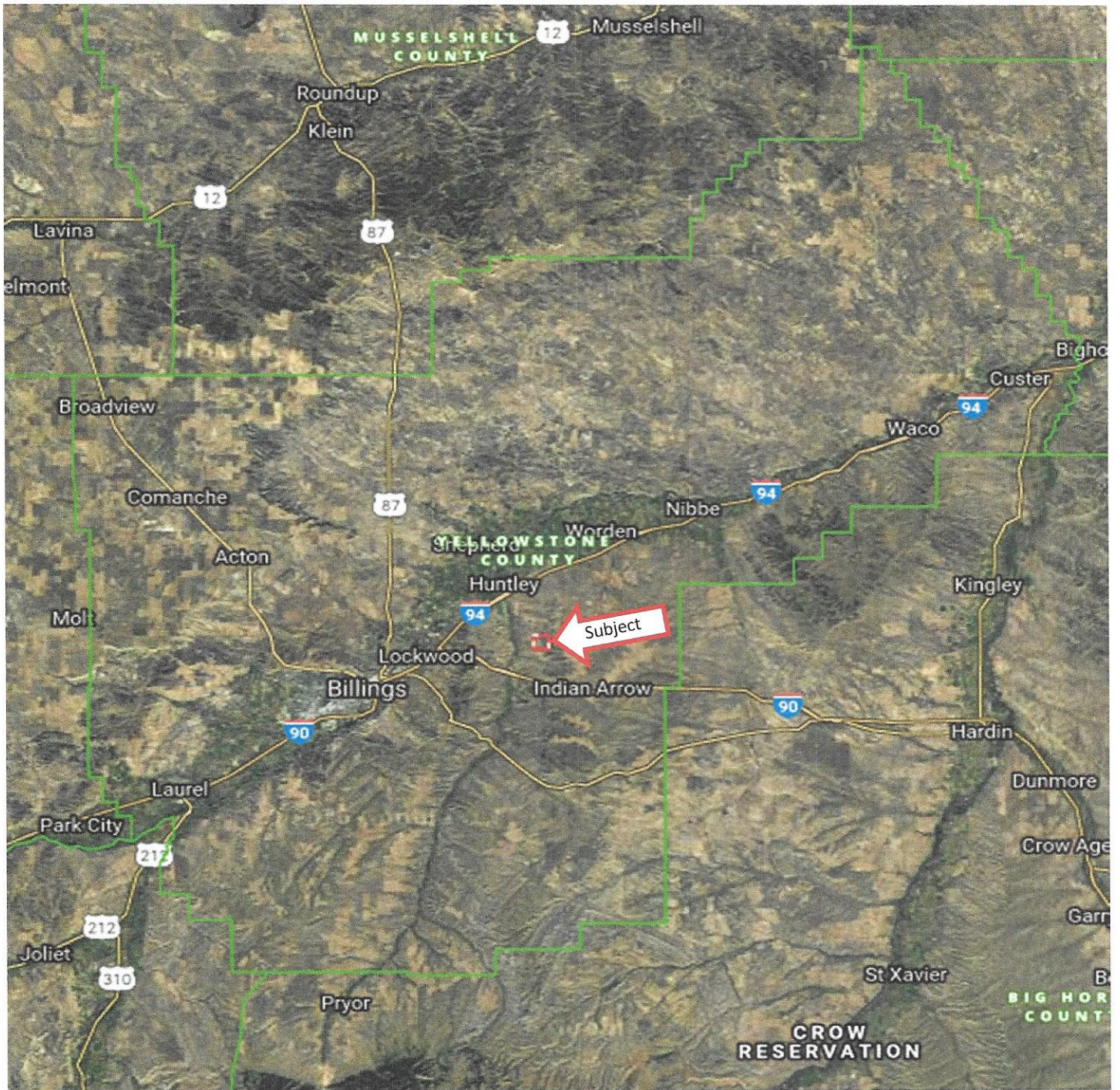


state location map



county location map







## AREA DESCRIPTION

Yellowstone County is located in south central Montana. It embraces 2,666 square miles in area and has approximately 1,706,240 acres within its borders. The southern portion of the county embraces part of the Pryor Mountains and is also home to a portion of the Crow Indian Reservation. The 2010 census figures place the county population at 147,972. Billings is the principal town in the area and the county seat of Yellowstone County. The Yellowstone River bisects, roughly, the county from southwest to northeast.

The county has a climate typical of the semi-arid Great Plains Region, marked by abundant sunshine, low relative humidity, moderate winds, low precipitation and wide daily and seasonal variations of temperature. The growing season is relatively short. The summer season has hot days with abundant sunshine which is tempered by cool nights. The winters are moderately cold, but as a rule they are not prolonged and are broken frequently by comparatively long periods of mild weather. Occasionally, late spring and early fall frosts cause damage, as do hail and flash summer rains, which at times attain cloudburst intensity.

The months of highest rainfall are May and June. In the southern part of the county, on the high benches and in the mountainous area, the precipitation is greater than in the northern parts of the county because of the rise in elevation. The weather station at Crow Agency considers the average precipitation to be 15.31 inches, with 10.09 of those falling between April and September. Normal frost-free days number 125.

Agriculture is the principal industry in the region. Native hay and alfalfa were the first crops grown under irrigation in this area. They were produced for winter feed for livestock which ranged on the adjacent hills and mountains. Since the earliest settlement, livestock raising has been a major industry in the county, with beef cattle leading all other livestock. As more land was put under irrigation, and the population of the valleys increased, the farm units became smaller and a larger acreage was planted to alfalfa and crops that could be used for feed - such as wheat, oats and barley. Later, wheat became the principal cash crop. At present alfalfa occupies the largest acreage of any single crop. It is produced as a hay crop and also serves as an important source of farm income, with a good local market to near at hand range men. It is also used as a soil improvement crop. Two cuttings of alfalfa hay are obtained in some areas of the county and three cuttings in others.

In addition to the irrigation along the river valleys, considerable dry land farming is practiced in Yellowstone County, which consists principally of winter wheat and barley.

Beef cattle is the major livestock grown in Yellowstone County and is a major income producing enterprise for the county operators.

Many of the livestock in the county are sold through local auctions with other occurrences of direct order buyer on area ranches. A newer participant in this market is the video auction, which has been growing in popularity in recent years.

Rural property values are affected by many factors, with expected net income an important determinant in all areas. Other factors, however, including recreation and scenic values, minerals, interest rates, urban influences, investment potential, supply of properties on the market, and stressed sales, are also important. Current market values reflect consideration of all of these factors by buyers and sellers in the market.

Billings is located 814 miles east of Seattle, 555 miles north of Denver, 815 miles west of Minneapolis and 549 miles south of Calgary, Canada. Billings is the major trade center between these cities. The 2010 population of Billings was 104,170. Billings is the most populous city in Montana.

Billings Logan International Airport is a regional hub served by Northwest, Delta, United, Horizon and Big Sky airlines. There are daily nonstop flights to Salt Lake City, Denver, Seattle and Minneapolis. Bus service is provided by Greyhound for passenger and package express.

There are 95 authorized motor carriers that run regular and irregular routes from Billings to all parts of the United States and Canada. Interstate 90 provides direct routes to Chicago, Spokane and Seattle. Interstate 94 is direct to Minneapolis. Interstate 25, via Interstate 90, links Billings and Denver.

Electrical power is provided to the area by Montana Power Company. The Yellowstone Valley Electric Cooperative provides power to the rural areas. Montana Dakota Utilities Company provides natural gas to the area.

The per capita personal income, in Billings, for 2011 was \$27,582. The effective buying income, median household, was \$47,869 in 2011. Retail sales per capita in 2007 was \$23,638. The U.S. average was \$12,990 in 2007. The economy of Billings is made up of agricultural, mineral, light manufacturing, wholesale and retail sales.

Billings has an excellent educational system. There are 24 elementary, 5 middle, 3 high schools and a career center. In addition there are 7 elementary parochial schools and 1 parochial high school.

Montana State University, Billings, a 4 year state institution and Rocky Mountain College, a private 4 year college, are located in Billings.

Billings is governed by a Mayor/Council system, which hire a City Manager to operate the city. The county is governed by 3 elected



County Commissioners.

Billings medical community provides the most advanced health care services in a four-state area. Two modern and fully accredited hospitals, twenty six clinics and over two hundred physicians offer every major medical specialty and provide a complete range of medical surgical services and emergency care.

There are numerous motel and hotel facilities in Billings, including 7 convention centers that can accommodate 100 to 2000 people. Metra Park, a county owned multi-use facility, can seat up to 12,000 people and contains over 102,400 sq. ft. of area. The facility is used for concerts, trade shows, exhibitions, athletic events, pari-mutual horse racing, rodeos, ice shows and other numerous public and private events.

There is a variety of recreation opportunities in the Billings and South Central Montana area. There are three 18 hole and one 9 hole golf courses. Red Lodge Mountain Ski area is located approximately 60 miles southwest of Billings at Red Lodge, Montana. Yellowstone National Park is located approximately 125 miles from Billings. There is excellent hunting and fishing short distances from Billings.

#### **PROPERTY DESCRIPTION**

##### **Location & Roads:**

The State Section 16 property is located 20 miles east of Billings, MT. The property is reached via east on Interstate 90, a paved road, from Billings, where Interstate 94 and Interstate 90 split, for 5.50 miles to Pryor Creek Road exit. Take the exit and turn left (north) onto Pryor Creek Road, a paved road, and travel for 1.5 miles where you turn right (east) into Teen Patterson's farmstead. The property is reached via a two track trail road that goes through Mr. Patterson's property.

State and county location maps are shown on page 13 and 14.

**Markets:**

Grain markets are located at Billings or Pompeys Pillar, Montana.

Livestock auction markets are located at Billings, Montana or Sheridan, Wyoming.

**Community Facilities:**

School for grades K-12 are located at Huntley. School bus service is available at the Pryor Creek Road.

Medical facilities, including a hospital clinic, are located in Billings, MT. Major medical services are located in Billings.

**Climate:**

The average annual precipitation, according to precipitation maps is approximately 12.07 inches. The average precipitation for April 1 to September 31 is 8.08 inches. The frost free period is an average of 133 days.

**Ranch Operation:**

The property has historically been operated as grazing land for livestock. Livestock water is provided by a water tank, located in the SE4 of the property, that has water piped to it from off of the subject. The property itself does not have livestock water. Livestock water on the property is considered inadequate. There are deer, antelope, bear and occasional turkey on the property.

**Land Use:**

The land current use as a whole is for livestock grazing.

Rangeland	640.00 Ac
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The rangeland consists of scattered juniper and pine trees rolling/hilly pasture.

**Flood Plain:**

There can be some occasional flooding of land along drainage ways. This flooding is generally due to rapid snow melt or heavy thundershowers. This flooding is generally beneficial to the land.



### **Accessibility:**

The property is accessed through the Teen Patterson property off of Pryor Creek Road, a paved road. A two track trail road provides access through the Patterson property to the subject. This road is not accessible when wet. Additional two track trails provide interior access, these roads are also not accessible when wet.

The land is easily accessible by livestock. All of the grazing land can be accessed by 4WD vehicle in dry conditions.

### **Physical Features:**

The rangeland is sloping to undulating to hilly to steep. There is a bluff that runs along the eastern side of the property that drops off steeply. On top of this bluff is where the pine trees are located. The land around this bluff is rough and undulating. As you go west through the property it becomes more gently sloping. The topography of the unit as a whole is conducive to its use as a livestock operation.

### **Soils:**

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

Following is a brief description of the major soils that make up the State of Montana property:

<b>MAP SYMB</b>	<b>NAME</b>	<b>CAPABILITY CLASS</b>	<b>SLOPE %</b>	<b>% of Acres</b>
Ho	Heath clay loam	IIIe	4-8	24.00
RG	Rentsac-Rock outcrop complex	VIIe	Steep	19.40
HR	Heath-Bynum association	VIIe	Steep	14.70
Hp	Heath clay loam	VIIe	8-15	11.90
Rc	Redlodge-Adel silty clay loams	VIw	-	10.40

### **Vegetation:**

Dominant grassland species include western wheatgrass, blue grama, green needlegrass, bluebunch wheatgrass, little bluestem and needleandthread. Aspen trees occur near the bluff in the east central part of the property. Pine trees are located on top of the bluff and juniper trees are scattered throughout the rangeland.

### **Water:**

Livestock water is provided by a well which pipes water to a tank. This water source is located off of the subject and owned by Teen Patterson. Livestock water is considered to be unavailable.

**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.

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

**CARRYING CAPACITY**

Rangeland 620.00 Ac	<u>124</u> AUMs
<b>Total Grazing</b>	<b>124 AUMs</b>

Based on the grazing lease for the property the land would hold 124 AUMs. The land cannot produce hay as is. The total acreage for the subject is 640 acres but 20 acres are considered unsuitable.

**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.

**Garbage Dump:**

A garbage dump was not seen during the inspection.

**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 constructed of 4 barbed wire with no

interior fences. Both wood and steel posts are used. The perimeter fences appear to be in fair to poor condition. The fence along the eastern side of the property is flat on the ground in some places.

**Utilities:**

There is electricity to the property. A power line traverses the southern boundary of the property from east to west.

**Real Estate Taxes:**

The property is owned by the State of Montana and is not taxed.

**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. The grazing of livestock is the agricultural use. Properties in the area have the same 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.

The current use is legally permissible in this area of Yellowstone County, as the land is classified as agricultural.

#### Physically Possible:

The current use is physically possible as this has been the use of the property for many years.

#### Financially Feasible:

The current use is financially feasible. The subject property can create a net income as grazing land.

#### Maximally Productive:

The maximally productive use is the use that will yield the highest net present value for the property. When considering the maximally productive use of a property, consideration is given to other possible uses that may yield a higher value than the existing use.

The property generates the most income through livestock grazing. The property does have limited recreational use for hunting. However, due to no water being located on the property, the impact of

hunting is lessened for the property. The maximally productive use of the State Section Property is for agriculture.

Therefore, the highest and best use of the subject property as vacant is for agriculture.

#### **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.

There are no improvements on the property so this analysis is not required.

#### **Conclusion**

The conclusion is that the highest and best use of the State Section Real Estate property is for agricultural 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."

#### **Exposure Time:**

The amount of time that a property such as this can be expected to stay on the market is no more than one year.

### Marketing Time:

The amount of marketing time for a property such as this is estimated to be between 6 months and one year.

### Approach to Value:

There are three major approaches 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 through capitalization rates derived from the market. 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 when performing an appraisal 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 State Section real estate. Sales in the area are very limited. We did search the area for more recent sales. Due to the lack of comparable sales activity in the area, sales range from 3/2012 to 4/2015.



**SALE #1**

**SALE DATE:** 3/12

**GRANTOR:** Confidential

**GRANTEE:** Confidential

**DEED:** Warranty

**DOCUMENT #:** 3617972

**SALE PRICE:** \$830,000

**COUNTY:** Yellowstone

**ACREAGE:** 2,567.95

**LOCATION:** This property is located 20 miles east of Billings, MT.

**LEGAL DESCRIPTION:** See Office File

**COMMENTS:** Sale of open pasture located between Highway 87 and I-90. This property does not have legal access. This property is watered by numerous reservoirs along with a well and 1.5 miles of pipeline with three stock tanks. Pasture is rolling terrain with sagebrush cover and includes seasonal creek bottoms. Discounted around 20% for no access.

Rangeland  
State Lease

2,567.95 Ac @ \$318/Ac  
122 AUMs @ \$110/AUM

**SALE #2**

**SALE DATE:** 5/12

**GRANTOR:** Confidential

**GRANTEE:** Confidential

**DEED:** Warranty

**DOCUMENT #:** 3624792

**SALE PRICE:** \$11,000,000

**COUNTY:** Yellowstone

**ACREAGE:** 20,088.00

**LOCATION:** This property is located 5 miles northeast of Shepherd, MT.

**LEGAL DESCRIPTION:** See Office File

**COMMENTS:** Open market sale of a large ranch located northeast of Shepherd, Montana. The ranch has approximately 3.5 miles of frontage along the north boundary of the Yellowstone River, with the river frontage considered lower quality with high bluffs. The topography is generally undulating with scattered timber and open intermittent creeks. The ranch is well-blocked with most of the public lands accessible through an adjoining ranch purchased by the Montana Department of Fish Wildlife and Parks.

Rangeland  
Dry Cropland  
Irrigated  
Farmstead  
State Lease  
BLM Permit  
Improvements

16,252.00 Ac @ \$ 424/Ac  
3,065.00 Ac @ \$ 635/Ac  
766.00 Ac @ \$2,116/Ac  
5.00 Ac @ \$2,116/Ac  
134 AUMs @ \$ 125/Ac  
542 AUMs @ \$ 125/Ac  
\$447,210

**SALE #3**

**SALE DATE:** 12/12

**GRANTOR:** Confidential

**GRANTEE:** Confidential

**DEED:** Warranty

**DOCUMENT #:** 3651443

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

**COUNTY:** Yellowstone

**ACREAGE:** 2,974.15

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

**LEGAL DESCRIPTION:** See Office File

**COMMENTS:** 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. The 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 @ \$ 390/Ac
Irrigated	189.00 Ac @ \$1,955/Ac
Farmstead	2.00 Ac @ \$1,955/Ac
Improvements	\$42,357

**SALE #4**

**SALE DATE:** 12/12

**GRANTOR:** Confidential

**GRANTEE:** Confidential

**DEED:** Warranty

**DOCUMENT #:** 3650696

**SALE PRICE:** \$335,000

**COUNTY:** Yellowstone

**ACREAGE:** 640.00

**LOCATION:** This property is located 6 miles east of Huntley, MT.

**LEGAL DESCRIPTION:** See Office File

**COMMENTS:** Private treaty sale of an unimproved grazing tract, located east of Huntley and south of Interstate 94. The topography is rolling to undulating with an intermittent tributary of Squaw Creek. The property is accessed via a dirt trail from a recorded easement and has no utility service, but does have two wells. The sellers were long-time area landowners and the buyers owned the adjacent land tract and were purchasing for assemblage.

Rangeland	640.00 Ac @ \$523/Ac
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**SALE #5****SALE DATE:** 2/13**GRANTOR:** Confidential**GRANTEE:** Confidential**DEED:** Warranty**DOCUMENT #:** 3657034**SALE PRICE:** \$7,000,000**COUNTY:** Yellowstone**ACREAGE:** 18,417.46**LOCATION:** This property is located 5 miles west of Custer, MT.**LEGAL DESCRIPTION:** See Office File

**COMMENTS:** Sale of an improved property located in Yellowstone County near Custer. This property consists of a single contiguous parcel of land containing roughly 18,417 deeded acres. Access is provided via I-94, State Highway 310 and the Custer-Pine View Road. The previous ownership used the property primarily for agricultural production and personal recreation. Excluding ten acres of building site, the property is classified entirely as grazing lands, including some portions of improved pasture, which were previously used as dry cropland. Topography is generally rolling to sloping, with some rough broken terrain. The property lies entirely within the Buffalo Creek drainage, which empties into the Yellowstone River.

Rangeland	18,407.46 Ac @ \$ 370/Ac
Farmstead	10.00 Ac @ \$ 370/Ac
Improvements	\$123,224

**SALE #6****SALE DATE:** 2/13**GRANTOR:** Confidential**GRANTEE:** Confidential**DEED:** Warranty**DOCUMENT #:** 346734**SALE PRICE:** \$2,400,000**COUNTY:** Big Horn**ACREAGE:** 3,463.14**LOCATION:** This property is located 14 miles southwest of Lodge Grass, MT.**LEGAL DESCRIPTION:** See Office File

**COMMENTS:** Ranch is located along Lodge Grass Creek that is a good year round spring feed reliable water source. The livestock production in this area is above average. Improvements are mostly older yet quite functional. Property has some recreational amenities with the Big Horn Mountains just to the south and fishing in Lodge Grass Creek.

Rangeland	3,020.84 Ac @ \$ 450/Ac
Dry Cropland	126.60 Ac @ \$ 900/Ac
Irrigated	300.70 Ac @ \$2,246/Ac
Farmstead	15.00 Ac @ \$2,246/Ac
Improvements	\$217,488



**SALE #7**

**SALE DATE:** 4/15

**GRANTOR:** Confidential

**GRANTEE:** Confidential

**DEED:** Warranty

**DOCUMENT #:** 350278

**SALE PRICE:** \$1,600,000

**COUNTY:** Big Horn

**ACREAGE:** 6459.46

**LOCATION:** This property is located 14 miles south of Pompeys Pillar, MT.

**LEGAL DESCRIPTION:** See Office File

**COMMENTS:** Open market sale of a larger tract of grazing land, located in the Fly Creek drainage and just north of Interstate 90. The topography was rolling to rough, with livestock water provided by reservoirs, one seasonal spring and a shallow well, that was dry at the time of sale. The spring had a pump and pipeline with 4 to 5 tank sites, but the pipeline was non-working at the time of sale, with a portion that crossed Fly Creek washed out in 2013. Livestock water is considered very short on this ranch, with most water sources dry or non-drinkable in the summer months. The ranch had significant interest, but the lack of livestock water and insurable access limited the pool of prospective buyers and the ranch ultimately sold to an adjoining landowner. Estimated to be discounted over 40% for access issues.

Rangeland  
Farmstead  
Improvements

6,458.46 Ac @ \$ 245/Ac  
1.00 Ac @ \$ 245/Ac  
\$17,651

SALES CHART

SALE NUMBER	1		2		3		4		5	
GRANTOR	Confidential		Confidential		Confidential		Confidential		Confidential	
GRANTEE	Confidential		Confidential		Confidential		Confidential		Confidential	
DATE OF SALE	3/12		5/12		12/12		12/12		2/13	
SALE PRICE	\$830,000		\$11,000,000		\$1,500,000		\$335,000		\$7,000,000	
ACRES	2,567.95		20,088.00		2,974.15		640.00		18,417.46	
PRICE/AC	\$323		\$548		\$504		\$523		\$380	
UNIMPROVED	\$323		\$525		\$490		\$523		\$373	
IMPROVEMENTS	\$0		\$447,210		\$42,357		\$0		\$123,224	
LAND USE	Acres	\$/Acre	Acres	\$/Acre	Acres	\$/Acre	Acres	\$/Acre	Acres	\$/Acre
RANGELAND	2,567.95	\$ 318	16,252.00	\$ 424	2,783.15	\$ 390	640.00	\$ 523	18,407.46	\$ 370
DRY CROPLAND	-	\$ -	3,065.00	\$ 635	-	\$ -	-	\$ -	-	\$ -
IRRIGATED CROP	-	\$ -	766.00	\$ 2,116	189.00	\$ 1,955	-	\$ -	-	\$ -
HAYLAND	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
TAME PASTURE	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
RIVER BOTTOM	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
OTHER	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
FARMSTEAD	-	\$ -	5.00	\$ 2,116	2.00	\$ 1,955	-	\$ -	10.00	\$ 370
TOTAL ACREAGE	2,567.95		20,088.00		2,974.15		640.00		18,417.46	
*STATE LEASE	122.00	\$ 110	134.00	\$ 125	-	\$ -	-	\$ -	-	\$ -
*BLM PERMIT	-	\$ -	542.00	\$ 125	-	\$ -	-	\$ -	-	\$ -
*U.S.F.S PERMIT	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
*AUMs										

SALES CHART

SALE NUMBER	6		7	
GRANTOR	Confidential		Confidential	
GRANTEE	Confidential		Confidential	
DATE OF SALE	2/13		4/15	
SALE PRICE	\$2,400,000		\$1,600,000	
ACRES	3,463.14		6,459.46	
PRICE/AC	\$693		\$248	
UNIMPROVED	\$630		\$245	
IMPROVEMENTS	\$217,488		\$17,651	
LAND USE	Acres	\$/Acre	Acres	\$/Acre
RANGELAND	3,020.84	\$ 450	6,458.46	\$ 245
DRY CROPLAND	126.60	\$ 900	-	\$ -
IRRIGATED CROP	300.70	\$ 2,246	-	\$ -
HAYLAND	-	\$ -	-	\$ -
TAME PASTURE	-	\$ -	-	\$ -
RIVER BOTTOM	-	\$ -	-	\$ -
OTHER	-	\$ -	-	\$ -
FARMSTEAD	15.00	\$ 2,246	1.00	\$ 245
TOTAL ACREAGE	3,463.14		6,459.46	
*STATE LEASE	-	\$ -	-	\$ -
*BLM PERMIT	-	\$ -	-	\$ -
*STATE CROP LEASE	-	\$ -	-	\$ -
*AUMs/\$				

### 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 on the subject property.



**COST APPROACH:**

In our 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 appraisers 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 we 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 we 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.

Our 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 has shown an increase since 2012 that can be documented. A 4% increase compounded annually will be applied to the sales starting from the effective date of this appraisal. Resales of properties in the general area show an increase in value from 4% to 9%. Due to low commodity prices and an uncertain economy 4% is being utilized and is supported.

The range of value per acre for the State of Montana property comparable sales adjusted for time and no access is as follows:

**Land (Site)**

Rangeland \$ 395/Ac to \$ 579/Ac

The subject property consists of 640 acres of rangeland. The rangeland has scattered timber along the eastern side of the property on top of the bluff that runs from north to south. The State of Montana shows 20 acres as being unsuitable. For the purpose of this report, 640 acres will be valued in the report. As you go west on the property it turns into undulating and sloping to sloping. The average value of the sales is \$464 per acre. However, due to the rangeland having no developed water for livestock it would be below average and is supported at \$450 per acre.

Based on these facts we have valued the State of Montana property land as follows by the Cost Approach:

**State of Montana Property Value**

CLASS	ACRES	PER AC.	VALUE
RANGELAND	640.00	\$ 450	\$ 288,000
FARMSTEAD	-	\$ -	\$ -
<b>TOTAL DEEDED LAND</b>	<b>640.00</b>	<b>\$ 450</b>	<b>\$ 288,000</b>
ROUNDED TO			\$ 288,000

**Cost Approach With No Legal Access:**

The range of value per acre for the State of Montana property comparable sales adjusted for time is as follows:

**Land (Site)**

Rangeland \$ 256/Ac to \$ 579/Ac

The property does not have water for livestock and is similar to sale 7 which is the bottom of the range while the median of the two sales without access is \$320 per acre. Taking into consideration sale 1, the subjects rangeland is supported at \$275 per acre. Based on these facts we have valued the State of Montana property land as follows by the Cost Approach:

**State of Montana Property Value**

CLASS	ACRES	PER AC.	VALUE
RANGELAND	640.00	\$ 275	\$ 176,000
FARMSTEAD	-	\$ -	\$ -
<b>TOTAL DEEDED LAND</b>	<b>640.00</b>	<b>\$ 275</b>	<b>\$ 176,000</b>
ROUNDED TO			\$ 176,000

### Sales Comparison Approach:

The Sales Chart on page 29 shows the unadjusted value of each of the sales on a overall value per acre and by component land class.

A direct comparison on an 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 State of Montana property is \$248 to \$693. 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 for the State of Montana property.

SALES ADJUSTMENT CHART

Item	Subject	Sale 1		Sale 2		Sale 3		Sale 4		Sale 5	
Date of Sale	Current	3/12		5/12		12/12		12/12		2/13	
Size	640.00	2567.95		20088.00		2974.15		640.00		18417.46	
SALE PRICE/AC	n/a		\$ 323		\$ 548		\$ 504		\$ 523		\$ 380
Elements of Comparison	Description	Descript.	Adjust.	Descript.	Adjust.	Descript.	Adjust.	Descript.	Adjust.	Descript.	Adjust.
Rights Conveyed	Fee	No Access	\$ 81	Fee	\$ -	Fee	\$ -	Fee	\$ -	Fee	\$ -
Financing	Cash	Cash	\$ -	Cash	\$ -	Cash	\$ -	Cash	\$ -	Cash	\$ -
Conditions of Sale	Normal	Normal	\$ -	Normal	\$ -	Normal	\$ -	Normal	\$ -	Normal	\$ -
Subtotal	-		\$ 404		\$ 548		\$ 504		\$ 523		\$ 380
Land Mix	Mixed	Mixed	\$ (5)	Mixed	\$ (101)	Mixed	\$ (101)	Mixed	\$ -	Mixed	\$ -
Improvements	0	0	\$ -	10	\$ (22)	3	\$ (14)	0	\$ -	5	\$ (7)
Subtotal	-		\$ 399		\$ 424		\$ 390		\$ 523		\$ 373
Market Conditions	Current		82		39		35		56		25
Subtotal	-		\$ 481		\$ 463		\$ 424		\$ 579		\$ 399
Location	Dirt Trail	Dirt Trail	\$ -	Paved	\$ -	Paved	\$ -	Dirt Trail	\$ -	Paved	\$ -
Size	640.00	2,567.95	\$ -	20,088.00	\$ -	2,974.15	\$ -	640.00	\$ -	18,417.46	\$ 75
Quality	A	A	\$ -	A	\$ -	A	\$ -	G	\$ (100)	A	\$ -
Net Adjustments			\$ -		\$ -		\$ -		\$ (100)		\$ 75
Indicated \$/Acre			\$ 481		\$ 463		\$ 424		\$ 479		\$ 474



Item	Subject	Sale 6		Sale 7	
Date of Sale	Current	2/13		4/15	
Size	640.00	3463.14		6459.46	
SALE PRICE/AC	n/a		\$ 693		\$ 248
Elements of Comparison	Description	Descript.	Adjust.	Descript.	Adjust.
Rights Conveyed	Fee	Fee	\$ -	No Access	\$ 165
Financing	Cash	Cash	\$ -	Cash	\$ -
Conditions of Sale	Normal	Normal	\$ -	Normal	\$ -
Subtotal	-		\$ 693		\$ 413
Land Mix	Mixed	Mixed	\$ (180)	Mixed	\$ -
Improvements	0	11	\$ (63)	3	\$ (3)
Subtotal	-		\$ 450		\$ 410
Market Conditions	Current		\$ 26		\$ 19
Subtotal	-		\$ 476		\$ 429
Location	Dirt Trail	Gravel	-	Dirt Trail	-
Size	640.00	3,463.14	-	6,459.46	-
Quality	A	A	-	A	-
Net Adjustments			\$ -		\$ -
Indicated \$/Acre			\$ 476		429

Rights Conveyed: An adjustment was made. Sales 1 and 7 did not have legal access. These two sales were adjusted up to account for the diminution in value by the estimated percentage of impact discussed in the sale writ-ups.

Financing: No adjustments were made.

Conditions of Sale: No adjustments were made.

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

Improvement Adjustment: The building and improvement adjustments are based on the value of the buildings per acre of the sales in comparison to the subject which had no improvements. These comparisons can be found in the Addenda under Land Mix Adjustment.

Market Adjustment: A time adjustment was made. The market does show an increase from 2012 that can be documented. An adjustment of 4.0% compounded annually was made to the sales.

Location Adjustment: No adjustments were made.

Size Adjustment: An adjustment was made. Through paired sales analysis it was determined that sale 5, which is substantially larger than the subject, should be adjusted up by \$75 per acre.

Quality Adjustment: Adjustments were made. The subject property is considered to be average for the area. Through paired sales analysis

it was determined there is a -\$100 per acre adjustment needed for good quality land. This adjustment was made to sales 4.

Summary of Adjustments: When looking at the subject and how it compares to other sales it is very similar to sale 7, which is at the bottom of the value range. With no water on the property it would be at the bottom of the value range. Based on the adjusted comparable sales and comparing each adjusted sale with the subject we have valued the State of Montana property deeded land at \$275,200 (640.00 Ac x \$430/Ac). Rounded to \$275,000.00.

**Sales Comparison Approach With No Legal Access:**

The range in value per overall acre for the comparable sales used to value the State of Montana property is \$248 to \$693. 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 for the State of Montana property.

**SALES ADJUSTMENT CHART**

Item	Subject	Sale 1		Sale 2		Sale 3		Sale 4		Sale 5	
Date of Sale	Current	3/12		5/12		12/12		12/12		2/13	
Size	640.00	2567.95		20088.00		2974.15		640.00		18417.46	
SALE PRICE/AC	n/a		\$ 323		\$ 548		\$ 504		\$ 523		\$ 380
Elements of Comparison	Description	Descript.	Adjust.	Descript.	Adjust.	Descript.	Adjust.	Descript.	Adjust.	Descript.	Adjust.
Rights Conveyed	Fee	No Access	\$ -	Fee	\$ (150)	Fee	\$ (150)	Fee	\$ (150)	Fee	\$ (150)
Financing	Cash	Cash	\$ -	Cash	\$ -	Cash	\$ -	Cash	\$ -	Cash	\$ -
Conditions of Sale	Normal	Normal	\$ -	Normal	\$ -	Normal	\$ -	Normal	\$ -	Normal	\$ -
Subtotal	-		\$ 323		\$ 398		\$ 354		\$ 373		\$ 230
Land Mix	Mixed	Mixed	\$ (5)	Mixed	\$ (101)	Mixed	\$ (101)	Mixed	\$ -	Mixed	\$ -
Improvements	0	0	\$ -	10	\$ (22)	3	\$ (14)	0	\$ -	5	\$ (7)
Subtotal	-		\$ 318		\$ 274		\$ 240		\$ 373		\$ 223
Market Conditions	Current		65		25		21		40		15
Subtotal	-		\$ 383		\$ 299		\$ 261		\$ 413		\$ 238
Location	Dirt Trail	Dirt Trail	\$ -	Paved	\$ -	Paved	\$ -	Dirt Trail	\$ -	Paved	\$ -
Size	640.00	2,567.95	\$ -	20,088.00	\$ -	2,974.15	\$ -	640.00	\$ -	18,417.46	\$ 75
Quality	A	A	\$ -	A	\$ -	A	\$ -	G	\$ (100)	A	\$ -
Net Adjustments			\$ -		\$ -		\$ -		\$ (100)		\$ 75
Indicated \$/Acre			\$ 383		\$ 299		\$ 261		\$ 313		\$ 313



## SALES ADJUSTMENT CHART

Item	Subject	Sale 6		Sale 7	
Date of Sale	Current	2/13		4/15	
Size	640.00	3463.14		6459.46	
SALE PRICE/AC	n/a		\$ 693		\$ 248
Elements of Comparison	Description	Descript.	Adjust.	Descript.	Adjust.
Rights Conveyed	Fee	Fee	\$ (150)	No Access	\$ -
Financing	Cash	Cash	\$ -	Cash	\$ -
Conditions of Sale	Normal	Normal	\$ -	Normal	\$ -
Subtotal	-		\$ 543		\$ 248
Land Mix	Mixed	Mixed	\$ (180)	Mixed	\$ -
Improvements	0	11	\$ (63)	3	\$ (3)
Subtotal	-		\$ 300		\$ 245
Market Conditions	Current		\$ 17		\$ 11
Subtotal	-		\$ 317		\$ 256
Location	Dirt Trail	Gravel	-	Dirt Trail	-
Size	640.00	3,463.14	-	6,459.46	-
Quality	A	A	-	A	-
Net Adjustments			\$ -		\$ -
Indicated \$/Acre			\$ 317		256

Rights Conveyed: An adjustment was made. Sales 1 and 7 did not have legal access which is the same as the subject. The other sales were adjusted down by \$150 per acre. This amount was determined through paired sales analysis which is in our office file.

Financing: No adjustments were made.

Conditions of Sale: No adjustments were made.

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

Improvement Adjustment: The building and improvement adjustments are based on the value of the buildings per acre of the sales in comparison to the subject which had no improvements. These comparisons can be found in the Addenda under Land Mix Adjustment.

Market Adjustment: A time adjustment was made. The market does show an increase from 2012 that can be documented. An adjustment of 4.0% compounded annually was made to the sales.

Location Adjustment: No adjustments were made.

Size Adjustment: An adjustment was made. Through paired sales analysis it was determined that sale 5, which is substantially larger than the subject, should be adjusted up by \$75 per acre.



Quality Adjustment: Adjustments were made. The subject property is considered to be average for the area. Through paired sales analysis it was determined there is a -\$100 per acre adjustment needed for good quality land. This adjustment was made to sales 4.

Summary of Adjustments: Based on the adjusted comparable sales and comparing each adjusted sale with the subject we have valued the State of Montana property deeded land at \$192,000 (640.00 Ac x \$300/Ac). Rounded to \$192,000.00.

**INCOME APPROACH:**

The income approach is not suitable in determining the value of properties such as the State of Montana property in its current use as it creates little income in relation to the property's value. The value in the property is in its location. A buyer of the property would most likely be purchasing the property to use for something other than its income earning potential.

For this reason the income approach will not be used in the determination of value.

### 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 if the subject is considered to have legal access:

Cost Approach	\$288,000.00
Sales Comparison Approach	\$275,000.00
Income Approach	NA

The difference between the highest and lowest value is less than 4.50%. The Cost Approach and Sales Comparison Approach are good indicators of value and support each other. The sales comparison approach will be given the greatest weight due to there being no improvements on the subject property.

Based on the comparable sales data we have arrived at a Market Value, as of October 10, 2016 for the State of Montana property, real estate of \$280,000.00.

Following are the rounded values arrived at by each approach if the subject is considered not to have legal access:

Cost Approach	\$176,000.00
Sales Comparison Approach	\$192,000.00
Income Approach	NA

The difference between the highest and lowest value is less than 8.33%. The Cost Approach and Sales Comparison Approach are good indicators of value and support each other. The sales comparison approach will be given the greatest weight due to there being no improvements on the subject property.

Based on the comparable sales data we have arrived at a Market Value, as of October 10, 2016 for the State of Montana property without legal access, real estate of \$190,000.00.

## 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..
- : Unless otherwise disclosed in this report, we have provided no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year (36-months) period immediately preceding acceptance of the assignment that resulted in this report.

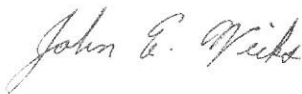
This report is subject to confidential peer review for Standards and Ethics compliance. The appraisal is a complete appraisal communicated by a appraisal report. John E Wicks is currently certified under the continuing education program of the American Society of Farm Managers and Rural Appraisers through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

Scott Crosby, Certified General Appraiser, assisted in analyzing sales comparisons, writing the appraisal, gathering information and creating maps. 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 our knowledge and belief, it is the Appraisers' opinion that the Market Value, based on cash, of the State of Montana real estate as of October 10, 2016 is as follows:

State of Montana Real Estate With Access	\$ 280,000.00
State of Montana Real Estate Without Access	\$ 190,000.00

Respectfully submitted,



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



J. Scott Crosby  
Certified General Real Estate Appraiser  
Montana Cert. #8183, Wyoming Cert. #1512



## 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 CALF, 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 CERTIFIED GENERAL REAL ESTATE APPRAISER, Certificate #8183

WYOMING CERTIFIED GENERAL REAL ESTATE APPRAISER, Certificate #1512

### PROFESSIONAL SOCIETIES

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

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

### EXPERIENCE:

1994 to Present: Crosby Farms, Cowley, Wyoming

2007 to 2015: Custom Ag Solutions, Cowley, Wyoming

2013 to Present: Wicks & Associates, LLC, Billings, Montana.

2015 to Present: Luther Appraisal Services, Miles City, 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. I also work for Wicks & Associates and Luther Appraisals doing real estate appraisals.

Farming work includes managing the production of sugar beets, malt barley, corn and alfalfa while assisting in beef production.

Consulting work includes work for the United States Department of Agriculture in the area of risk management in 40 states.

Appraisal assignments include appraising the value of partial interests in property, conservation easement appraisals, estate, lender appraisals, valuation and partition analysis for agricultural properties and machinery and equipment.

### SUMMARY OF KINDS OF WORK COMPLETED

I have completed over 100 real estate appraisals as of December 8, 2015 with a total of over 370,000+/- acres. **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. There are some personal property (machinery, equipment, vehicles, livestock) valuations included in the total number of appraisals completed.

### 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  
General Appraiser Income Approach  
General Appraiser Report Writing & Case Studies

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

**TYPICAL CLIENTS APPRAISAL WORK HAS BEEN COMPLETED FOR:**

1. Various private farm, ranch and commercial property owners located in Montana and Wyoming including sole proprietors, partnerships and corporations. Properties ranged in size from a few acres to 36,000 acres.
2. Government Agencies including the Montana Department of Natural Resources and Conservation.
3. Various private institutions such as banks located in Montana and Wyoming; Farm Credit Services, Farm Service Agency, private trust organizations, Westmoreland Coal Company, Spring Creek Coal Company, Western River Conservancy and Land Trust Organizations.

## ADDENDA



**DEPARTMENT OF NATURAL RESOURCES  
AND CONSERVATION**  
Trust Land Management Division



STEVE BULLOCK, GOVERNOR

1625 ELEVENTH AVENUE

**STATE OF MONTANA**DIRECTOR'S OFFICE: (406) 444-2074  
FAX: (406) 444-2684P.O. BOX 201661  
HELENA, MONTANA 59620

August 16, 2016

Teen Patterson  
485 Pryor Creek Road  
Huntley, MT 59037

RE: **SECONDARY APPRAISAL - YELLOWSTONE COUNTY**  
Sale No. 705, ALL, Section 16, Township 1 North, Range 28 East

Dear Teen:

Please find attached the original scope of work that was used for the first appraisal. In order for the secondary appraiser to produce a comparable report, the same information needs to be used.

If you have questions, please contact myself at (406) 444-1868 or [aceaicovschi@mt.gov](mailto:aceaicovschi@mt.gov).

Sincerely,

*Alex Ceaicovschi*

Alex Ceaicovschi, Real Estate Specialist  
Trust Land Management Division

cc: Sale File  
SLO 705

## **Scope of Work for Appraisal of Potential Property Sales through the Land Banking Program**

### **CLIENT, INTENDED USERS, PURPOSE AND INTENDED USE:**

The clients and intended users are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC). The purpose of the appraisal is to provide the clients with a credible opinion of current fair market value of the appraised subject property and is intended for use in the decision making process concerning the potential sale of said subject property.

### **DEFINITIONS:**

**Current fair market value. (70-30-313, MCA)** Current fair market value is the price that would be agreed to by a willing and informed seller and buyer, taking into consideration, but not limited to, the following factors:

- (1) the highest and best reasonably available use and its value for such use, provided current use may not be presumed to be the highest and best use;
- (2) the machinery, equipment, and fixtures forming part of the real estate taken; and
- (3) any other relevant factors as to which evidence is offered.

**Highest and best use.** The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

### **PROPERTY RIGHTS APPRAISED:**

State of Montana lands are always to be appraised as if they are in private ownership and could be sold on the open market and are to be appraised in Fee Simple interest. For analysis purposes, properties that have leases or licenses on them are to be appraised with the Hypothetical Condition the leases/licenses do not exist.

### **EFFECTIVE DATE OF VALUATION AND DATE OF INSPECTION:**

The latest date of inspection by the appraiser will be the effective date of the valuation.

### **SUBJECT PROPERTY DESCRIPTION & CHARACTERISTICS:**

The legal descriptions and other characteristics of the state's property that are known by the state will be provided to the appraiser. However, the appraiser should verify, as best as possible, any information provided. Further, should any adverse conditions be found by the appraiser in the course of inspecting the property and neighborhood, or through researching information about the property, neighborhood and market, those conditions shall be communicated to the clients and may change the scope of work required.



**ASSIGNMENT CONDITIONS:**

The appraiser must be a Montana certified general appraiser, and be competent to appraise the subject property. The appraisal is to conform to the latest edition of USPAP, and the opinion of value must be credible. The appraiser is to physically inspect the subject properties at a level that will allow the appraiser to render a credible opinion of value about the properties. For those properties which consist of more than one section, the appraiser must at least view each section. The appraiser must have knowledge of the comparables through either personal inspection or with use of sources the appraiser deems reliable, and must have at least viewed the comparables.

The appraiser will consider the highest and best use of the subject properties. (Note: it may be possible that because of the characteristics of a subject property, or market, there may be different highest and best uses for different components of the property. Again, that will depend on the individual characteristics of the subject property and correlating market. The appraiser must look at what a typical buyer for the property would consider.)

Along with using the sales comparison approach to value in this appraisal, (using comparable sales of like properties in the subject's market or similar markets), the appraiser will also consider the cost and income approaches to value. The appraiser will use those approaches, as applicable, in order to provide a credible opinion of value. Any approaches not used are to be noted, along with a reasonable explanation as to why the approach or approaches were not applicable. The appraisal will be an Appraisal Report as per USPAP, that will describe adequately, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions. All hypothetical conditions and extraordinary assumptions must be noted.

Parcels with no legal access, will be appraised with the hypothetical condition of having legal access, and should also be appraised as the property currently exists, which is without legal access. If no evidence through reasonably recent sales of comparable properties is found in the subject's market or similar markets, and thus no "as is" value can be properly supported, then state such in the report. Access typically consists of two parts; legal access and physical accessibility. The above references to access, hypothetical and "as is" are in regards to legal access. The physical accessibility to the subject parcel is to be appraised as it currently exists.

Legally accessible state lands are appraised as accessible only.

The appraisal on the state's lands must include state-owned improvements in the valuation, but exclude lessee-owned or licensee-owned improvements in the valuation. All appraisals are to describe the market value trends, and provide a rate of change, for the markets of each subject property. Comparables sales used should preferably have sales dates within one year of the appraisal and should not be over three years old. The comparable sales must be in reasonable proximity to the subject, preferably within the same county or a neighboring county.



## STATE SECTION 16 PHOTOGRAPHS

RANGELAND LOOKING EAST ALONG SOUTHERN BOUNDARY IN SW CORNER – NOTE POWERLINE



RANGELAND LOOKING NORTH ALONG WESTERN BOUNDARY IN SW CORNER





**RANGELAND/WATER TANK LOOKING NORTH IN SW4 OF PROPERTY**



**RANGELAND/BLUFF LOOKING EAST IN CENTER OF PROPERTY**





**RANGELAND LOOKING WEST IN CENTER OF PROPERTY**



**RANGELAND LOOKING NORTH IN CENTER OF PROPERTY**





LAND MIX ADJUSTMENT FOR SUBJECT PROPERTY

Sale #1		Sale		Value				Subject		Subject		%		Value					
Category		Acres		Per Acre				Total		Category		Acres		Total		Per Acre		Total	
RANGELAND		2,567.95		\$ 318.00				\$ 816,608		RANGELAND		640.00		100.00%		\$ 318.00		\$ 318	
DRY CROPLAND		-		\$ 0.00				\$ -		DRY CROPLAND		-		0.00%		\$ 0.00		\$ 0	
IRRIGATED CROP		-		\$ 0.00				\$ -		IRRIGATED CROP		-		0.00%		\$ 0.00		\$ 0	
HAYLAND		-		\$ 0.00				\$ -		HAYLAND		-		0.00%		\$ 0.00		\$ 0	
TAME PASTURE		-		\$ 0.00				\$ -		TAME PASTURE		-		0.00%		\$ 0.00		\$ 0	
RIVER BOTTOM		-		\$ 0.00				\$ -		RIVER BOTTOM		-		0.00%		\$ 0.00		\$ 0	
OTHER		-		\$ 0.00				\$ -		OTHER		-		0.00%		\$ 0.00		\$ 0	
STATE/FEDERAL LEASE		-		\$ 5.23				\$ 13,420		STATE/FEDERAL LEASE		-		0.00%		\$ 0.00		\$ 0	
FARMSTEAD		-		\$ 0.00				\$ -		FARMSTEAD		-		0.00%		\$ 0.00		\$ 0	
TOTAL		2,567.95		\$ 323.23				\$ 830,028		TOTAL		640.00		100.00%		\$ 0.50		\$ 318	
LAND MIX ADJUSTMENT (\$ 5)																			
Sale #1 Improvements		Utility	Cond.	Size	\$/Unit	Contrib. Value			Subject Improvements		Utility	Cond.	Size	\$/Unit	Contrib. Value				
					0.00	\$ 0			0		-	-	-	0.00	\$ -				
					0.00	\$ 0			0		-	-	-	0.00	\$ -				
					0.00	\$ 0			0		-	-	-	0.00	\$ -				
					0.00	\$ 0			0		-	-	-	0.00	\$ -				
					0.00	\$ 0			0		-	-	-	0.00	\$ -				
					0.00	\$ 0			0		-	-	-	0.00	\$ -				
					0.00	\$ 0			0		-	-	-	0.00	\$ -				
					0.00	\$ 0			0		-	-	-	0.00	\$ -				
					0.00	\$ 0			0		-	-	-	0.00	\$ -				
					0.00	\$ 0			0		-	-	-	0.00	\$ -				
					0.00	\$ 0			0		-	-	-	0.00	\$ -				
TOTAL				Per Acre	\$ -	\$ 0	TOTAL						Per Acre	\$ -	\$ -				
IMPROVEMENT ADJUSTMENT \$ 0																			
Sale #2		Sale		Value						Subject		Subject		%		Value			
Category		Acres		Per Acre				Total		Category		Acres		Total		Per Acre		Total	
RANGELAND		16,252.00		\$ 424.00				\$ 6,890,848		RANGELAND		640.00		100.00%		\$ 424.00		\$ 424	
DRY CROPLAND		3,065.00		\$ 635.00				\$ 1,946,275		DRY CROPLAND		-		0.00%		\$ 635.00		\$ 0	
IRRIGATED CROP		766.00		\$ 2,116.00				\$ 1,620,856		IRRIGATED CROP		-		0.00%		\$ 2,116.00		\$ 0	
HAYLAND		-		\$ 0.00				\$ -		HAYLAND		-		0.00%		\$ -		\$ 0	
TAME PASTURE		-		\$ 0.00				\$ -		TAME PASTURE		-		0.00%		\$ -		\$ 0	
RIVER BOTTOM		-		\$ 0.00				\$ -		RIVER BOTTOM		-		0.00%		\$ -		\$ 0	
OTHER		-		\$ 0.00				\$ -		OTHER		-		0.00%		\$ -		\$ 0	
STATE/FEDERAL LEASE		-		\$ 4.21				\$ 84,500		STATE/FEDERAL LEASE		-		0.00%		\$ -		\$ 0	
FARMSTEAD		5.0		\$ 2,116.00				\$ 10,580		FARMSTEAD		-		0.00%		\$ 2,116.00		\$ 0	
TOTAL		20,088.00		\$ 525.34				\$ 10,553,059		TOTAL		640.00		100.00%		\$ 0.66		\$ 424	
LAND MIX ADJUSTMENT (\$ 101)																			
Sale #2 Improvements		Utility	Cond.	Size	\$/Unit	Contrib. Value			Subject Improvements		Utility	Cond.	Size	\$/Unit	Contrib. Value				
DWELLING		G	G	6,138	33.75	\$ 207,158			0		0	0	-	-	\$ -				
DWELLING		G	G	1,958	36.00	\$ 70,488			0		0	0	-	-	\$ -				
GARAGE		A	A	864	4.80	\$ 4,147			0		0	0	-	-	\$ -				
GARAGE		A	A	576	4.80	\$ 2,765			0		0	0	-	-	\$ -				
BARN		A	A	2,040	4.00	\$ 8,160			0		0	0	-	-	\$ -				
BARN		A	A	336	4.00	\$ 1,344			0		0	0	-	-	\$ -				



SHED	A	A	960	2.50	\$ 2,400	0	0	0	-	-	\$ -	
SHOP	G	G	10,500	7.20	\$ 75,600	0	0	0	-	-	\$ -	
QUONSET	A	A	6,656	4.80	\$ 31,949	0	0	0	-	-	\$ -	
SHOP	G	G	6,000	7.20	\$ 43,200	0	0	0	-	-	\$ -	
				0.00	\$ 0	0	0	0	-	-	\$ -	
				0.00	\$ 0	0	0	0	-	-	\$ -	
				0.00	\$ 0	0	0	0	-	-	\$ -	
TOTAL			Per Acre	\$ 22.26	\$ 447,210	TOTAL			Per Acre	\$ -	\$ -	
IMPROVEMENT ADJUSTMENT (\$ 22)												
Sale #3	Sale	Value				Subject	Subject	%	Value			
Category	Acres	Per Acre			Total	Category	Acres	Total	Per Acre	Total		
RANGELAND	2,783.15	\$ 390.00			\$ 1,085,429	RANGELAND	640.00	100.00%	\$ 390.00	\$ 390		
DRY CROPLAND	-	\$ -			\$ -	DRY CROPLAND	-	0.00%	\$ 0.00	\$ 0		
IRRIGATED CROP	189.00	\$ 1,955.00			\$ 369,495	IRRIGATED CROP	-	0.00%	\$ 1,955.00	\$ 0		
HAYLAND	-	\$ -			\$ -	HAYLAND	-	0.00%	\$ -	\$ 0		
TAME PASTURE	-	\$ -			\$ -	TAME PASTURE	-	0.00%	\$ -	\$ 0		
RIVER BOTTOM	-	\$ -			\$ -	RIVER BOTTOM	-	0.00%	\$ -	\$ 0		
OTHER	-	\$ -			\$ -	OTHER	-	0.00%	\$ -	\$ 0		
STATE/FEDERAL LEASE	-	\$ -			\$ -	STATE/FEDERAL LEASE	-	0.00%	\$ -	\$ 0		
FARMSTEAD	2.00	\$ 1,955.00			\$ 3,910	FARMSTEAD	-	0.00%	\$ 1,955.00	\$ 0		
TOTAL	2,974.15	\$ 490.50			\$ 1,458,834	TOTAL	640.00	100.00%	\$ 0.61	\$ 390		
LAND MIX ADJUSTMENT (\$ 101)												
Sale #3 Improvements	Utility	Cond.	Size	\$/Unit	Contrib. Value	Subject Improvements	Utility	Cond.	Size	\$/Unit	Contrib. Value	
DWELLING	P	P	1,196	30.00	\$ 35,880		0	0	0	-	-	\$ -
GARAGE	P	P	1,252	3.75	\$ 4,695		0	0	0	-	-	\$ -
MACHINE SHED	P	P	990	1.80	\$ 1,782		0	0	0	-	-	\$ -
				0.00	\$ 0		0	0	0	-	-	\$ -
				0.00	\$ 0		0	0	0	-	-	\$ -
				0.00	\$ 0		0	0	0	-	-	\$ -
				0.00	\$ 0		0	0	0	-	-	\$ -
				0.00	\$ 0		0	0	0	-	-	\$ -
				0.00	\$ 0		0	0	0	-	-	\$ -
				0.00	\$ 0		0	0	0	-	-	\$ -
				0.00	\$ 0		0	0	0	-	-	\$ -
				0.00	\$ 0		0	0	0	-	-	\$ -
				0.00	\$ 0		0	0	0	-	-	\$ -
				0.00	\$ 0		0	0	0	-	-	\$ -
TOTAL			Per Acre	\$ 14.24	\$ 42,357	TOTAL			Per Acre	\$ -	\$ -	
IMPROVEMENT ADJUSTMENT (\$ 14)												
Sale #4	Sale	Value				Subject	Subject	%	Value			
Category	Acres	Per Acre			Total	Category	Acres	Total	Per Acre	Total		
RANGELAND	640.00	\$ 523.00			\$ 334,720	RANGELAND	640.00	100.00%	\$ 523.00	\$ 523		
DRY CROPLAND	-	\$ 0.00			\$ -	DRY CROPLAND	-	0.00%	\$ 0.00	\$ 0		
IRRIGATED CROP	-	\$ -			\$ -	IRRIGATED CROP	-	0.00%	\$ -	\$ 0		
HAYLAND	-	\$ -			\$ -	HAYLAND	-	0.00%	\$ -	\$ 0		
TAME PASTURE	-	\$ -			\$ -	TAME PASTURE	-	0.00%	\$ -	\$ 0		
RIVER BOTTOM	-	\$ -			\$ -	RIVER BOTTOM	-	0.00%	\$ -	\$ 0		
OTHER	-	\$ -			\$ -	OTHER	-	0.00%	\$ -	\$ 0		
STATE/FEDERAL LEASE	-	\$ -			\$ -	STATE/FEDERAL LEASE	-	0.00%	\$ -	\$ 0		
FARMSTEAD	-	\$ 0.00			\$ -	FARMSTEAD	-	0.00%	\$ 0.00	\$ 0		
TOTAL	640.00	\$ 523.00			\$ 334,720	TOTAL	640.00	100.00%	\$ 0.82	\$ 523		
LAND MIX ADJUSTMENT \$ 0												



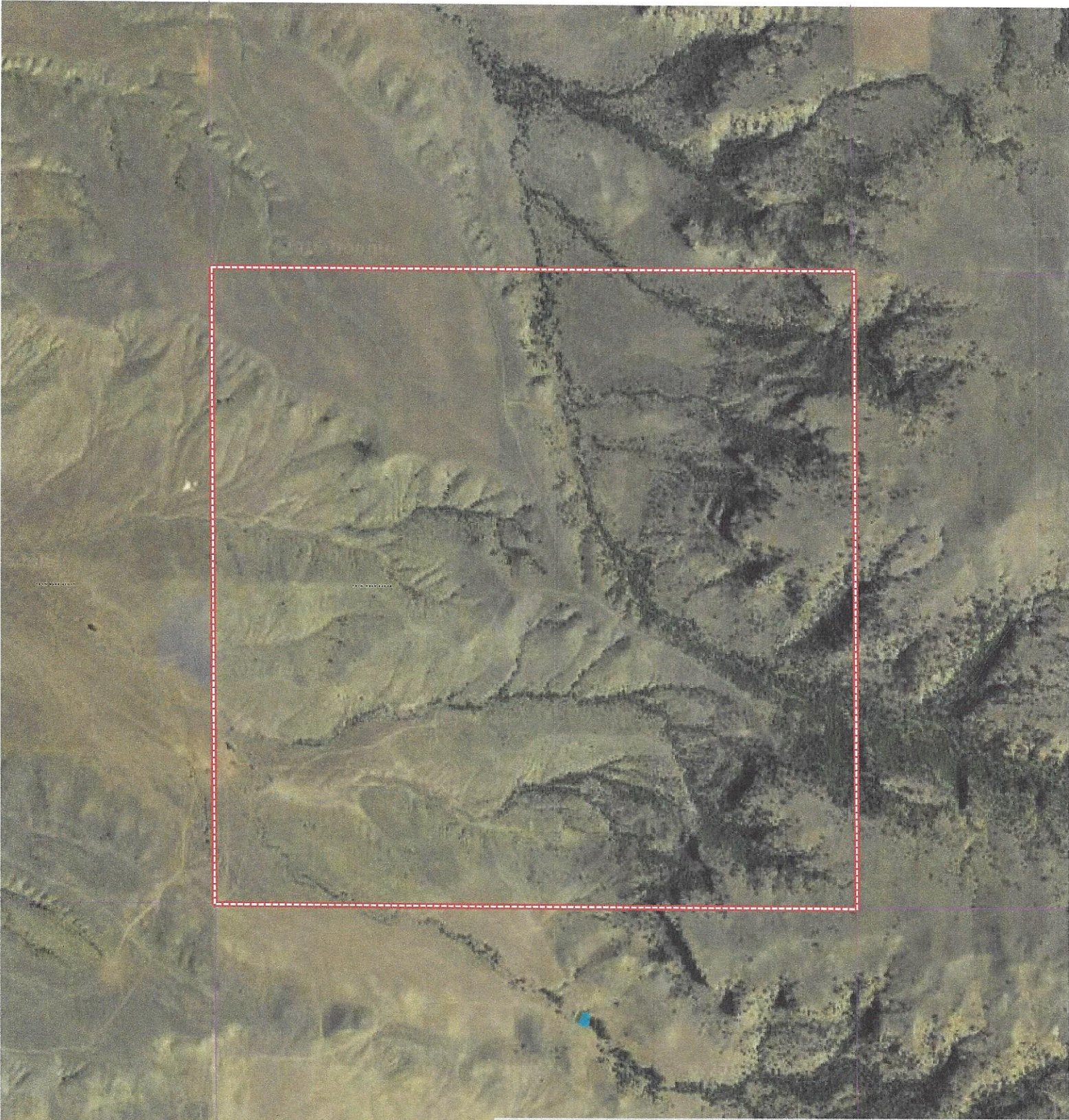
Sale #4 Improvements	Utility	Cond.	Size	\$/Unit	Contrib. Value	Subject Improvements	Utility	Cond.	Size	\$/Unit	Contrib. Value	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
				0.00	\$ 0		0	0	-	-	\$ -	
TOTAL			Per Acre	\$ -	\$ 0	TOTAL			Per Acre	\$ -	\$ -	
IMPROVEMENT ADJUSTMENT				\$ 0								
Sale #5	Sale		Value			Subject	Subject		%	Value		
Category	Acres		Per Acre		Total	Category	Acres		Total	Per Acre	Total	
RANGELAND	18,407.46	\$	370.00		\$ 6,810,760	RANGELAND	640.00	100.00%	\$ 370.00	\$	370	
DRY CROPLAND	-	\$	0.00		\$ -	DRY CROPLAND	-	0.00%	\$ 0.00	\$	0	
IRRIGATED CROP	-	\$	0.00		\$ -	IRRIGATED CROP	-	0.00%	\$ -	\$	0	
HAYLAND	-	\$	0.00		\$ -	HAYLAND	-	0.00%	\$ -	\$	0	
TAME PASTURE	-	\$	0.00		\$ -	TAME PASTURE	-	0.00%	\$ -	\$	0	
RIVER BOTTOM	-	\$	0.00		\$ -	RIVER BOTTOM	-	0.00%	\$ -	\$	0	
OTHER	-	\$	0.00		\$ -	OTHER	-	0.00%	\$ -	\$	0	
STATE/FEDERAL LEASE	-	\$	-		\$ -	STATE/FEDERAL LEASE	-	0.00%	\$ -	\$	0	
FARMSTEAD	10.0	\$	370.00		\$ 3,700	FARMSTEAD	-	0.00%	\$ 370.00	\$	0	
TOTAL	18,417.46	\$	370.00		\$ 6,814,460	TOTAL	640.00	100.00%	\$ 0.58	\$	370	
LAND MIX ADJUSTMENT				\$ 0								
Sale #5 Improvements	Utility	Cond.	Size	\$/Unit	Contrib. Value	Subject Improvements	Utility	Cond.	Size	\$/Unit	Contrib. Value	
DWELLING (MAIN)	G	G	1,388	46.57	\$ 64,639		0	0	-	0.00	-	
DWELLING	G	G	266	36.23	\$ 9,637		0	0	-	0.00	-	
GARAGE	G	G	962	11.25	\$ 10,823		0	0	-	0.00	-	
CALVING BARN	A	G	3,808	5.60	\$ 21,325		0	0	-	0.00	-	
SITE IMPTS	G	G	1	16800.00	\$ 16,800		0	0	-	0.00	-	
				0.00	\$ 0		0	0	-	0.00	-	
				0.00	\$ 0		0	0	-	0.00	-	
				0.00	\$ 0		0	0	-	0.00	-	
				0.00	\$ 0		0	0	-	0.00	-	
				0.00	\$ 0		0	0	-	0.00	-	
				0.00	\$ 0		0	0	-	0.00	-	
				0.00	\$ 0		0	0	-	0.00	-	
				0.00	\$ 0		0	0	-	0.00	-	
				0.00	\$ 0		0	0	-	0.00	-	
TOTAL			Per Acre	\$ 6.69	\$ 123,224	TOTAL			Per Acre	\$ -	\$ -	
IMPROVEMENT ADJUSTMENT				(\$ 7)								
Sale #6	Sale		Value			Subject	Subject		%	Value		
Category	Acres		Per Acre		Total	Category	Acres		Total	Per Acre	Total	
RANGELAND	3,020.84	\$	450.00		\$ 1,359,378	RANGELAND	640.00	100.00%	\$ 450.00	\$	450	
DRY CROPLAND	126.60	\$	900.00		\$ 113,940	DRY CROPLAND	-	0.00%	\$ 900.00	\$	0	
IRRIGATED CROP	300.70	\$	2,246.00		\$ 675,372	IRRIGATED CROP	-	0.00%	\$ 2,246.00	\$	0	
HAYLAND	-	\$	-		\$ -	HAYLAND	-	0.00%	\$ -	\$	0	



[illegible]



**Patterson State Section**  
Yellowstone County, Montana, 640.0 AC +/-

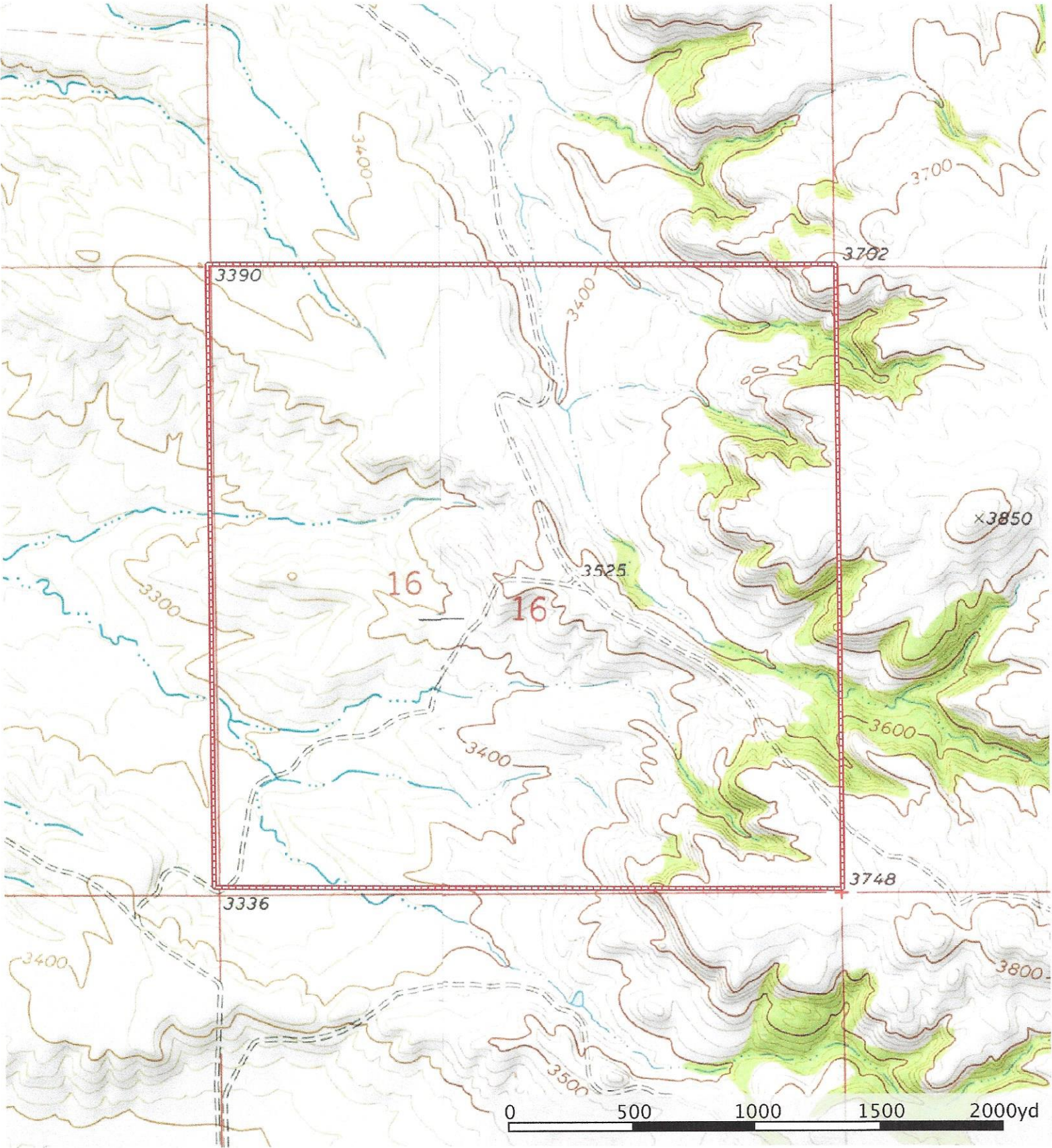


Map data ©2016 Google Imagery ©2016 , CAPCOG, DigitalGlobe, Texas Orthoimagery Program, U.S. Geological Survey, USDA Farm Service Agency

- Boundary
- Stream, Intermittent
- River/Creek
- Water Body



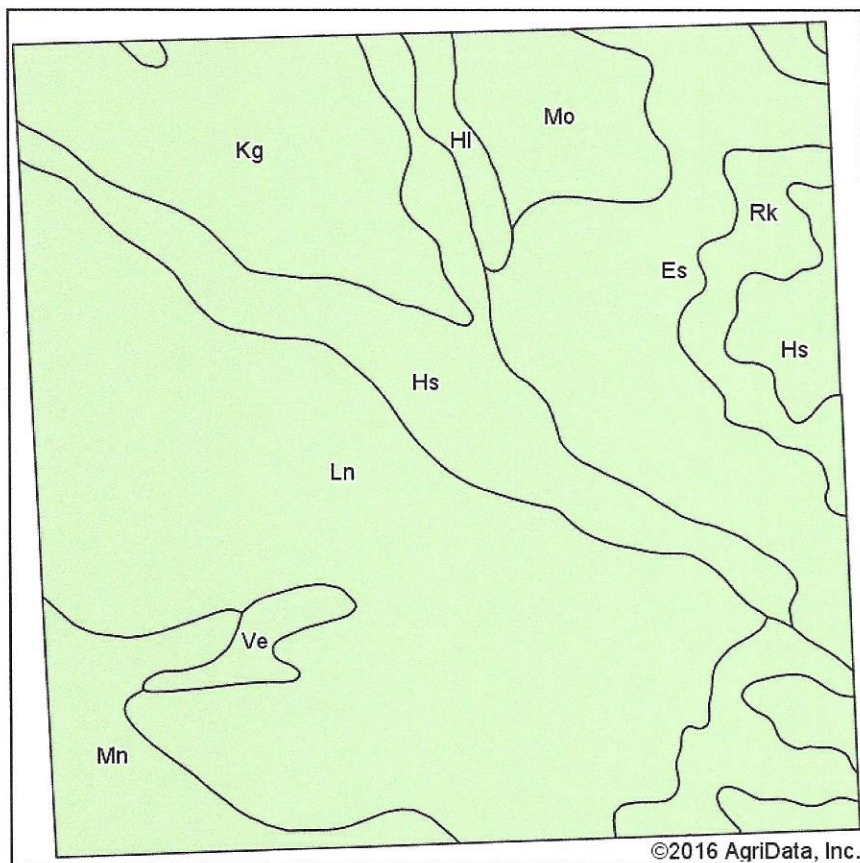
**Patterson State Section**  
Yellowstone County, Montana, 640.0 AC +/-



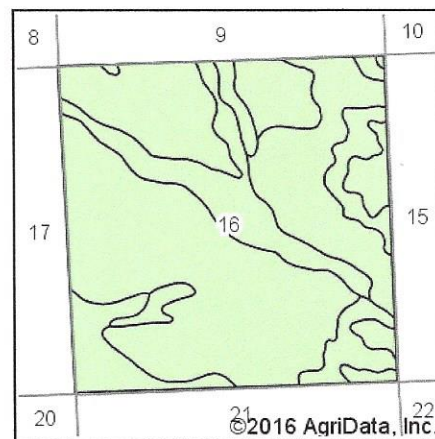
 Boundary



# Soils Map

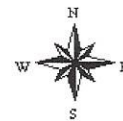


Soils data provided by USDA and NRCS.



State: **Montana**  
 County: **Yellowstone**  
 Location: **16-1N-28E**  
 Township: **Huntley Project**  
 Acres: **639.86**  
 Date: **10/5/2016**

Maps Provided By: **surety**  
 CUSTOMIZED ONLINE MAPPING  
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## Area Symbol: MT111, Soil Area Version: 14

Code	Soil Description	Acres	Percent of field	Non-Irr Class *c	Irr Class *c	Alfalfa hay Irrigated	Dry pinto beans Irrigated	Corn silage Irrigated	Sugar beets Irrigated
Ln	Lismas clay, 15 to 35 percent slopes	248.69	38.9%	VIIe					
Hs	Hilly, gravelly land	94.74	14.8%	VIIe				1	
Es	Elso-Lohmiller complex, 15 to 35 percent slopes	92.98	14.5%	VIIe					
Kg	Keiser silty clay loam, 4 to 7 percent slopes	71.31	11.1%	IIIe	IIIe	5	185	22	1
Rk	Rock land	48.02	7.5%						
Mn	McRae loam, 1 to 4 percent slopes	37.04	5.8%	IIIe	Ile	6	2506	28	20
Mo	McRae loam, 4 to 7 percent slopes	29.73	4.6%	IIIe	IIIe	5	208	22	2
HI	Haverson and Lohmiller soils, 0 to 4 percent slopes	8.92	1.4%	IIIe	IIIe	1	115	1	1
Ve	Vananda-Bone clays, 4 to 7 percent slopes	8.43	1.3%	VIIe	VIIe				
<b>Weighted Average</b>						<b>1.2</b>	<b>177</b>	<b>5.3</b>	<b>1.4</b>

Area Symbol: MT111, Soil Area Version: 14

\*c: Using Capabilities Class Dominant Condition Aggregation Method

Soils data provided by USDA and NRCS.

**AGRICULTURAL & GRAZING LEASE OF STATE LANDS**

This lease is entered into by the State of Montana, Board of Land Commissioners and Department of Natural Resources & Conservation (Department) as lessor, and the person herein named, as the lessee.

Date this lease takes effect: March 01, 2010

Name of Lessee: PATTERSON REPORT SERVICE INC

Address or Box No.: 485 PRYOR CREEK ROAD

City/State/Zip: HUNTLEY MT 59037

Land Located in Yellowstone County.

DESCRIPTION	Sec.	Twp.	Rge.	Acres
ALL	16	1N	28E	640.00

Total number of leased acres, 640 more or less belonging to Common Schools Grant.

Grazing Acres: 620 Agricultural Acres: 0 Unsuitable Acres: 20

Other Acres: 0 Hayland Acres: 0 CRP Acres: 0

Terms of Grazing Use and Rental Rate: Minimum

Terms of Agricultural Use and Rental Rate: Minimum

Purpose for which the land is leased: GRAZING

Term of lease: 10 years

Date of expiration: February 29, 2020

**THIS LEASE HAS A CARRYING CAPACITY OF 124 ANIMAL UNIT MONTHS, THE LESSEE SHALL NOT EXCEED SUCH CARRYING CAPACITY. THE ANNUAL GRAZING RENTAL IS BASED ON THIS CARRYING CAPACITY.**

The State of Montana, in consideration of the payment of rentals as specified in this lease and the mutual agreements contained in this lease hereby leases the above-described lands to the lessee(s) named above.

The lessee(s) in consideration of the lease of the above-described lands and the mutual agreements contained in this lease hereby agrees to pay the rentals as specified in the lease and to perform all the conditions as specified in this lease, the applicable rules and the applicable statutes.

The parties to this lease mutually agree to the following terms and conditions:

- ALL GRAZING RENTALS ARE DUE BY MARCH 1 EACH YEAR AND FAILURE TO PAY BY APRIL 1 AUTOMATICALLY CANCELS THE ENTIRE LEASE. A NOTICE OF RENTAL DUE OR ANY OTHER CORRESPONDENCE OR NOTICE FROM THE LESSOR WILL BE SENT TO THE ABOVE ADDRESS ONLY, UNLESS A CHANGE OF ADDRESS IS REQUESTED IN WRITING, SIGNED BY THE LESSEE AND RECORDED BY THE LESSOR.
- ALL AGRICULTURAL RENTALS ARE DUE ON NOVEMBER 15 OF THE YEAR IN WHICH CROPS OR HAY ARE HARVESTED. IF THE RENTAL IS NOT PAID BY DECEMBER 31 OF THE SAME YEAR, THE ENTIRE LEASE IS CANCELED.
- CONVERSION OF CLASSIFIED GRAZING LANDS TO CROPLAND WITHOUT PRIOR APPROVAL AS REQUIRED BY LAW SUBJECTS THIS ENTIRE LEASE TO CANCELLATION.
- SUBLEASING (allowing any other person and/or their livestock to utilize the State land) WITHOUT FILING A FORM AND RECEIVING APPROVAL FROM THE DEPARTMENT MAY SUBJECT THE LEASE TO CANCELLATION. SUBLEASING ON TERMS LESS ADVANTAGEOUS TO THE SUBLESSEE THAN THE TERMS GIVEN BY THE STATE SHALL RESULT IN CANCELLATION.  
(a) SUBLEASING FOR MORE THAN TWO YEARS WILL RESULT IN LOSS OF THE PREFERENCE RIGHT.  
(b) SUBLEASING FOR MORE THAN THREE YEARS WILL RESULT IN THE LEASE BEING CANCELED. (The department's rules and applicable statutes concerning subleasing and pasturing agreements should be consulted.)
- REPORTS--Lessee is required to submit reports as requested by the Director, including seeding and production reports. Failure to submit such reports may result in cancellation of the lease.
- CULTIVATION--In the case of lands leased for agricultural purposes, the lessee hereby agrees to seed and cultivate such land in a husbandman-like manner and to strip farm if the land is subject to soil blowing. The lessee further agrees to keep the land clear of weeds and care for it in accordance with approved farm methods as determined by the state. The state shall have the right to impose reasonable restrictions on all state leases as are necessary to adequately protect the land, water, air or improvements in the area. Grain crops are to be delivered free of charge to the nearest elevator to the credit of the state of Montana on or before the fifteenth of November of each year. Other crops, including hay, are to be disposed of at the going market price unless otherwise directed. If a lessee decides to graze the stubble of harvested crops or hayland or grazes unharvested crops for haylands, he must contact the Department regarding payment for such grazing in classified agricultural lands. The Department shall determine the number of animal unit months of grazing available on the land and shall bill the lessee or licensee for the grazing use based on the minimum grazing rental established under Section 77-6-507, MCA or the competitive bid amount, whichever is greater. Failure or refusal to pay said rental or to notify the



department of such grazing may be cause for cancellation of the lease.

7. **FEDERAL FARM PROGRAM COMPLIANCE**--If a lessee or licensee has his lease or license canceled or terminated or for any reason is no longer the lessee or licensee, then he shall no longer be entitled to any payment or benefits from any federal farm program. If such a lessee or licensee does receive any such federal payment or benefit in connection with the state lease or license he shall be liable to the state for any amounts received after he is no longer recognized as the lessee or licensee. The lessee or licensee of any state land shall comply with the provisions of the federal farm program when applicable and shall indemnify the state against any loss occasioned by noncompliance with such provisions. In addition to any rentals provided in the lease or license, the state shall receive the same share as it receives for crops of all payments pursuant to any act or acts of the congress of the United States in connection with state lands under lease or license and the crops thereof. The state shall be entitled to such amounts annually for all leases based upon a cropshare, even if the lease states that the rental is based upon a crop share/cash basis, whichever is greater. All such leases shall be considered crop share leases for the purpose of receiving the state's share of the federal farm payments.
8. **IMPROVEMENTS**--The lessee may place a reasonable amount of improvements upon the lands under this lease upon approval of an improvement permit by the Department. A report of proposed improvements, containing such information as the Director may request concerning the cost of the improvements, their suitability for the uses ordinarily made of the land, and their character whether fixed or movable, shall be submitted to the Director before installation thereof on the premises. Failure to obtain approval prior to placement of the improvement may result in such improvements not being recognized by the Department for purposes of reimbursement of such improvements. In addition, placing improvements on state lands without receiving prior approval, may result in cancellation of the lease.
9. **LIENS ON BUILDINGS AND CROPS**--The state shall have a lien upon all buildings, structures, fences and all other improvements, whether movable or not, and also upon all crops growing upon the land for any rentals due the Department.
10. **COMPENSATION FOR IMPROVEMENTS**--(a) If the land under this lease is sold or exchanged to a party other than the present lessee, or is leased to another party while the present lessee owns improvements lawfully remaining thereon, on which the state has no lien for rentals or penalties, as herein provided, and which he desires to sell and dispose of, such purchaser or new lessee shall pay the former lessee the reasonable value of such improvements. If any of the improvements consist of approved breaking (meaning the original plowing of the land) and one year's crop has been raised on the land after the breaking thereof, the compensation for such breaking shall not exceed the sum of two dollars and fifty cents (\$2.50) per acre, and that in case two or more crops have been raised on the land after the breaking thereof, the breaking shall not be considered as an improvement to the land. In case the former lessee and the new lessee or purchaser are unable to agree on the reasonable value of such improvements, such value shall be ascertained and fixed by three arbitrators, one of whom shall be appointed by the owner of the improvements, one by the new lessee or purchaser and the third by the two arbitrators so appointed. The former lessee must initiate arbitration within 60 days of notification from the Department that there is a new lessee or purchaser. Failure to initiate this process within this time period results in all improvements becoming property of the state. The reasonable compensation that such arbitrators may charge for their services shall be paid in equal shares by the owner of the improvements and the purchaser or new lessee. The value of such improvements as ascertained and fixed shall be binding upon both parties; provided, however, that if either party is dissatisfied with the valuation so fixed he may within ten (10) days appeal from their decision to the Director who shall thereupon cause his agent to examine such improvements and whose decision shall be final. The Director shall charge and collect the actual cost of such reexamination to the owner and new lessee or purchaser in such proportion as in his judgment may be demanded.  
(b) Upon the termination of a lease, the Department may grant a license to the former lessee to remove the movable improvements from the land. Upon authorization, the movable improvements must be removed within 60 days or they become the property of the state unless the department for good cause grants additional time for the removal. The department shall charge the former lessee for the period of time that the improvements remain on the land after the termination of the lease.  
(c) Summer following (necessary cultivation done after the last crop grown) seeding, and growing crops on the land, which have not been harvested prior to March 1 next succeeding the date of sale or at the time of change of lessee, shall be considered as improvements. Their value shall be determined in the same manner as other improvements and shall be taken over by the purchaser or new lessee and paid for by him as other improvements.
11. **ASSIGNMENT OF LEASE**--If all rentals due have been paid and the terms of this lease have not been violated, the lease may be assigned on the forms provided for that purpose by the Director, but no such assignment shall be binding on the state unless the assignment is filed with the Director, approved by him, and the appropriate assignment fees submitted for such assignment. An assignment which is signed by both parties shall be conclusive proof that all payments for improvements have been paid to the assignor by the assignee. The leasehold interest herein may only be transferred to any other party by a properly executed assignment which must be approved by the Director prior to such transfer becoming effective. Until an assignment becomes effective, the Department will consider the lessee listed above to be the lessee for all purposes. There may be no consideration given for the assignment of a lease other than the value of the improvements, if any.
12. **RENEWAL LEASE**--If all rentals due under this lease have been paid, the lessee shall upon making proper application to the Director be entitled to have this lease renewed at any time within thirty (30) days prior to its expiration for an additional period of not exceeding ten years; and if there is no other applicant then offering to lease the land, the lease shall be issued at the minimum rental as determined under statutes then in effect. If there are two or more persons desiring to lease the same tract, the former lessee shall have the preference, right to the lease to the extent that he may take the lease at the highest bid made by any other applicant. However, subleasing may cause loss of this renewal right. The department's rules concerning subleasing should be consulted. The lessee desiring to renew the lease must make application to the Department prior to January 28 of the year of expiration. Failure to do so will result in the lease becoming an unleased tract upon expiration, with the loss of the preference right and subject to competitive bidding.
13. **CANCELLATION OF LEASE BY THE STATE**--The Director shall have the power and authority in his discretion to cancel a lease for any of the following causes: For fraud or misrepresentation, or for concealment of facts relating to its issue, which if known would have prevented its issue in the form or to the party issued; for using the land for other purposes than those authorized by the lease, for overgrazing or any other misuse of the state lands involved, and for any other cause which in the judgement of the Director makes the cancellation of the lease necessary in order to do justice to all parties concerned, and to protect the interest of the state. Such cancellation shall not entitle the lessee to any refund of rentals paid or exemption from the payment of any rents, penalties or other compensation due the state. Lease cancellation for these causes is subject to appeal as provided in Section 77-6-211, MCA.
14. **LANDS MAY BE SOLD**--The Board of Land Commissioners may in their discretion exchange the lands under this lease for other lands, offer the lands under this lease for sale at any regular public sale of state lands held in the county where the land is situated upon the same terms and in the same manner as land not under lease, subject, however, to the rights of the lessee to compensation for improvements as herein provided; and subject also to the provision that the new owner will not be given possession by the state prior to March 1 next succeeding the date of exchange or sale unless the lease expires prior to that date, except through special agreement with the lessee.
15. **RESERVATION**--The state reserves all rights and interests to the land under this lease other than those specifically granted by this lease. These reservations include but are not limited to the following:  
(a) **MINERAL AND TIMBER RESERVATION**--All coal, oil, gas and other minerals and all deposits of stone, gravel, sand, gems, and other nonminerals valuable for building, mining or other commercial purposes and all timber and trees are excepted from the operation of this lease. The lessee shall not open any mine or quarry or work or dig any of the minerals or nonminerals mentioned above from any mine or any quarry, pit or diggings situated on said land whether such mine, quarry, pit or diggings was open at the date of this lease or not. The lessee shall not cut, sell, remove, use or destroy any such timber dead or alive, or standing or fallen trees without the appropriate permit, license or lease.  
(b) **ADDITIONAL RESERVATIONS**--The state reserves a right-of-way to the United States over the land above-described for ditches, canals, tunnels, telephone and telegraph, and power lines now constructed or to be constructed by the United States Government in furtherance of the reclamation of arid lands. The state also reserves the right of granting rights-of-way on the above-described land for other purposes. The state also reserves to itself and its representatives and other lessees or permittees the right to enter upon the lands embraced by this lease for the purpose of prospecting and exploring for minerals and for the purpose of mining, drilling for, developing and removing such minerals and for carrying on all operations related thereto and for any other management or administrative purposes; it also reserves to itself and its permittees the right to enter upon the said lands for the purpose of cutting and removing timber, wood and other forest products, and for removing gravel, sand, building stone, and other nonminerals. The state reserves the right to grant licenses, permits or leases for any alternative uses on state lands.
16. **NOXIOUS WEEDS AND PESTS**--The lessee agrees, at his own expense and cost, to keep the land free from noxious weeds, and if noxious weeds are present, then chemical application or other appropriate weed control measures must occur in time to prevent seed-set according to state law and to exterminate pests to the extent as required by the Department. In the event the land described in this lease shall be included in a weed control and weed seed extermination district, the lessee shall be required to comply with the provisions of Section 77-6-114, MCA, which provides as follows. "It shall be the duty of the Board in leasing any agricultural state land to provide in such lease, that the lessee of lands so leased lying within the boundaries of any noxious weed control and weed seed extermination district shall assume and pay all assessments and taxes levied by the board of County Commissioners for such district on such state lands, and such assessments and tax levy shall be imposed on such lessee as a personal property tax and shall be collected by the County Treasurer in the same manner as regular personal property taxes are collected." Failure to comply with this



provision when directed to do so by the Department may result in cancellation of the entire lease.

17. **FIRE PREVENTION AND SUPPRESSION**--The lessee assumes all responsibility for carrying on at his own cost and expense all fire prevention and suppression work necessary or required to protect the forage, trees, buildings and structures on the land. The lessee is not responsible for the suppression of or damages resulting from a fire caused by a general recreational user, except that he or she shall make reasonable efforts to suppress the fire or report it to the proper firefighting authority or both, as circumstances dictate.
18. **UNLAWFUL USE OF LANDS OR PREMISES**--If any part of the lands or premises under this lease are used or allowed or permitted to be used for any purpose contrary to the laws of this state or the United States, such unlawful use shall in the discretion of the Board of Land Commissioners constitute sufficient reason for the cancellation of the lease. The lessee shall not utilize or allow to be utilized any state land under the lease for purposes other than the purpose for which it is granted.
19. **SURRENDER OF THE PREMISES UPON TERMINATION OF THE LEASE**--The lessee shall upon the expiration, cancellation, or termination of this lease peaceably yield up and surrender the possession of the land to the state of Montana or its agents or to subsequent lessees or grantees.
20. **INCREASED RENTAL**--If the Montana Legislature or the Board of Land Commissioners raises the rentals on state grazing or agriculture lands during the term of this lease, the lessee agrees to pay such increased rental for the years after such increase becomes effective. Also, the state reserves the right to determine the grazing capacity of said lands annually or from time to time as the Director in his discretion shall determine necessary and increase or decrease the rental thereon accordingly. In the event the Director should increase or decrease the carrying capacity of said lands, the lessee agrees to pay an increased or decreased rental based upon the Director's determination, and to adjust livestock numbers accordingly.
21. **INDEMNIFICATION**--The lessee agrees to save harmless and indemnify the State of Montana for any losses to the state occasioned by the levy of any penalties, fines, charges or assessments made against the above lands or crops grown upon the lands, by the U.S. Government because of any violation of or noncompliance with, any federal farm program or other acts by the lessee.
22. **LAWS AND RULES**--The lessee agrees to comply with all applicable laws and rules in effect at the date of this lease, or which may, from time to time, be adopted.
23. **MULTIPLE-USE MANAGEMENT**--Pursuant to the obligations imposed by law, to administer state lands under a multiple-use management concept, the state reserves the right to dispose of any and all interests in the above-described land, subject, however to such interests granted to the lessee under the terms of this lease. The lessee may not close the land under lease at any time to the public for general recreational use," as defined in A.R.M. 36.25.145, without advanced written permission of the Department. Permission to close lands categorically closed under A.R.M. 36.25.150 is hereby granted and no further permission is required.
24. **LEASE WITHDRAWAL**--All or any portion of the land under lease may be withdrawn from this lease by the state. The lessee shall be entitled to reasonable compensation for any improvements thereon. The lands may be withdrawn to promote the duties and responsibilities of the Board of Land Commissioners.
25. **SPECIAL CONDITIONS**--

IN WITNESS WHEREOF, The State of Montana and the lessee have caused this lease to be executed in duplicate and the Director of the Department of Natural Resources and Conservation, pursuant to the authority granted him by the State Board of Land Commissioners of the State of Montana, has hereunto

set his hand and affixed the seal of the said Board of Land Commissioners this \_\_\_\_\_ day of APR 15 2010, 20\_\_\_\_\_.

Tom Patterson, pres.  
LESSEE SIGNATURE

**MARY SEXTON**  
DIRECTOR, DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

485 Pryor Creek Rd.  
ADDRESS OR BOX NO.

by: Stephanie Kellogg

Huntley MT. 59037  
CITY STATE ZIP CODE

