

STATE LAND SALE #245

REAL ESTATE APPRAISAL

MCCONE COUNTY, MONTANA

Prepared For

**JOHN GRIMM
DEPT. OF NATURAL RESOURCES & CONSERVATION
PO BOX 201601
1539 11th AVENUE
HELENA, MT 59620-1601**

Prepared By

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

APPRAISAL REPORT

DATE OF VALUATION - NOVEMBER 13, 2017

Crosby Analytics, LLC

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November 27, 2017

John Grimm
Dept. Of Natural Resources & Conservation
P.O. Box 201601
1539 11th Avenue
Helena, MT 59620-1601

Re: State Land Sale #245 Real Estate Appraisal, Dawson County, MT

Dear Mr. Grimm:

Transmitted herewith is my report covering findings and conclusions resultant from my inspection of the above referenced property. The facts and opinions of the Market Value, based on cash, as of November 13, 2017 as follows:

State Land Sale #245 Real Estate

\$90,000.00

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

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

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

Respectfully submitted,



J. Scott Crosby
Certified General Real Estate Appraiser
Wyoming Certificate #1512
Montana Certificate #8183
Idaho Certificate #4314
North Dakota Certificate #21769

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SUMMARY AND SALIENT FACTS

Owner of Record:

State of Montana
State Lands
Helena, MT 59601-4600

Location:

Approximately 8.65 miles north
of Vida, MT.

Interest Appraised:

Fee simple unencumbered
value of the property as
a whole.

Effective Date of Value:

November 13, 2017

Property Description:

240.00 acres of rangeland

Zoning:

None; Classified as Agricultural

Highest and Best Use:

Agricultural

Conclusion of Value:

\$ 90,000.00

Authorization:

Scott Crosby has been authorized to appraise real estate vested to the State of Montana. The property is located in McCone County, Montana. Authorization to do the appraisal was given by Michael Atwood, State of Montana, Department of Natural Resources & Conservation, Trust Land Management Division, P.O. Box 201601, 1539 11th Avenue, 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 (DNRC). 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 Crosby Analytics 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. I am not required to give testimony in court with reference to the subject property unless further written arrangements are made.
9. Scott Crosby has 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 Appraiser; nor

- shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author, particularly as to valuation and conclusions, the identity of the Appraiser or firm with which they are connected.
11. The Appraiser assumes 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 Appraiser has no knowledge of the existence of such materials on or in the property. The Appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde am insulation, pesticides, herbicides, petroleum products, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property (unless specifically identified) that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The reader is urged to retain an expert in this field.
 13. This appraisal can be reviewed by the American Society of Farm Managers and Rural Appraiser Ethics Committee for compliance with their Code of Ethics and Standards of Professional Practice without permission of the Client.
 14. **Should mathematical, judgmental, or data errors be found in this report the Appraiser reserves the right to make corrections.**
 15. The Appraiser is **not responsible** for any Federal or State Income Tax consequences that may result from the values arrived at in this appraisal.
 16. **The liability of the Appraiser and employees is limited to the client and to the fee collected.** Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The Appraiser assumes 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. My office file may contain additional information relating to valuation not included in this report.
20. Unless otherwise disclosed in this report, I 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. The signatory appraiser is certified as a General Real Estate Appraiser by the Montana State Appraisal Board, in addition the appraiser is an associate member of the American Society of Farm Managers and Rural Appraisers.

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.

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 November 13, 2017. The property was inspected on November 13, 2017. This report was written on November 27, 2017.

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 Land Sale #245.

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 and the Department of Natural Resources and Conservation (DNRC) (intended users) with a credible opinion of current fair market value estimate of the property to be used to assist the client in the decision making process concerning the potential sale of said 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 (DNRC).

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 property is not leased.
2. The property has legal access.

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 November 13, 2017. Scott Crosby inspected the property. Scott Crosby analyzed sales comparisons, wrote the appraisal, gathered information and created maps. The final opinion of value was determined by Scott Crosby. I 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 McCone County records and matches the documents provided to the appraiser.

Township 26 North. Range 48 East. M.P.M., McCone County, Montana.

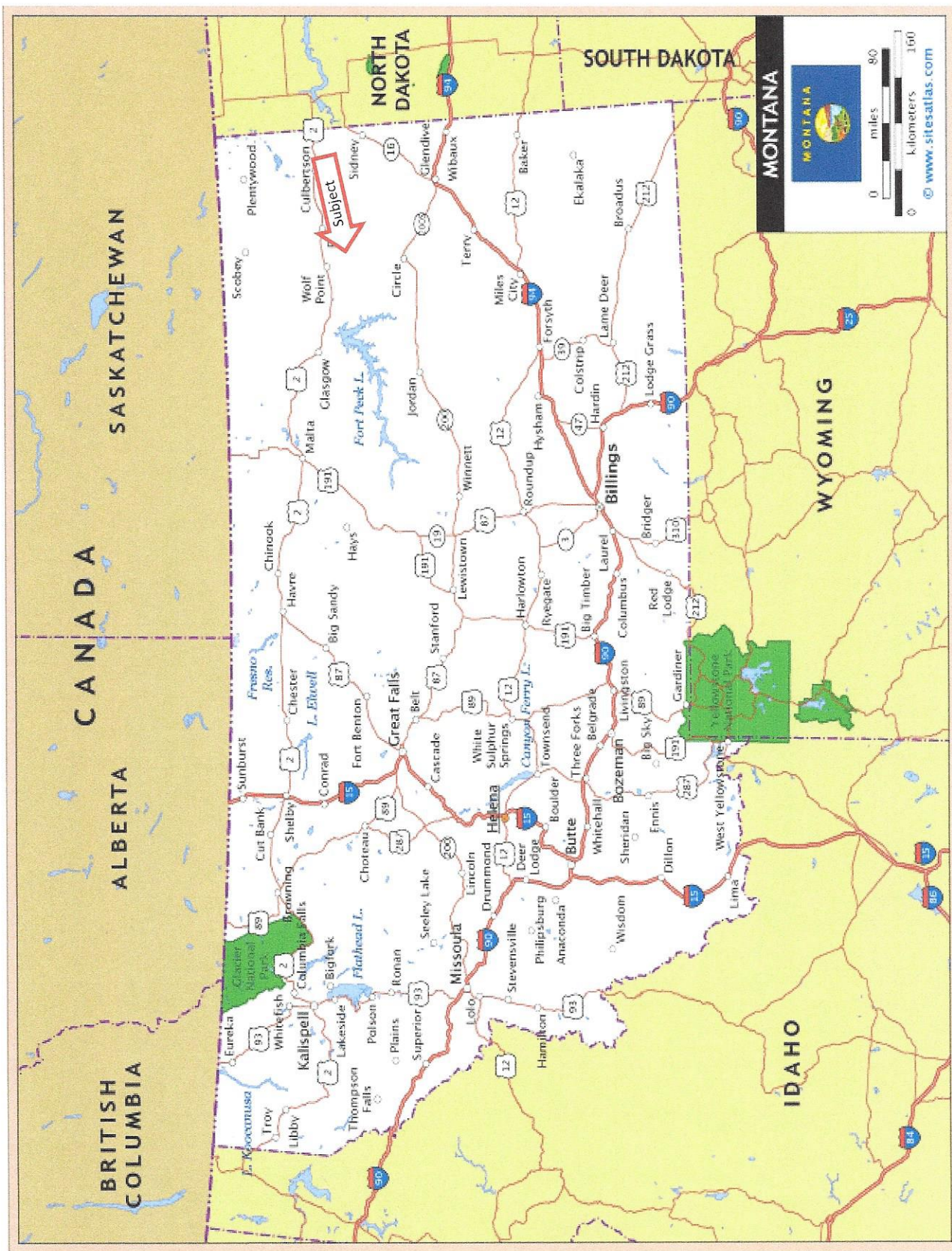
Section 35: SW4,W2SE4

240.00 AC

Leases

The property is currently leased to a local producer. The client has instructed the appraiser not to consider the subject as being leased. Therefore, the lease will not be considered in this report.

state location map



county location map



AREA DESCRIPTION

McCone County is located in northeastern Montana and has a total area of 2,683 square miles with 40 square miles consisting of water. Circle is the county seat of McCone County and the only incorporated town in the county. The 2010 population of the town was 615 and 1,734 for McCone County. The town population in 2000 was 644 and the county at 1,977. Circle had a decline of 4.5% (2000-2010) with the county seeing a decline of 12.29% from 2000 to 2010. Schools (K-12) are located in Circle. There are rural schools located in the area. Various bus routes are available in the general area with some students staying in Circle due to no bus service.

This area is predominantly of a rural nature with the major trade centers being Williston and Dickinson, ND, and Miles City and Billings, MT. Billings is the largest city in the region and State of Montana with an estimated population in 2010 of 104,170. It is both a retail trade center and marketing center for this central area. Medical services are located in Glendive, Wolf Point and Sidney with further services located in Billings, Montana or Dickinson, North Dakota.

Glendive is the immediate trade center for McCone County and portions of Prairie, Richland, Wibaux, and Fallon Counties. It provides services for towns within a 20 to 45 mile radius. Competition for retail trade and medical centers is with Miles City, MT, 100 miles to the southwest; Billings, MT, 220 miles to the southwest; Dickinson, ND; 128 miles to the east; and Sidney, MT, 70 miles to the northeast. Miles City is establishing itself as the sub-regional trade center for southeastern Montana and providing more competition for retail and service dollars to Glendive and Sidney.

Circle provides limited services to the surrounding area. Glendive has a diversified economic base with one hospital, a government agency community, light industry, numerous retail and service businesses, and agriculture. The largest employers in the area are the medical communities, Burlington-Northern/Santa Fe Railroad at the repair shops and for train crews, school systems, state/federal agencies, oil and gas field workers, and retail industries. It is also the location of the State Veterans Nursing Home and a Regional Jail. Wolf Point is a smaller town to the north of McCone County with basic services and hospital/nursing home as well as a grain elevator.

The general market area is primarily driven by the agricultural industry along with a larger and more extensive contribution over the past six to seven years from the oil and gas exploration and production industry with limited recreational influences. Off farm employment is more limited in smaller communities throughout the area but with the oil fields nearby they have been given a boost. Energy related industries are with the area oil fields primarily in northern and eastern Richland County with scattered ones in Dawson County and the electrical power production at Sidney.

Oil and gas exploration has recently fallen off due to oil prices in Richland County and into North Dakota with production being slightly less and exploration falling off by over 1/3. There are some limited wind easements in place in the Lindsey area, but no development has taken place due to limitations of transmission lines and other factors. There are additional met towers through out the area.

Fort Peck Lake is located along the eastern edge of McCone county. This does account for a minor increase in tourism/fishing traffic that contributes a minor impact to Circle.

The planning board and zoning commission have county wide planning but there is not county wide zoning in McCone County. Circle does have city zoning. Public and private restrictions are not excessive and limited to the model subdivision regulations published by the State of Montana.

Highway transportation links are good for the region. State Highway 200 travels from northeasterly to westerly along the southern portion of the county and Highway 200S connecting to I-94 at Glendive. State Highways 13 and 24 traverse north to south on the east and west sides of the county connecting to U.S. Highway 2 on the north and Highway 200 on the south. County roads both paved and some dirt provide access throughout the county.

The Fort Peck Indian Reservation is located just north of McCone County in Roosevelt County along the north side of the Missouri River.

Predominant land use in the area is for farming and livestock ranches. This area is primarily driven by agricultural production and the oil and gas exploration and production economy with several off the farm employment opportunities available at local businesses in Wolf Point and Glendive or in the local oil fields on or near the Bakken Formation.

Operations consist of dry cropland farms and ranches. Dry cropland farms are predominant in the central to eastern portion of the county. Along the western edge of the county ranching begins to become more prominent. There are larger ranching operations, some with dry cropland and some having a larger dependence on non-fee grazing on State of Montana and/or BLM lands to the east of Fort Peck Reservoir.

The major drainages for the area would be the Missouri River, making up the northern boundary of McCone County, the Redwater River in the southern to eastern area of the county and Big Dry Creek along the west side. Hunting and fishing are the primary recreational activities of the area. This provides a large economic stimulus during the fall hunting seasons and fishing from May to July with Fort Peck Reservoir along the western edge of the county. Tourism provides a limited economic impact in the area with it lagging behind the agricultural and energy industries.

This area has seen increased activity on the smaller parcels, under 320 acres. The reasonably priced properties are selling with the other higher priced ones remaining on the market. With cattle prices being high and stable more ranches are expanding their operations. Ranchers can afford to pay more for property which has decreased that amount of property investors can afford to purchase. Recently, add-on tracts have been selling in the area for cropland and grazing land. Local producers have been purchasing these tracts to expand their operation.

The general market area swung from a more recreational oriented market along the rivers and Ft. Peck Lake to more agricultural oriented market over the past three to six years. In McCone County, more of the sales have been by private treaty versus sale by a realtor or an auction. The trend has been over the past ten years that there are slightly more transactions occurring with a realtor or auction involved. It is still one area that has several private transactions that occur due to properties being offered to neighbors and/or lessee's first. Most buyers in the current market are local land owners and operators.

PROPERTY DESCRIPTION

Location & Roads:

The State Land Sale #245 property is located 8.65 miles north of Vida, MT. The property is reached via north from Vida on Highway 13, a paved road, for 8.65 miles. Turn right (east) onto a two track road across private property and you will reach the subject. The property is located in the northeast McCone County.

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

Markets:

Grain markets are located at Miles City, Wolf Point, or Glendive, Montana.

Livestock auction markets are located at Miles City and Sidney or Williston, North Dakota.

Community Facilities:

School for grades K-12 are located at Wolf point.

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

Most supplies are purchased in Glendive or Wolf point, or Sidney, Montana.

Climate:

Annual precipitation for the area averages approximately 13.28 inches. Approximately 10.06 inches falls between April 1 to September 1 time period. The frost free period averages 120 days in length.

Ranch Operation:

The property has historically been operated as rangeland.

Land Use:

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

Rangeland

240.00 Ac

The rangeland consists of land that is open and sloping. There is not a water source located on the property but there is a drainage that travels from north to south along the eastern edge that could have seasonal water. There is no tree cover located on the property.

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 off of Highway 13, a paved highway which runs just west of the property from north to south, and then crossing over deeded land for .20 miles.

All lands are easily accessible by livestock and machinery. All of the grazing lands can be accessed by 4WD vehicle in dry conditions.

Physical Features:

The rangeland is typical of rangeland in the area. It is located near some dry cropland fields. The rangeland is sloping with a drainage running from north to south along the east side. The topography of the unit as a whole is conducive to its use as a livestock operation. The elevation of the unit ranges from 2,259 feet to 2,300 feet.

Soils:

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

Following is a brief description of the major soils that make up the State Land Sale #245 property:

MAP SYMB	NAME	CAPABILITY CLASS	SLOPE %	% of Acres
151	Vida-Zahill complex	IIIe	2-8	33.10
156	Williams loam	IIIe	0-2	21.00
64	Farnuf loam	IIIe	0-4	13.50
146	Typic Ustorthents-Typic Us...	-	-	10.80
169	Zahill loam	IVe	8-15	9.80

Vegetation:

Dominant grassland species in the area include western wheatgrass, blue grama, green needlegrass, bluebunch wheatgrass, little bluestem and needleandthread.

Weeds:

Noxious weeds were not seen during the inspection.

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.

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 is a perimeter fence that is considered to be in average condition.

Utilities:

There are no utilities located on the property.

Real Estate Taxes:

The land is State Land and 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.

Legally Permissible:

The current use is legally permissible in this area of McCone 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 a add-on agricultural unit.

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 not have recreational appeal given its lack of cover and water on the property. It also is not located in an area that is likely to experience rural development. The maximally productive use of the subject 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 that provides any contributory value so this analysis is not required.

Conclusion

The conclusion is that the highest and best use of the State Land Sale #245 Real Estate is for agricultural both as **unimproved** and **improved**.

Market Value:

70-30-313 Current Fair Market Value

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.

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 Land Sale #245 real estate.

SALE #1

SALE DATE: 3/15

GRANTOR: Confidential

GRANTEE: Confidential

DEED: Warranty

DOCUMENT #: 190809

SALE PRICE: \$325,000

COUNTY: McCone

ACREAGE: 640.00

LOCATION: This property is located 12 miles southeast of Wolf Point, MT.

LEGAL DESCRIPTION: See Office File

COMMENTS: The subject property is a section of 640 acres. The property is located 6 miles east of US Highway 13. A county road forms the southern edge of the property providing easy access for cattle delivery and/or machinery. New fences have recently been constructed and there has been some water development.

Rangeland
Tame Pasture

380.00 Ac @ \$ 422/Ac
260.00 Ac @ \$ 633/Ac

SALE #2

SALE DATE: 10/15

GRANTOR: Confidential

GRANTEE: Confidential

DEED: Warranty

DOCUMENT #: 191125

SALE PRICE: \$825,000

COUNTY: McCone

ACREAGE: 1,920.36

LOCATION: This property is located 13 miles north of Circle, MT.

LEGAL DESCRIPTION: See Office File

COMMENTS: Sale to an out of area investor who owns property south of Circle. His son-in-law runs the property south of Circle. Access is provided by a county road. The rangeland is open and rolling with good views of the surrounding areas.

Rangeland
Dry Cropland
Tame Pasture
Improvements

1,097.36 Ac @ \$ 370/Ac
397.00 Ac @ \$ 555/Ac
426.00 Ac @ \$ 460/Ac
\$ 2,800

SALE #3

SALE DATE: 11/15

GRANTOR: Confidential

GRANTEE: Confidential

DEED: Warranty

DOCUMENT #: 191333

SALE PRICE: \$423,200

COUNTY: McCone

ACREAGE: 960.00

LOCATION: This property is located 11 miles southeast of Wolf Point, MT.

LEGAL DESCRIPTION: See Office File

COMMENTS: Subject property is in northern McCone county, east of Highway 13. The property lies in one contiguous piece. Purchase is between long time neighbors and adjoins part of the buyers property. The topography is open and rolling.

Rangeland	502.00 Ac @ \$ 356/Ac
Dry Cropland	458.00 Ac @ \$ 534/Ac

SALE #4

SALE DATE: 3/16

GRANTOR: Confidential

GRANTEE: Confidential

DEED: Warranty

DOCUMENT #: 191631

SALE PRICE: \$430,000

COUNTY: McCone

ACREAGE: 800.00

LOCATION: This property is located 12 miles west of Vida, MT.

LEGAL DESCRIPTION: See Office File

COMMENTS: Sale from area owner to an out of state purchaser. Three parcels within a quarter mile of each other. Terrain is mostly rolling. Dry cropland on rolling terrain with small to reasonably sized fields but appear to be of average to below in quality. Improved pasture on small irregular fields best suited to grazing. Native pasture on rolling terrain with some drainages. Adequately fenced and watered. Buildings are minimal with buyer having little use for the buildings, but noted the seller did reside in one of the houses. Grain bins appear average. Access road to the buildings is a dirt road with minimal maintenance. Access to some of the parcels appears to be similar to the subject.

Rangeland	225.00 Ac @ \$ 379/Ac
Dry Cropland	439.00 Ac @ \$ 568/Ac
Tame Pasture	131.00 Ac @ \$ 474/Ac
Farmstead	5.00 Ac @ \$ 568/Ac
Improvements	\$ 30,389

SALE #5**SALE DATE:** 2/17**GRANTOR:** Confidential**GRANTEE:** Confidential**DEED:** Warranty**DOCUMENT #:** 192302**SALE PRICE:** \$350,000**COUNTY:** McCone**ACREAGE:** 640.00**LOCATION:** This property is located 3 miles east of Vida, MT.**LEGAL DESCRIPTION:** See Office File

COMMENTS: Property is located in an area that is open and rolling. This sale is surrounded by rangeland and BLM. Livestock water is not reliable and there are several coulees located on the property. Soils are not productive enough to be farmed.

Rangeland
Dry Cropland

120.50 Ac @ \$ 389/Ac
519.50 Ac @ \$ 583/Ac

SALES CHART

SALE NUMBER	1		2		3		4		5	
GRANTOR	Confidential		Confidential		Confidential		Confidential		Confidential	
GRANTEE	Confidential		Confidential		Confidential		Confidential		Confidential	
DATE OF SALE	3/15		10/15		11/15		3/16		2/17	
SALE PRICE	\$325,000		\$825,000		\$423,200		\$430,000		\$350,000	
ACRES	640.00		1,920.36		960.00		800.00		640.00	
PRICE/AC	\$508		\$430		\$441		\$538		\$547	
UNIMPROVED	\$508		\$428		\$441		\$500		\$547	
IMPROVEMENTS	\$0		\$2,800		\$0		\$30,389		\$0	
LAND USE	Acres	\$/Acre	Acres	\$/Acre	Acres	\$/Acre	Acres	\$/Acre	Acres	\$/Acre
RANGELAND	380.00	\$ 422	1,097.36	\$ 370	502.00	\$ 356	225.00	\$ 379	120.50	\$ 389
DRY CROPLAND	260.00	\$ 633	397.00	\$ 555	458.00	\$ 534	439.00	\$ 568	519.50	\$ 583
IRRIGATED CROP	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
HAYLAND	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
TAME PASTURE	-	\$ -	426.00	\$ 460	-	\$ -	131.00	\$ 474	-	\$ -
RIVER BOTTOM	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
OTHER	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
FARMSTEAD	-	\$ -	-	\$ -	-	\$ -	5.00	\$ 568	-	\$ -
TOTAL ACREAGE	640.00		1,920.36		960.00		800.00		640.00	

Improvement Description and Valuation:

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

Depreciation consists of physical, functional and external components.

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

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

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

IMPROVEMENT DESCRIPTION

There are no improvements being valued in this report for the subject property.

Cost Approach:

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

the comparable sales.

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

In order to value the subject property I have investigated the area market to ascertain market activity and values. In consideration of the subjects location and features I have concluded that the value should be estimated by sales which are reflective of similar highest and best use.

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

My primary reasons for selecting the chosen comparable sales are:

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

An adjustment for time of sale will not be made. The market does not show an adjustment that can be strongly documented in the area of the subject.

The range of value per acre for the State Land Sale #245 property comparable sales adjusted for time is as follows:

Land (Site)

Rangeland	\$ 356/Ac to \$ 422/Ac
-----------	------------------------

The subject property consists of 240.00 acres of rangeland. The rangeland is open and sloping. It is located in an area where farming is occurring around the property. Access is by a two track trail. Sale 1 is the top end of the value range. The remaining sales range from \$356 to \$389 per acre. The subject is supported in the middle of this range at \$375 per acre.

Based on these facts I have valued the State Land Sale #245 property land as follows by the Cost Approach:

State Land Sale #245 Property Value

CLASS	ACRES	PER AC.	VALUE
RANGELAND	240.00	\$ 375	\$ 90,000
FARMSTEAD	-	-	-
TOTAL DEEDED LAND	240.00	\$ 375	\$ 90,000
ROUNDED TO			\$ 90,000

Sales Comparison Approach:

The Sales Chart on page 26 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 subject property is \$430 to \$547. 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 Land Sale #245 property.

SALES ADJUSTMENT CHART

Item	Subject	Sale 1		Sale 2		Sale 3		Sale 4		Sale 5	
Date of Sale	Current	3/15		10/15		11/15		3/16		2/17	
Size	240.00	640.00		1920.36		960.00		800.00		640.00	
SALE PRICE/AC	n/a		\$ 508		\$ 430		\$ 441		\$ 538		\$ 547
Elements of Comparison	Description	Descript.	Adjust.	Descript.	Adjust.	Descript.	Adjust.	Descript.	Adjust.	Descript.	Adjust.
Rights Conveyed	Fee	Fee	\$ -	Fee	\$ -	Fee	\$ -	Fee	\$ -	Fee	\$ -
Financing	Cash	Cash	\$ -	Cash	\$ -	Cash	\$ -	Cash	\$ -	Cash	\$ -
Conditions of Sale	Normal	Normal	\$ -	Normal	\$ -	Normal	\$ -	Normal	\$ -	Normal	\$ -
Subtotal	-		\$ 508		\$ 430		\$ 441		\$ 538		\$ 547
Land Mix	Mixed	Mixed	\$ (86)	Mixed	\$ (58)	Mixed	\$ (85)	Mixed	\$ (120)	Mixed	\$ (157)
Improvements	0	0	\$ -	1	\$ (1)	0	\$ -	2	\$ (38)	0	\$ -
Subtotal	-		\$ 422		\$ 370		\$ 356		\$ 379		\$ 389
Market Conditions	Current		0		0		0		0		0
Subtotal	-		\$ 422		\$ 370		\$ 356		\$ 379		\$ 389
Location	Trail	Gravel	\$ -	Gravel	\$ -	Gravel	\$ -	Grvl/Trail	\$ -	Trail	\$ -
Size	240.00	640.00	\$ -	1,920.36	\$ -	960.00	\$ -	800.00	\$ -	640.00	\$ -
Quality	A	A	\$ -	A	\$ -	A	\$ -	A	\$ -	A	\$ -
Net Adjustments			\$ -		\$ -		\$ -		\$ -		\$ -
Indicated \$/Acre			\$ 422		\$ 370		\$ 356		\$ 379		\$ 389

Rights Conveyed: No adjustments were made.

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. These comparisons can be found in the Addenda under Land Mix Adjustment.

Market Adjustment: A time adjustment was not made. The market does not show an increase from 2015 that can be strongly documented in the area of the subject.

Location Adjustment: No adjustments were made.

Size Adjustment: Though there were size differences, no adjustments were made. Through paired sales analysis it was inconclusive what adjustment should be made.

Quality Adjustment: Adjustments were not made.

Summary of Adjustments: Based on the adjusted comparable sales and comparing each adjusted sale with the subject, I have valued the State Land Sale #245 property deeded land at \$90,000 (240.00 Ac x \$375/Ac).

Income Approach:

The income approach will not be utilized in the valuation of the rangeland. The cost and sales comparison approaches are good indicators of value. The income approach tends to be less effective when cropland is not being considered. For this reason, the income approach will not be used.

Valuation Summary:

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

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

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

Following are the rounded values arrived at by each approach:

Cost Approach	\$90,000.00
Sales Comparison Approach	\$90,000.00
Income Approach	NA

The difference between the highest and lowest value is 0.00%. The cost approach and sales comparison approach are good indicators of value.

Based on the comparable sales data I have arrived at a Market Value, as of November 13, 2017 for the State Land Sale #245, real estate of \$90,000.00.

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 my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- : I 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.
- : I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- : My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- : My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- : My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- : I 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, I 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 an Appraisal Report.

Scott Crosby, Certified General Appraiser, analyzed sales comparisons, wrote the appraisal, gathered information and created maps. The final opinion of value was determined by Scott Crosby.

After weighing all of the factors herein reported, to the best of my knowledge and belief, it is the Appraisers' opinion that the Market Value, based on cash, of the State Land Sale #245 real estate as of November 13, 2017 is as follows:

State Land Sale #245 Real Estate

\$ 90,000.00

Respectfully submitted,



J. Scott Crosby
Certified General Real Estate Appraiser
Montana Cert. #8183, Wyoming Cert. #1512,
Idaho Cert. #4314, North Dakota Cert. #21769

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.

IDAHO CERTIFIED GENERAL REAL ESTATE APPRAISER, Certificate #4314.

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 2016: 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 am also a partner with Wicks & Associates 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 225 real estate appraisals as of January 1, 2017 with a total of over 600,000+/- 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
National Certified General Appraiser Examination
The Valuation of Intangible and Non Financial Assets
Income Approach Applications
Eminent Domain

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 100,000 acres.
2. Government Agencies including the Montana Department of Natural Resources and Conservation, Montana Department of Fish, Wildlife, and Parks, United States Forest Service, Bureau of Land Management, Bureau of Indian Affairs and the Farm Service Agency in Montana and Wyoming.
3. Various private institutions such as banks located in Montana and Wyoming; Farm Credit Services, private trust organizations, Westmoreland Coal Company, Spring Creek Coal Company, Western River Conservancy and Land Trust Organizations.

ADDENDA

FOR DNRC USE ONLY

Maximum amount under this agreement: \$2,500.00

Fund Name
Land Banking Private Closing Costs

Fund No.
02031

Subclass
555HA

Org. No.
6043-59

Percent
100%

Approved

No. 185021
Amend. No. 1
Division _____
Legal _____
F.S.O. _____



DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
TRUST LAND MANAGEMENT DIVISION

APPRAISAL POTENTIAL LAND BANKING SALE PARCEL IN MCCONE COUNTY

This amendment to Contract No. 185021, hereinafter called the "Amendment", is made and entered into between the State of Montana Department of Natural Resources and Conservation, (DNRC), (hereinafter referred to as "the State"), whose address and phone number are P.O. Box 201601, 1539 11th Avenue, Helena, MT 59620-1601, (406) 444-2074 and Crosby Analytics, LLC, (Contractor), whose address and phone number are PO Box 742, Cowley, WY 82420 and (307) 548-2079.

The parties to this amendment, in consideration of the mutual covenants and stipulations, and agree to amend the following sections of the aforementioned contract as follows:

Section 1.1, Contract Term, is hereby deleted and the following inserted in its place:

Section 1.1 Contract Term. The contract's initial term is upon contract execution, through December 11, 2017, unless terminated earlier as provided in this contract. In no event is this contract binding on the State unless the State's authorized representative has executed it in Section 27. **The appraisal report is to be completed and forwarded to Montana DNRC, Emily Cooper, and P.O. Box 201601, Helena, MT 59620-1601 by November 27, 2017.**

This Amendment consists of one (1) page. One original is to be retained by the Department and one original is to be retained by the Contractor. A copy of the original has the same force and effect for all purposes as the original.

10-30-17
Date

10/30/17
Date

By: [Signature]
Contractor's Authorized Representative

By: [Signature]
Department of Natural Resources & Conservation

[Signature]

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 properties and is intended for use in the decision making process concerning the potential sale of said subject properties.

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 properties. 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 properties. Again, that will depend on the individual characteristics of the subject properties and correlating market data. 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.

Landlocked parcels, (parcels with no legal access), will be appraised with the hypothetical condition of having legal access and should be appraised as the property currently exists, which is without legal access, ("as is"). If evidence through reasonably recent sales of comparable properties is available in the subject's market or similar markets, provide the value of the subject property, as it currently exists without access. Include details of an adjustment in appraised value due to lack of 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. As with lack of legal access, adjustments for additional items such as lack of land improvements, etc. will be supported by analysis of the pertinent subject market data through sales pairings or other analytical methodology. In moderately to rapidly changing markets, historic information may not be as relevant as more current market information. (Note: 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.

MONTANA DNRC TRUST LAND MANAGEMENT DIVISION
Supplemental Appraisal Instructions

This Scope of Work and Supplemental Appraisal Instructions are to be included in the appraiser's addendum.

Subject Properties (Located in McCone County):

Sale #	Acres ±	Legal Description
245	240±	SW1/4, W1/2SE1/4, Section 35, T26N-R48E

Sale # 245 is located approximately 10 miles southeast of Wolf Point, Montana.

<u>Area Office Contact Information:</u> Scott Aye, Land Program Manager 321 Main Street Miles City, MT 59301-7000 Phone: (406) 232-2034 SAye@mt.gov	<u>Lessees:</u> Mary Dillon 273 GOOD RD WOLF POINT, MT 59201 P:(406) 525-3609 (406) 740-1410
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The following will be located in the body of the contract:

The appraisal report will be one document containing the parcel's data and the analysis, opinions, and conclusions of value(s) for the parcel(s). If deemed necessary by the contractor rather than including the specific market data in the appraisal report, a separate addendum may be submitted containing the specific market data as a stand-alone document, which must be reviewed and accepted along with the appraisal, and may be returned to the appraiser for retention in his/her files upon request. The appraiser must submit an electronic copy as well as a printed copy of the appraisal report.

The definition of market value is that as defined in 70-30-313, MCA.

The DNRC will provide access to each state parcel record, as maintained by the land offices, including but not limited to aerial photos, land improvements, current lease data (lease #, name of lessee, AUMs, acres, costs, etc.), property issues, surveys (if any), and production history. The local land office will provide the contact information to the appraiser in order for the appraiser to obtain access to the proponent's property

Location Map of Parcel



Land Banking Sale # 245



FOR DNRC USE ONLY

Amount under this Agreement: \$2,500.00

Source of Funds

<u>Fund Name</u>	<u>Fund No.</u>
Land Banking Private Closing Costs	02031
<u>Subclass</u>	<u>Org. No.</u>
555HA	6043-59
	<u>Percent</u>
	100%

Approved

No. 185021
Division SWC
Legal AM
F.S.O. CU



**TRUST LAND MANAGEMENT DIVISION
APPRAISAL OF POTENTIAL LAND BANKING SALE PARCEL
MCCONE COUNTY**

THIS CONTRACT is entered into by and between the State of Montana, Department of Natural Resources and Conservation, (hereinafter referred to as "the State"), whose address and phone number are P.O. Box 201601, 1539 11th Avenue, Helena, MT 59620-1601, (406) 444-2074 and Crosby Analytics, LLC, (Contractor), whose address and phone number are PO Box 742, Cowley, WY 82420 and (307) 548-2079.

1. EFFECTIVE DATE, DURATION, AND RENEWAL

1.1 Contract Term. The contract's initial term is upon contract execution, through October 31, 2017, unless terminated earlier as provided in this contract. In no event is this contract binding on the State unless the State's authorized representative has executed it in Section 34. The appraisal report is to be completed and forwarded to DNRC, Emily Cooper at P.O. Box 201601, 1539 11th Avenue, Helena, MT 59620-1601 by October 13, 2017.

1.2 Contract Renewal.

N/A

2. COST ADJUSTMENTS – N/A

2.1 Cost Increase by Mutual Agreement. – N/A

3. SERVICES AND/OR SUPPLIES

Contractor shall provide the State the following: the contractor shall be responsible for providing a credible appraisal, for the parcel in McCone County, as described in Attachment B, Montana DNRC Trust Land Management Division Supplemental Appraisal Instructions. The appraisal will be an

Appraisal Report, conducted and prepared in compliance with the Uniform Standards of Professional Appraisal Practice that will describe adequately, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions.

Attachment A and B are attached hereto and incorporated herein by reference.

The appraisal must comply with the instructions in Attachment A, Scope of Work for Appraisal of Potential Property Acquisition through the Land Banking Program, and all provisions in the body of this contract including the following:

- 1) The appraisal report will be one document containing the property data and analysis, opinions, and conclusions of value for the properties. If deemed necessary by the contractor rather than including the specific market data in the appraisal report, a separate addendum may be submitted containing the specific market data as a stand-alone document, which must be reviewed and accepted along with the appraisal, and can be returned to the appraiser for retention in his/her files. The appraiser must submit an electronic copy as well as a printed copy of the appraisal report.
- 2) Each sale parcel listed in Attachment B, Montana DNRC Trust Land Management Division Supplemental Appraisal Instructions must be assigned separate values.
- 3) The definition of market value is that as defined in 70-30-313, M.C.A.

4. WARRANTIES

4.1 Warranty of Services. Contractor warrants that the services provided conform to the contract requirements, including all descriptions, specifications and attachments made a part of this contract. The State's acceptance of services provided by Contractor shall not relieve Contractor from its obligations under this warranty. In addition to its other remedies under this contract, at law, or in equity, the State may, at Contractor's expense, require prompt correction of any services failing to meet Contractor's warranty herein. Services corrected by Contractor shall be subject to all the provisions of this contract in the manner and to the same extent as services originally furnished.

5. CONSIDERATION/PAYMENT

5.1 Payment Schedule. In consideration of the successful submission of the appraisal report to be provided, the State shall pay Contractor \$2,500.00. The contractor shall, at no additional expense to the State, correct unsatisfactory work before payment is made.

In No case shall the State's total cumulative payment under this contract exceed Two thousand, five hundred dollars and No/100 (\$2,500.00).

5.2 Withholding of Payment. N/A

5.3 Payment Terms. Unless otherwise noted in the solicitation document, the State has thirty (30) days to pay invoices, as allowed by 17-8-242, MCA. Contractor shall provide banking information at the time of contract execution in order to facilitate the State's electronic funds transfer payments.

5.4 Reference to Contract. The contract number MUST appear on all invoices, packing lists, packages, and correspondence pertaining to the contract. If the number is not provided, the State is not obligated to pay the invoice.

5.5 Fuel Surcharge – N/A

6. PREVAILING WAGES REQUIREMENTS – N/A

7. ACCESS AND RETENTION OF RECORDS

7.1 Access to Records. Contractor shall provide the State, Legislative Auditor, or their authorized agents access to any records necessary to determine contract compliance. The State may terminate this contract under section 20, without incurring liability, for the Contractor's refusal to allow access as required by this section. (18-1-118, MCA.)

7.2 Retention Period. Contractor shall create and retain all records documenting the appraisal report for a period of eight years after either the completion date of this contract or termination of the contract.

8. ASSIGNMENT, TRANSFER, AND SUBCONTRACTING

Contractor may not assign, transfer, or subcontract any portion of this contract without the State's prior written consent. (18-4-141, MCA.) Contractor is responsible to the State for the acts and omissions of all subcontractors or agents and of persons directly or indirectly employed by such subcontractors, and for the acts and omissions of persons employed directly by Contractor. No contractual relationships exist between any subcontractor and the State under this contract. Contractor is responsible to ensure that any assignee, transferee or subcontractor is subject to all of the terms and conditions of this Contract as fully set forth. Consent of the State to assign, transfer or subcontract any portion of this Contract does not relieve the Contractor in any manner of its responsibilities under this Contract.

9. HOLD HARMLESS/INDEMNIFICATION

9.1 Claims under this provision also include any claim arising out of or in any way connected with Contractor's breach of this contract, including any claims asserting that any of the Contractor's employees are actually employees of the state or common law employees of the state or any of its agencies or political subdivisions, including but not limited to excise taxes or penalties imposed on the State under Internal Revenue Code §§ 4980H, 6055 or 6056 and any subsequent amendments or additions to these Sections. Contractor shall be responsible for implementation of all aspects of the Affordable Care Act as this Act may apply to Contractor and shall be responsible for any violations including any sanction, penalty, fee or tax and shall indemnify the State and hold harmless and defend the State for any omission or failure of Contractor to meet its obligations under Sections 13 and 14.

9.2 Contractor agrees to protect, defend, and save State, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, causes of action of any kind or character, including the cost of defense thereof, arising in favor of Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of Contractor and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of State, under this Contract.

10. CONTRACTOR REGISTRATION (for construction) – N/A

11. **CONTRACTOR WITHHOLDING (for construction) – N/A**

12. **REQUIRED INSURANCE**

12.1 General Requirements. Contractor shall maintain for the duration of this contract, at its cost and expense, insurance against claims for injuries to persons or damages to property, including contractual liability, which may arise from or in connection with the performance of the work by Contractor, agents, employees, representatives, assigns, or subcontractors. This insurance shall cover such claims as may be caused by any negligent act or omission.

12.2 Primary Insurance. Contractor's insurance coverage shall be primary insurance with respect to the State, its officers, officials, employees, and volunteers and shall apply separately to each project or location. Any insurance or self-insurance maintained by the State, its officers, officials, employees, or volunteers shall be in excess of Contractor's insurance and shall not contribute with it.

12.3 Specific Requirements for Commercial General Liability. N/A

12.4 Specific Requirements for Automobile Liability. Contractor shall purchase and maintain coverage with split limits of \$500,000 per person (personal injury), \$1,000,000 per accident occurrence (personal injury), and \$100,000 per accident occurrence (property damage), OR combined single limits of \$1,000,000 per occurrence to cover such claims as may be caused by any act, omission, or negligence of Contractor or its officers, agents, representatives, assigns, or subcontractors.

The State, its officers, officials, employees, and volunteers are to be covered and listed as additional insureds for automobiles leased, hired, or borrowed by Contractor.

12.5 Specific Requirements for Professional Liability. Contractor shall purchase and maintain occurrence coverage with combined single limits for each wrongful act of \$500,000 per occurrence and \$500,000 aggregate per year to cover such claims as may be caused by any act, omission, negligence of Contractor or its officers, agents, representatives, assigns, or subcontractors. Note: If "occurrence" coverage is unavailable or cost prohibitive, Contractor may provide "claims made" coverage provided the following conditions are met: (1) the commencement date of this contract must not fall outside the effective date of insurance coverage and it will be the retroactive date for insurance coverage in future years; and (2) the claims made policy must have a three-year tail for claims that are made (filed) after the cancellation or expiration date of the policy.

12.6 Deductibles and Self-Insured Retentions. Any deductible or self-insured retention must be declared to and approved by the State. At the request of the State either: (1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as pertain to the State, its officers, officials, employees, or volunteers; or (2) at the expense of Contractor, Contractor shall procure a bond guaranteeing payment of losses and related investigations, claims administration, and defense expenses.

12.7 Certificate of Insurance/Endorsements. A certificate of insurance from an insurer with a Best's rating of no less than A- indicating compliance with the required coverage's, has been received by the State, PO Box 201601, Helena, MT 59620-1601. Contractor must notify the State immediately of any material change in insurance coverage, including but not limited to changes in limits, coverage's, and status of policy. The Contractor must provide the State with copies of insurance policies upon request.

13. COMPLIANCE WITH WORKERS' COMPENSATION ACT

Contractor shall comply with the provisions of the Montana Workers' Compensation Act while performing work for the State of Montana in accordance with 39-71-401, 39-71-405, and 39-71-417, MCA. Proof of compliance must be in the form of workers' compensation insurance, an independent contractor's exemption, or documentation of corporate officer status. Neither Contractor nor its employees are State employees. This insurance/exemption must be valid for the entire contract term and any renewal. Upon expiration, a renewal document must be sent to the State, PO Box 201601, Helena, MT 59620-1601.

14. COMPLIANCE WITH LAWS

14.1 Federal, State, or Local laws, Rules, and Regulations. Contractor shall, in performance of work under this contract, fully comply with all applicable federal, state, or local laws, rules, and regulations, including but not limited to, the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. The State may audit or request from Contractor at any time a statement that it is fully compliant with all requirements of this Section.

14.2 Contractor as Employer under the Patient Protection and Affordable Care Act and this Contract. The Contractor is the employer for the purpose of providing healthcare benefits and paying any applicable penalties, fees and taxes under the Patient Protection and Affordable Care Act [P.L. 111-148, 124 Stat. 119]. Contractor represents and warrants that all individuals who perform services for an agency of the State for Contractor under this Contract are without exception Contractor's common law employees at all times and that Contractor acknowledges that Contractor has the responsibility and retains the obligation to direct and control its employees providing services under this Contract for the term of this Contract. Contractor is responsible for providing healthcare benefits for its employees under the Patient Protection and Affordable Care Act.

14.2.1 State Benefits Plans. Contractor acknowledges and agrees that it, its agents or employees are not employees of the State and that its agents or employees have no nexus with the State to participate in any of the State's benefits plans or programs that the State offers its employees and maintains for its employees.

14.2.2 Contractor Provided Health Care Coverage. Contractor shall, if required by the Patient Protection and Affordable Care Act, offer to all its agents or employees who perform services for the State under this contract for 30 or more hours a week and for employee's or agent's dependents under age 26 health care coverage under its health care plans. Such coverage must provide minimum essential coverage and minimum value, and be affordable for purposes of the employer responsibility provisions under Section 4980H of the Code and otherwise satisfy the requirements of Code 4980H if provided by the State. It shall be contractor's sole responsibility to determine applicability and compliance requirements that may apply to Contractor under the Patient Protection and Affordable Care Act.

14.2.3 Contractor Reporting Requirements. Contractor acknowledges that if it is subject to any reporting requirements under Code §§ 6055 and 6066 that Contractor will fully comply with any required reporting with respect to individuals who perform services for the State.

14.3 Any partial or whole assignment, transfer or subletting or subcontracting by Contractor subjects subcontractors to the same provisions of this Section and it is the responsibility of the

Contractor to ensure any agreement to assign, transfer, sublet or subcontract binds any successor to this Contract in whole or in part or binds any subcontractor to all the terms and conditions of this Contract as if a party to the Contract from inception..

14.4 In accordance with 49-3-207, MCA, Contractor agrees that the hiring of persons to perform this contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin of the persons performing this contract.

15. DISABILITY ACCOMMODATIONS

The State does not discriminate on the basis of disability in admission to, access to, or operations of its programs, services, or activities. Individuals who need aids, alternative document formats, or services for effective communications or other disability related accommodations in the programs and services offered are invited to make their needs and preferences known to this office. Interested parties should provide as much advance notice as possible.

16. REGISTRATION WITH THE SECRETARY OF STATE

Any business intending to transact business in Montana must register with the Secretary of State. Businesses that are incorporated in another state or country, but which are conducting activity in Montana, must determine whether they are transacting business in Montana in accordance with 35-1-1026 and 35-8-1001, MCA. Such businesses may want to obtain the guidance of their attorney or accountant to determine whether their activity is considered transacting business.

If businesses determine that they are transacting business in Montana, they must register with the Secretary of State and obtain a certificate of authority to demonstrate that they are in good standing in Montana. To obtain registration materials, call the Office of the Secretary of State at (406) 444-3665, or visit their website at <http://sos.mt.gov>.

17. INTELLECTUAL PROPERTY/OWNERSHIP

17.1 Mutual Use. Contractor shall make available to the State, on a royalty-free, non-exclusive basis, all patent and other legal rights in or to inventions first conceived and reduced to practice, or created in whole or in part under this contract, if such availability is necessary for the State to receive the benefits of this contract. Unless otherwise specified in a statement of work, both parties shall have a royalty-free, nonexclusive, and irrevocable right to reproduce, publish, or otherwise use copyrightable property created under this contract. This mutual right includes (i) all deliverables and other materials, products, modifications that Contractor has developed or prepared for the State under this contract; (ii) any program code, or site- related program code that Contractor has created, developed, or prepared under or primarily in support of the performance of its specific obligations under this contract; and (iii) manuals, training materials, and documentation. All information described in (i), (ii), and (iii) is collectively called the "Work Product".

17.2 Title and Ownership Rights. The State retains title to and all ownership rights in all data and content, including but not limited to multimedia or images (graphics, audio, and video), text, and the like provided by the State (the "Content"), but grants Contractor the right to access and use Content for the purpose of complying with its obligations under this contract and any applicable statement of work.

17.3 Ownership of Work Product. Contractor shall execute any documents or take any other actions as may reasonably be necessary, or as the State may reasonably request, to perfect the State's ownership of any Work Product.

17.4 Copy of Work Product. Contractor shall, at no cost to the State, deliver to the State, upon the State's request during the term of this contract or at its expiration or termination, a current copy of all Work Product in the form and on the media in use as of the date of the State's request, or such expiration or termination.

17.5 Ownership of Contractor Pre-Existing Materials. Contractor retains ownership of all literary or other works of authorship (such as software programs and code, documentation, reports, and similar works), information, data, intellectual property, techniques, subroutines, algorithms, methods or related rights and derivatives that Contractor owns at the time this contract is executed or otherwise developed or acquired independent of this contract and employed by Contractor in connection with the services provided to the State (the "Contractor Pre-existing Materials"). Contractor Pre-existing Materials are not Work Product. Contractor shall provide full disclosure of any Contractor Pre-Existing Materials to the State before its use and to prove its ownership. If, however, Contractor fails to disclose to the State such Contractor Pre-Existing Materials, Contractor shall grant the State a nonexclusive, worldwide, paid-up license to use any Contractor Pre-Existing Materials embedded in the Work Product to the extent such Contractor Pre-Existing Materials are necessary for the State to receive the intended benefit under this contract. Such license shall remain in effect for so long as such Pre-Existing Materials remain embedded in the Work Product. Except as otherwise provided for in **Section 17.3** or as may be expressly agreed in any statement of work, Contractor shall retain title to and ownership of any hardware it provides under this contract.

18. PATENT AND COPYRIGHT PROTECTION – N/A

19. CONTRACT PERFORMANCE ASSURANCE – N/A

20. CONTRACT TERMINATION

20.1 Termination for Cause with Notice to Cure Requirement. The State may terminate this contract in whole or in part for Contractor's failure to materially perform any of the services, duties, terms, or conditions contained in this contract after giving Contractor written notice of the stated failure. The written notice must demand performance of the stated failure within a specified period of time of not less than 14 days. If the demanded performance is not completed within the specified period, the termination is effective at the end of the specified period.

20.2 Termination for Cause with Notice to Cure Requirement. Contractor may terminate this contract for the State's failure to perform any of its duties under this contract after giving the State written notice of the failure. The written notice must demand performance of the stated failure within a specified period of time of not less than 14 days. If the demanded performance is not completed within the specified period, the termination is effective at the end of the specified period.

20.3 Reduction of Funding. The State must by law terminate this contract if funds are not appropriated or otherwise made available to support the State's continuation of performance of this contract in a subsequent fiscal period. (18-4-313(4), MCA.) If state or federal government funds are not appropriated or otherwise made available through the state budgeting process to support continued performance of this contract (whether at an initial contract payment level or any contract increases to that initial level) in subsequent fiscal periods, the State shall terminate this contract as

required by law. The State shall provide Contractor the date the State's termination shall take effect. The State shall not be liable to Contractor for any payment that would have been payable had the contract not been terminated under this provision. As stated above, the State shall be liable to Contractor only for the payment, or prorated portion of that payment, owed to Contractor up to the date the State's termination takes effect. This is Contractor's sole remedy. The State shall not be liable to Contractor for any other payments or damages arising from termination under this section, including but not limited to general, special, or consequential damages such as lost profits or revenues.

21. EVENT OF BREACH – REMEDIES

21.1 Event of Breach by Contractor. Any one or more of the following Contractor acts or omissions constitute an event of material breach under this contract:

- Products or services furnished fail to conform to any requirement;
- Failure to submit any report required by this Contract;
- Failure to perform any of the other terms and conditions of this Contract, including but not limited to beginning work under this Contract without prior State approval or breaching Section 26.1, obligations; or
- Voluntary or involuntary bankruptcy or receivership.

21.2 Event of Breach by State. The State's failure to perform any material terms or conditions of this contract constitutes an event of breach.

21.3 Actions in Event of Breach. Upon Contractor's material breach, the State may:

- Terminate this contract under section 20.1; or
- Treat this contract as materially breached and pursue any of its remedies under this contract, at law, or in equity.

Upon the State's material breach, the Contractor may:

- Terminate this Contract under Section 20.2 and pursue any of its remedies under this Contract, at law, or in equity; or
- Treat this Contract as materially breached and, except as the remedy is limited in this Contract, pursue any of its remedies under this Contract, at law, or in equity.

22. FORCE MAJEURE

Neither party is responsible for failure to fulfill its obligations due to causes beyond its reasonable control, including without limitation, acts or omissions of government or military authority, acts of God, materials shortages, transportation delays, fires, floods, labor disturbances, riots, wars, terrorist acts, or any other causes, directly or indirectly beyond the reasonable control of the nonperforming party, so long as such party uses its best efforts to remedy such failure or delays. A party affected by a force majeure condition shall provide written notice to the other party within a reasonable time of the onset of the condition. In no event, however, shall the notice be provided later than 5 working days after the onset. If the notice is not provided within the 5 day period, then a party may not claim a force majeure event. A force majeure condition suspends a party's obligations under this contract, unless the parties mutually agree that the obligation is excused because of the condition.

23. WAIVER OF BREACH

Either party's failure to enforce any contract provisions after any event of breach is not a waiver of its right to enforce the provisions and exercise appropriate remedies if the breach occurs again. Neither party may assert the defense of waiver in these situations.

24. CONFORMANCE WITH CONTRACT

No alteration of the terms, conditions, delivery, price, quality, quantities, or specifications of the contract shall be granted without the State prior written consent. Product or services provided that do not conform to the contract terms, conditions, and specifications may be rejected and returned at Contractor's expense.

25. LIAISONS AND SERVICE OF NOTICES

25.1 Contract Liaisons. All project management and coordination on the State's behalf must be through a single point of contact designated as the State's liaison. Contractor shall designate a liaison that will provide the single point of contact for management and coordination of Contractor's work. All work performed under this contract must be coordinated between the State's liaison and Contractor's liaison.

Emily Cooper, Lands Section Supervisor is the State's liaison.

(Address): PO Box 201601

(City, State, ZIP): Helena, MT 59620-1601

Telephone: (406) 444-4165

Fax: (406) 444-2684

E-mail: ecooper@mt.gov

J. Scott Crosby, Certified General Real Estate Appraiser is Contractor's liaison.

(Address): PO Box 742

(City, State, ZIP): Cowley, WY 82420

Telephone: (307) 548-2079

E-mail: scottcrosby@crosbyanalytics.com

25.2 Notifications. The State's liaison and Contractor's liaison may be changed by written notice to the other party. Written notices, requests, or complaints must first be directed to the liaison. Notice may be provided by personal service, mail, or facsimile. If notice is provided by personal service or facsimile, the notice is effective upon receipt; if notice is provided by mail, the notice is effective within three (3) business days of mailing. A signed and dated acknowledgement of the notice is required of both parties.

25.3 Identification/Substitution of Personnel. – N/A

26. MEETINGS

26.1 Technical or Contractual Problems. Contractor shall meet with the State's personnel, or designated representatives, to resolve technical or contractual problems occurring during the contract term or to discuss the progress made by Contractor and the State in the performance of their respective obligations, at no additional cost to the State. The State may request the meetings as problems arise and will be coordinated by the State. The State shall provide Contractor a minimum of three full working day notice of meeting date, time, and location. Face-to-face meetings are desired; however, at Contractor's option and expense, a conference call meeting may be substituted.

Consistent failure to participate in problem resolution meetings, two consecutive missed or rescheduled meetings, or failure to make a good faith effort to resolve problems, may result in termination of the contract.

26.2 Progress Meetings. - N/A

26.3 Failure to Notify. - N/A

26.4 State's Failure or Delay. - N/A

27. Transition Assistance

If this contract is not renewed at the end of this term, if the contract is otherwise terminated before project completion, or if particular work on a project is terminated for any reason, Contractor shall provide transition assistance for a reasonable, mutually agreed period of time after the expiration or termination of this contract or particular work under this contract. The purpose of this assistance is to allow for the expired or terminated portion of the services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such services to the State or its designees. The parties agree that such transition assistance is governed by the terms and conditions of this contract, except for those terms or conditions that do not reasonably apply to such transition assistance. The State shall pay Contractor for any resources utilized in performing such transition assistance at the most current contract rates. If the State terminates a project or this contract for cause, then the State may offset the cost of paying Contractor for the additional resources Contractor utilized in providing transition assistance with any damages the State may have sustained as a result of Contractor's breach.

28. CHOICE OF LAW AND VENUE

Montana law governs this contract. The parties agree that any litigation concerning this bid, proposal, or this contract must be brought in the First Judicial District in and for the County of Lewis and Clark, State of Montana, and each party shall pay its own costs and attorney fees. (18-1-401, MCA.)

29. TAX EXEMPTION

State of Montana is exempt from Federal Excise Taxes (#81-0302402) except as otherwise provided in the federal Patient Protection and Affordable Care Act [P.L. 111-148, 124 Stat. 119].

30. AUTHORITY

This contract is issued under authority of Title 18, Montana Code Annotated, and the Administrative Rules of Montana, Title 2, chapter 5.

31. SEVERABILITY CLAUSE

A declaration by any court or any other binding legal source that any provision of the contract is illegal and void shall not affect the legality and enforceability of any other provision of the contract, unless the provisions are mutually and materially dependent.

32. SCOPE, ENTIRE AGREEMENT, AND AMENDMENT

32.1 Contract. This contract consists of 11 numbered pages, Attachment A – Scope of Work and Attachment B – Supplemental Appraisal Instructions, pages 12-15. In the case of a dispute or

ambiguity arising between or among the documents, the order of precedence of document interpretation is the same.

32.2 Entire Agreement. These documents are the entire agreement of the parties. They supersede all prior agreements, representations, and understandings. Any amendment or modification must be in a written agreement signed by all the parties.

33. WAIVER

The State's waiver of any Contractor obligation or responsibility in a specific situation is not a waiver in a future similar situation or is not a waiver of any other Contractor obligation or responsibility.

34. EXECUTION

The parties through their authorized agents have executed this contract on the dates set out below.

A scanned copy or facsimile copy of the original has the same force and effect as the original document.

STATE OF MONTANA
Dept. Natural Resources & Conservation
Trust Land Management Division
P.O. Box 201601
1539 11th Avenue
Helena, MT 59620-1601

CROSBY ANALYTICS, LLC
PO Box 742
Cowley, WY 82420

FEDERAL ID #: 45-4815811

BY: Michael Atwood, Chief – Real Estate Mgt
Bureau

(Name/Title)


(Signature)

DATE: 9-26-2017

BY: Scott Crosby

(Name/Title)


(Signature)

DATE: 9-18-17

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 properties and is intended for use in the decision making process concerning the potential sale of said subject properties.

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 properties. 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 properties. Again, that will depend on the individual characteristics of the subject properties and correlating market data. 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.

Landlocked parcels, (parcels with no legal access), will be appraised with the hypothetical condition of having legal access and should be appraised as the property currently exists, which is without legal access, ("as is"). If evidence through reasonably recent sales of comparable properties is available in the subject's market or similar markets, provide the value of the subject property, as it currently exists without access. Include details of an adjustment in appraised value due to lack of 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. As with lack of legal access, adjustments for additional items such as lack of land improvements, etc. will be supported by analysis of the pertinent subject market data through sales pairings or other analytical methodology. In moderately to rapidly changing markets, historic information may not be as relevant as more current market information. (Note: 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.

MONTANA DNRC TRUST LAND MANAGEMENT DIVISION

Supplemental Appraisal Instructions

This Scope of Work and Supplemental Appraisal Instructions are to be included in the appraiser's addendum.

Subject Properties (Located in McCone County):

Sale #	Acres ±	Legal Description
245	240±	SW1/4, W1/2SE1/4, Section 35, T26N-R48E

Sale # 245 is located approximately 10 miles southeast of Wolf Point, Montana.

<u>Area Office Contact Information:</u> Scott Aye, Land Program Manager 321 Main Street Miles City, MT 59301-7000 Phone: (406) 232-2034 SAye@mt.gov	<u>Lessees:</u> Mary Dillon 273 GOOD RD WOLF POINT, MT 59201 P:(406) 525-3609 (406) 740-1410
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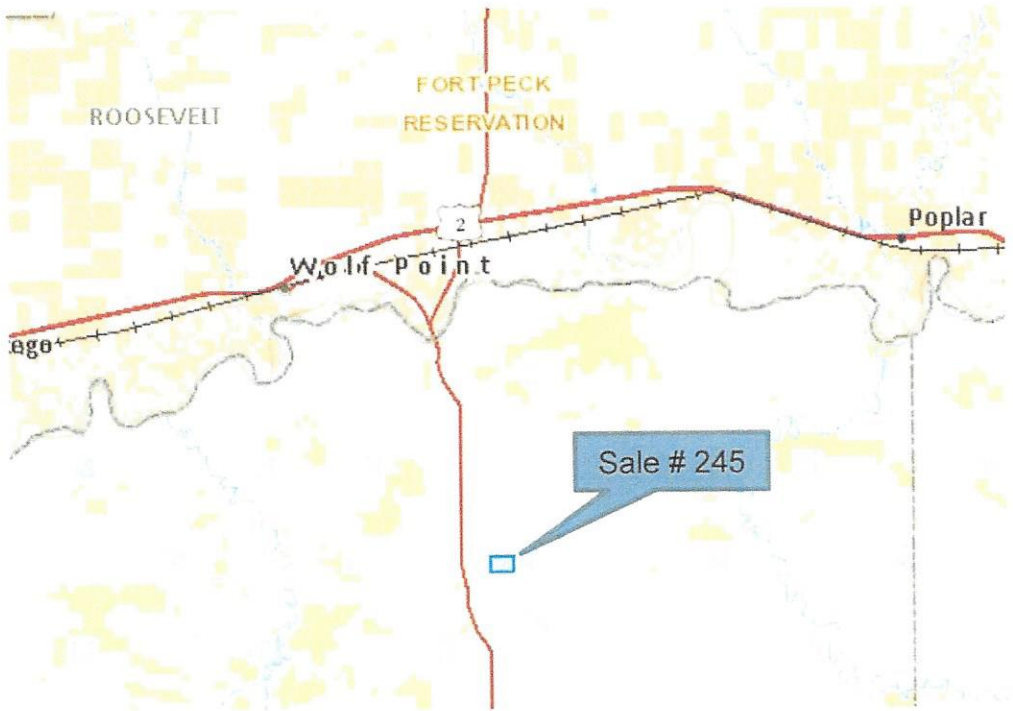
The following will be located in the body of the contract:

The appraisal report will be one document containing the parcel's data and the analysis, opinions, and conclusions of value(s) for the parcel(s). If deemed necessary by the contractor rather than including the specific market data in the appraisal report, a separate addendum may be submitted containing the specific market data as a stand-alone document, which must be reviewed and accepted along with the appraisal, and may be returned to the appraiser for retention in his/her files upon request. The appraiser must submit an electronic copy as well as a printed copy of the appraisal report.

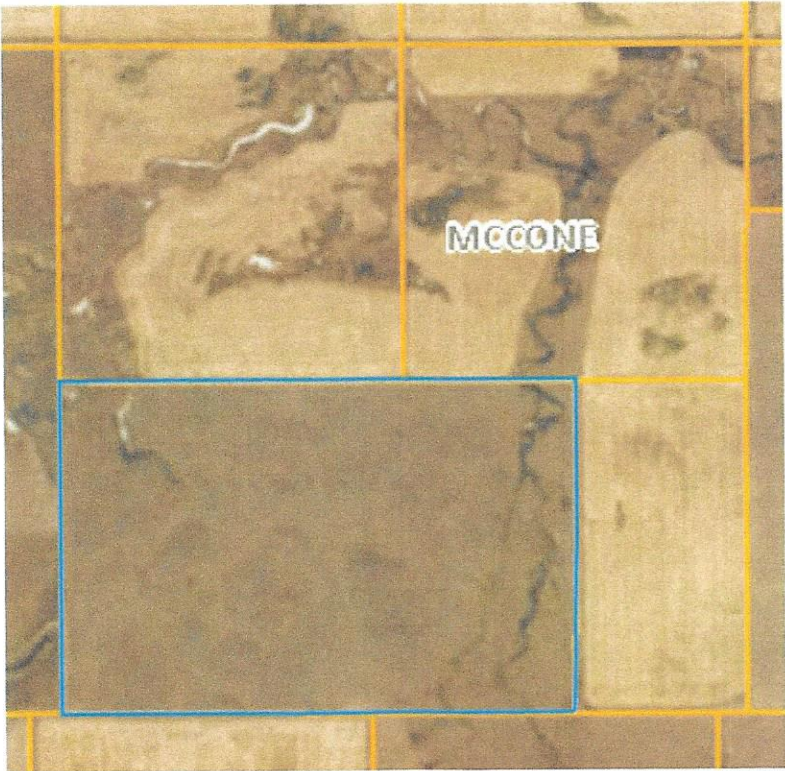
The definition of market value is that as defined in 70-30-313, MCA.

The DNRC will provide access to each state parcel record, as maintained by the land offices, including but not limited to aerial photos, land improvements, current lease data (lease #, name of lessee, AUMs, acres, costs, etc.), property issues, surveys (if any), and production history. The local land office will provide the contact information to the appraiser in order for the appraiser to obtain access to the proponent's property

Location Map of Parcel



Land Banking Sale # 245



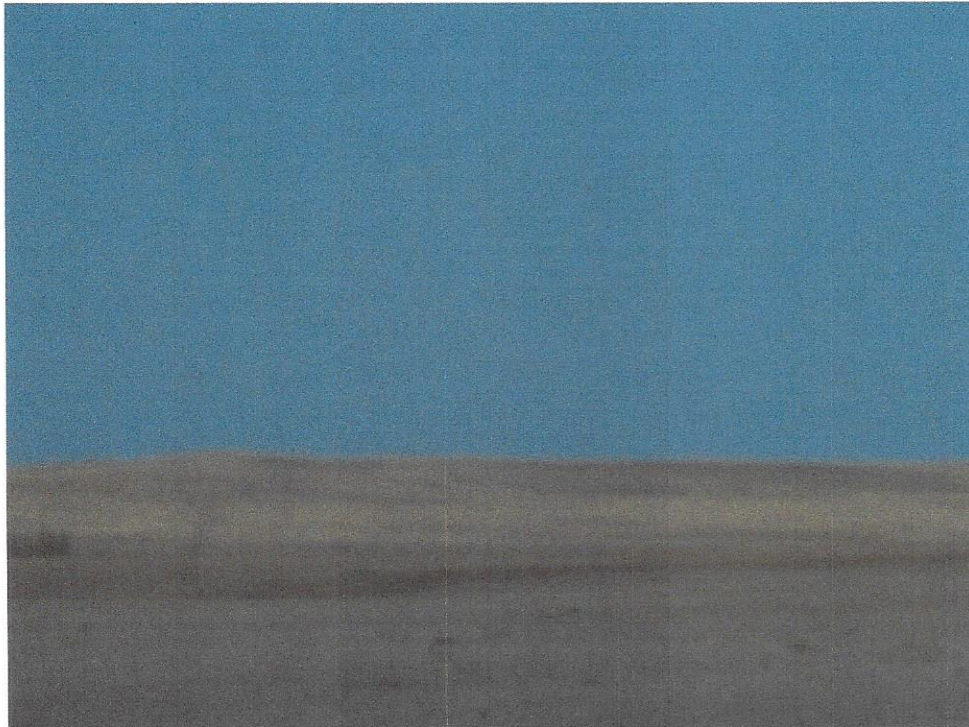
STATE LAND SALE #245 PHOTOGRAPHS

All Pictures Taken On 11-13-17 By Scott Crosby

RANGELAND LOOKING NORTHEAST/PROPERTY ON OTHER SIDE OF TREES



RANGELAND LOOKING EAST



LAND MIX ADJUSTMENT FOR SUBJECT PROPERTY

[illegible]

				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	\$ 1.46	\$ 2,800	TOTAL				Per Acre	\$ -	\$ -
IMPROVEMENT ADJUSTMENT				(\$ 1)								
Sale #3	Sale	Value				Subject	Subject	%	Value			
Category	Acres	Per Acre		Total		Category	Acres	Total	Per Acre	Total		
RANGELAND	502.00	\$ 356.00		\$ 178,712	RANGELAND	240.00	100.00%	\$ 356.00		\$ 356		
DRY CROPLAND	458.00	\$ 534.00		\$ 244,572	DRY CROPLAND	-	0.00%	\$ 534.00		\$ 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	960.00	\$ 440.92		\$ 423,284	TOTAL	240.00	100.00%	\$ 1.48		\$ 356		
LAND MIX ADJUSTMENT				(\$ 85)								
Sale #3 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	-	-	\$ -	
TOTAL			Per Acre	\$ -	\$ 0	TOTAL			Per Acre	\$ -	\$ -	
IMPROVEMENT ADJUSTMENT				\$ 0								
Sale #4	Sale	Value				Subject	Subject	%	Value			
Category	Acres	Per Acre		Total		Category	Acres	Total	Per Acre	Total		
RANGELAND	225.00	\$ 379.00		\$ 85,275	RANGELAND	240.00	100.00%	\$ 379.00		\$ 379		
DRY CROPLAND	439.00	\$ 568.00		\$ 249,352	DRY CROPLAND	-	0.00%	\$ 568.00		\$ 0		
IRRIGATED CROP	-	\$ -		\$ -	IRRIGATED CROP	-	0.00%	\$ -		\$ 0		
HAYLAND	-	\$ -		\$ -	HAYLAND	-	0.00%	\$ -		\$ 0		
TAME PASTURE	131.00	\$ 474.00		\$ 62,094	TAME PASTURE	-	0.00%	\$ 474.00		\$ 0		
RIVER BOTTOM	-	\$ -		\$ -	RIVER BOTTOM	-	0.00%	\$ -		\$ 0		
OTHER	-	\$ -		\$ -	OTHER	-	0.00%	\$ -		\$ 0		
STATE/FEDERAL LEASE	-	\$ -		\$ -	STATE/FEDERAL LEASE	-	0.00%	\$ -		\$ 0		
FARMSTEAD	5.0	\$ 568.00		\$ 2,840	FARMSTEAD	-	0.00%	\$ 568.00		\$ 0		
TOTAL	800.00	\$ 499.45		\$ 399,561	TOTAL	240.00	100.00%	\$ 1.58		\$ 379		
LAND MIX ADJUSTMENT				(\$ 120)								

Sale #4 Improvements	Utility	Cond.	Size	\$/Unit	Contrib. Value	Subject Improvements	Utility	Cond.	Size	\$/Unit	Contrib. Value
DWELLING	F	F	936	25.80	\$ 24,149		0	0	-	-	-
GRAIN BINS	A	A	12,000	0.52	\$ 6,240		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	-	-	-
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				0.00	\$ 0		0	0	-	-	-
				0.00	\$ 0		0	0	-	-	-
				0.00	\$ 0		0	0	-	-	-
				0.00	\$ 0</						

Land Banking Sale #245
McCone County, Montana, 240 AC +/-



Google

Map data ©2017 Google

0 1000 2000 3000 4000ft
Imagery ©2017, DigitalGlobe, USDA Farm Service Agency

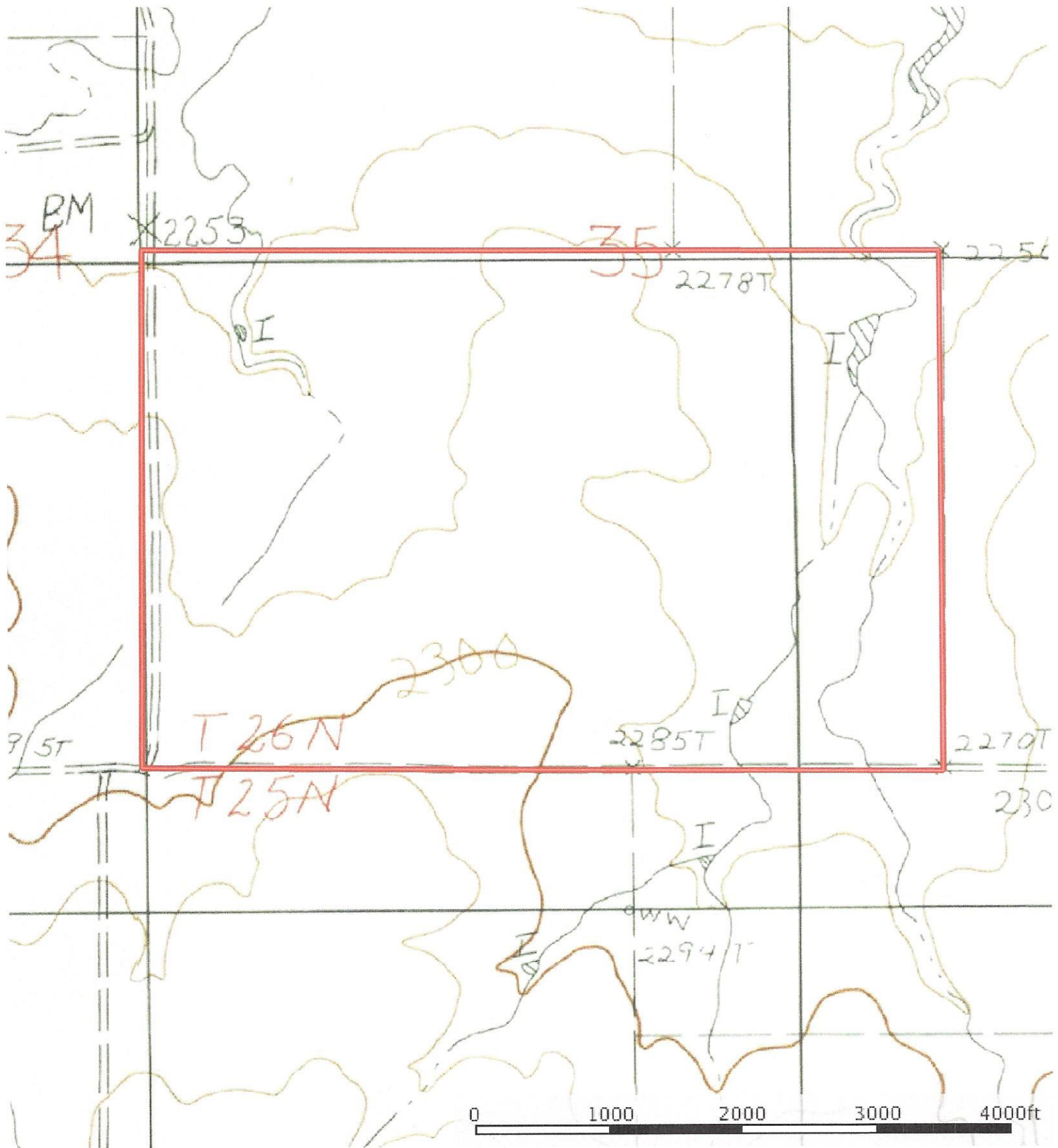
Boundary



The information contained herein was obtained from sources deemed to be reliable. MapRight Services makes no warranties or guarantees as to the completeness or accuracy thereof. 844.932.6277 - mapright.com

Land Banking Sale #245

McCone County, Montana, 240 AC +/-

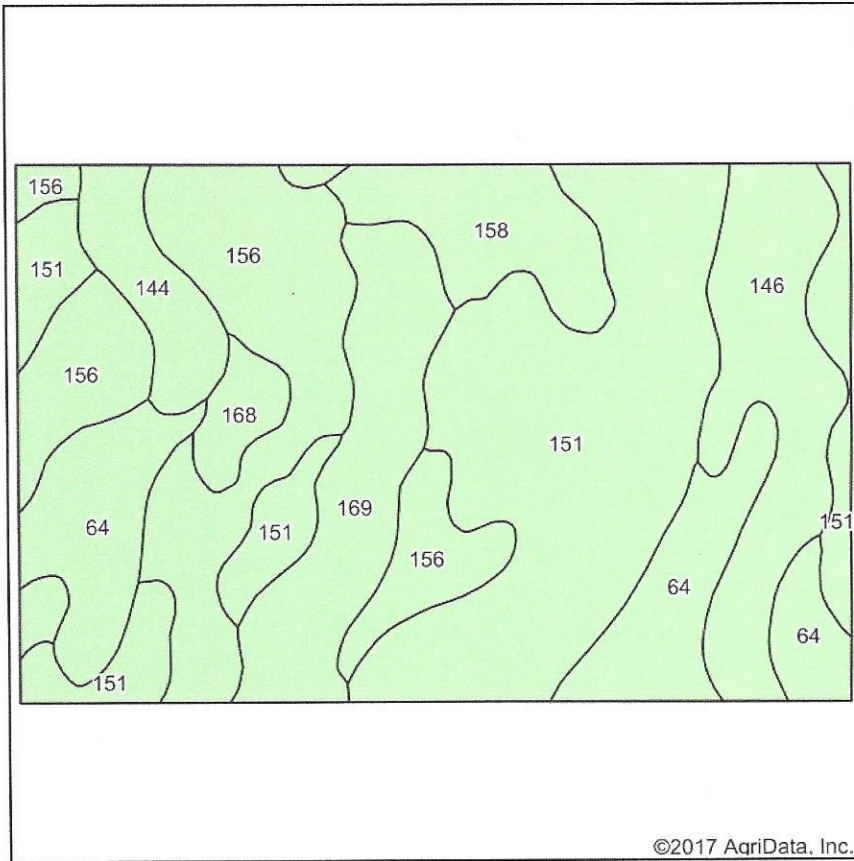


Boundary

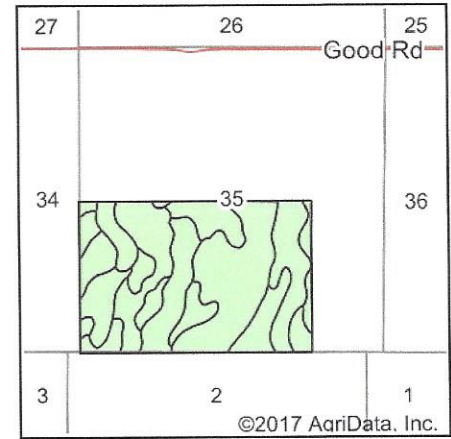


The information contained herein was obtained from sources deemed to be reliable. MapRight Services makes no warranties or guarantees as to the completeness or accuracy thereof. 844.932.6277 - mapright.com

Soils Map



Soils data provided by USDA and NRCS.



State: **Montana**
 County: **McCone**
 Location: **35-26N-48E**
 Township: **North McCone**
 Acres: **240.23**
 Date: **11/9/2017**

Maps Provided By:



Area Symbol: MT055, Soil Area Version: 16

Code	Soil Description	Acres	Percent of field	Non-Irr Class *c	Irr Class *c	Alfalfa hay	Alfalfa hay Irrigated	Corn silage Irrigated	Corn silage	Grass hay	Grass hay Irrigated	Grass legume hay
151	Vida-Zahill complex, 2 to 8 percent slopes	79.41	33.1%	IIIe	IIIe	1				1		
156	Williams loam, 0 to 2 percent slopes	50.54	21.0%	IIIe	Ile							
64	Famuf loam, 0 to 4 percent slopes	32.44	13.5%	IIIe	Ile	2	6	24	5	2	3	
146	Typic Ustorthents-Typic Ustifluvents association	25.83	10.8%									
169	Zahill loam, 8 to 15 percent slopes	23.62	9.8%	IVe		1				1		1
158	Williams-Vida complex, 2 to 4 percent slopes	14.36	6.0%	IIIe	Ile	1						
144	Typic Fluvaquents, saline	9.44	3.9%									
168	Zahill loam, 2 to 8 percent slopes	4.59	1.9%	IVe		1		1		1		1
Weighted Average						0.8	0.8	3.3	0.7	0.7	0.4	0.1

*c: Using Capabilities Class Dominant Condition Aggregation Method

Soils data provided by USDA and NRCS.