

A SUMMARY APPRASIAL REPORT

of

A M & B Tract in the NE¹/₄NE¹/₄ Sec 36, T6N, R10W P.M.M.

Sale # 919; COS# 470

TBD Galen Road, Deer Lodge, Montana 59722

Prepared for

State of Montana

Montana Department of Natural Resources & Conservation

Trust Land Management Division

Kelly Motichka, Lands Section Supervisor

P O Box 201601

Helena, MT 59620-1601

Prepared by

William H Bandy

7406 Eastside Road

Deer Lodge, Montana 59722-9509

Phone/Fax: 406-846-2823

As of

August 15, 2018

BANDY APPRAISALS

Email: bandyappraisal@gmail.com

7406 Eastside Road
Deer Lodge, Montana 59722

Phone: 406-846-2823
Fax: 406-846-2823

September 12, 2018

Department of Natural Resource and Conservation
Trust Land Management Division
Kelly Motichka, Lands Section Supervisor
P O Box 201601
Helena, Montana 59601-1601

RE: Appraisal of Vacant Land West of Galen, Mt [Sale #919; COS #470]

In accordance with your request I have appraised the above referenced property. The legal description for the subject property is metes and bounds tract; COS #470, Parcel 6; Section 36; Township 9 North; Range 10 West, Deer Lodge County Montana. The property rights appraised are as a fee simple title interest.

The purpose of the appraisal is to estimate fair market value of the subject property as of August 15, 2018 that is the effective date of the appraisal report. The function or purpose of the appraisal is to aid in the decision making process of a potential sale of the subject property. Based upon my valuation analysis of the parcel described in this report, the estimated property value is ONE HUNDRED FORTY NINE THOUSAND DOLLARS (\$149,000).

This report is based upon a physical analysis of the site, a location analysis of the market area and an economic analysis of the market of properties similar to the subject property. A hypothetical condition exists due to having building improvements on the property. Detailed information and sources concerning the subject are retained in the appraisal file. The appraisal report is A Summary Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice (USPAP).

The following report contains information on the appraised real estate and conclusions reached in my investigation to determine property value. The value conclusions reported are as of the effective date of the appraisal report and are contingent upon the certification and limiting conditions attached. If you have questions, please contact me to discuss those issues.

It has been a pleasure to assist you, if I can be of further service to you, please call. Thank you.

Respectfully Submitted,

William H Bandy

William H Bandy
Certified General Appraiser # 438
Certified in the State of Montana
Expiration Date: March 31, 2019

Table of Contents

Certification of Value	ii
Summary of Relevant Fact and Conclusions	iii
Scope of the Appraisal	
Type of Appraisal and Report Format	1
Extraordinary Assumptions and Hypothetical Conditions	1
General Assumptions and Limiting Conditions	1
Purpose and Intended Use of the Appraisal	2
Intended Users of the Appraisal	2
Market Value Defined	2
Property Rights Appraised	3
Property Restrictions	3
Extent of Data Search	4
Valuation Approaches and Limitations	5
Summary of Appraisal Problems	
Neighborhood verses Market Area	5
Sale Disclosure	5
Property Comparability	5
Current Economic Conditions	6
Property Data	
Property Identification	7
Sale and Transfer History of the Property	7
Property Tax and Assessment Data	7
Neighborhood Data	7
Physical Description of the Property	
Land Data	8
Improvement Data	9
Analysis of Valuation	
Highest and Best Use	10
Cost Approach	11
Market Approach	12
Income Approach	16
Valuation Summary	
Correlation and Final Estimate of Value	16
Estimate of Exposure Time	17
Appraiser Qualifications	18
Appraiser License	19
Addenda	
Subject Photos	Location Map
Sale Location Map	Soils Data
	Plat Map
	Flood Map
	Attachment A & B

Certification of Value

I certify that to the best of my knowledge and belief:

- I have not knowingly withheld any pertinent information about the subject property and the statements of fact contained in this report are true and correct to the best of my knowledge.
- The reported analysis; estimates and conclusions of value are limited only by the reported assumptions and limiting conditions, client instructions, and are my personal, impartial, unbiased professional analysis, estimates and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the client or users of the appraisal report.
- I have not provided any services pertaining to the subject property in the last three years prior to accepting this appraisal assignment.
- The appraisal and subsequent report does not discriminate against individuals on the basis of race, color, national origin, religion, gender, handicap, familial status, sexual orientation or age.
- I have no bias with respect to the property that is the subject of the report or to the parties involved with this assignment. I have no bias with respect to the market area/neighborhood.
- My engagement of this assignment or compensation received is not contingent upon predetermined results/value or a specific analyses or conclusion of a minimum or maximum valuation or a specific valuation that favors the client(s) or user (s) of the appraisal.
- My analysis and conclusions were developed, and prepared in conformity with the Appraisal Foundation's Uniform Standards of Professional Appraisal Practice (USPAP), Standard 2-2(b), that were adopted by the Appraisal Standards Board as of the effective date of the appraisal.
- I have personally inspected the interior and exterior of the property that is the subject of this report. The property owner or a designated representative was given the opportunity to accompany me on the property inspection.
- I have personally prepared the analysis and the conclusion estimate on the subject property. I have considered the three approaches to property valuation in making a value conclusion.
- In forming the estimate of property value, I have considered all available conditions that may affect property value, that was discovered in the process of the data collection. I have reported the impact of these conditions upon value and the marketability of the subject property. This is reflective in the Scope of Work section of the appraisal report.
- This report contains my electronic signature as defined by federal and/or state law. This signature is to be considered as effective, enforceable and valid as if it contained my original hand written signature.
- It is my conclusion, that as of August 15, 2018 the effective date of the appraisal, the value of the real property described in the body of the appraisal report is \$149,900. This valuation reflects a current estimate of property value.

William H Bandy

William H Bandy
Certified General Appraiser #438
Certified in the State of Montana
Expiration Date of Certification: March 31, 2019

Summary of Relevant Facts and Conclusions

Purpose of Appraisal	Fair Market Value
Function and Intended Use of Appraisal	Potential Sale of Property
Client(s)	State of Montana; MT Board of Land Commissioners; Department of Natural Resources and Conservation
Users of the Appraisal Report	State of Montana; MT Board of Land Commissioners; Department of Natural Resources and Conservation; Peggy Beck
Property Rights Appraised	Fee Simple
Address of Property Appraised	TBD Galen Road Deer Lodge, MT 59722
Improvements	Galen Farm Buildings
Net Parcel Size	38.78 Net Acres
Zoning	East Valley Zoning District
Census Tract Number	5
FEMA Special Flood Hazard Area	Yes
FEMA Flood Zone	A and C
FEMA Map Number	300017 0075 B
FEMA Map Date	12/18/1985
Assessors Id Number	0065000010
2018 Estimated Property Taxes	\$ 0.00
2018 Estimated Special Fees and Assessments	\$ 0.00
Highest and Best Use	Rural Residential Site
Effective Date of Appraisal	August 15, 2018
Cost Approach	Not Utilized
Market Approach	\$ 149,000
Income Approach	Not Utilized
Estimated Real Property Value:	\$ 149,000

Scope of the Appraisal

Type of Appraisal and Report Format

The type of appraisal is a **Summary Appraisal Report** and is a narrative format as defined by the Uniform Standards of Professional Appraisal Practice (USPAP 2-2.a). My clients have not requested a specific type of appraisal or a specific appraisal report format to be used.

Extraordinary Assumptions and Hypothetical Conditions

Extraordinary Assumptions presume uncertain information to be factual. If these assumptions are found to be false it could alter the conclusion of value of the subject property. In this appraisal assignment there are no extraordinary assumption made about the subject property.

Hypothetical Conditions are property conditions, assumed by the appraiser, that are contrary to what actually exist about the subject property. The appraiser defines these conditions for the purposes of appraisal analysis. In this appraisal assignment are two hypothetical condition made about the subject property. *One hypothetical condition is that the property has physical access from Montana Highway 273.* There is no existing physical access. *The other hypothetical condition is that the property is bare land with no building structures or land improvements on the subject property.*

General Assumptions and Limiting Conditions

- I assume no responsibility for matters legal in nature, nor do I render any opinion as to the title, which is assumed to be marketable. The property is valued as though it is under responsible ownership and management.
- The legal description used in this appraisal is taken from a recorded land survey that is believed to be correct.
- The sketches, plats and drawings used in the report are included to assist the reader in visualizing the property, no responsibility is assumed for their accuracy.
- I am not, by virtue of performing this appraisal assignment, required to testify or appear in a court of law on matters contained in the appraisal report pertinent to property characteristics or the value of the subject property. Arrangements to attend conferences preliminary to trial and give testimony, a deposition or otherwise appear in a court of law concerning information contained in the appraisal report will be made prior to such proceeding and are outside of my commitment of this appraisal assignment.
- I assume that there are no hidden or unapparent conditions of the subject property that could render it more or less valuable, nor am I responsible for such conditions or for engineering studies that may be required to discover such conditions. I am unaware of environmental hazards on the subject property and there were no obvious physical evidences of any adverse environmental conditions noted during the property inspection. Because I am not an expert in the field of environmental hazards, the appraisal report, or statements made within the report, are not to be considered an environmental assessment of the subject property.

- The information, estimates and opinions furnished to me and contained in this appraisal were obtained from sources considered to be reliable and believed to be true and correct, no responsibility for accuracy can be assumed for items that have been furnished by other informational sources.
- I will not disclose information about the subject property, the appraisal report or the appraisal work file of the subject property except as provided for in the guidelines of USPAP. I will not disclose or discuss the completed appraisal or the fee arrangement with any third party.
- Neither all or any portion of this appraisal report will be copied or published or disseminated to the public without prior consent and approval of the appraiser and the client.
- The appraisal is made in fee simple title, free of all liens and encumbrances, unless otherwise stated in the report.
- The report is to be used in its entirety and only for the purpose or function and intended use for which it is rendered.
- The estimate of value stated in the appraisal report applies to the real estate in its entirety.
- Agency or client instructions provided to me are in the Addendum Section of the appraisal.

Purpose and Intended Use of the Appraisal

The purpose of the appraisal report is to provide my clients with a credible estimate of fair market value of the appraised subject property as of August 15, 2018. The intended use of the appraisal is for the decision making process to market the subject property. The appraisal reports reflect a current value conclusion.

Intended User(s) of the Appraisal Report

The intended users of the report are: the State of Montana,
the Montana Board of Land Commissioners,
the Montana Dept. of Natural Resources and Conservation, and
Peggy Beck.

Others who may view, or read the report may not use the report in any manner and as the appraiser I am not responsible for their use or misuse of the document.

Market Value Defined

70-30-313 Montana Code Annotated. 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.

Property Rights Appraised

The subject property is valued as a fee simple estate under no obligation of debt, lease arrangements, conservation easements or other encumbrances. Fee simple ownerships afford the property owners the greatest possible right to the use of the property. Fee simple ownership is subject only to the power of public domain, taxation, police power and escheat. I do not have access to a title report; therefore there may be encumbrances on the property of which I am not aware.

Mineral Rights: The subject property mineral rights have not been investigated. I am assuming, for the purpose of the appraisal report that all mineral, hydrocarbons and gravel interests associated with the subject parcel(s) transfer with the surface right title. I have also assumed that the property enjoys no significant mineral or gas rights, which would impact value of the subject property as a whole, either positively or negatively.

Water Rights: I found no water rights of public record that would be attached to the subject property.

Property Restrictions

Zoning: As of the effective date of the appraisal there are specific regulations imposed by Deer Lodge County in this area. The subject property is in the East Valley Development District. The District limits substantial development in areas without services and preserves open space, supporting a quality rural living environment and family owner/operated agricultural units. Permitted uses and structures include: Primary Residential Use, Bed and Breakfast Establishments, Day Care Homes, Home Businesses, Agricultural use, Equine Boarding and Boarding Facilities. Permitted structures include primary residential structures, one structure per lot of record and accessory structures that support the residential use and other listed uses. New parcel sizes of five acres or more is the minimum site size. If a division of land were proposed that is less than 20 acres and cannot be legally described by the rectangular survey system, it would come under county review for acceptance. Subdivision regulations are imposed by the State of Montana regulated at the county level. Sanitary restrictions are imposed by the State of Montana and administrated by the Tri-County Sanitarian in Anaconda. The existing land uses, of open space agriculture land, is legally grandfathered as of the date of appraisal.

Building Permits: Building permits are required, by Deer Lodge County, prior to starting new construction projects or substantially remodeling existing improvements. The State of Montana requires minimum building standards and permits are required for electrical, plumbing and mechanical installations.

Easements: There are no known easements on the subject property. That said, the current property owner may need to execute an easement on the property for the adjoining property to access their water tower and water supply.

Rights-of-Way: There is a right-of-way encumbering the property. This right-of way is for the Galen Road or Montana Highway 273.

Flood Plain: The subject property is partially in Zone A and partially in Zone C. The area in Zone A is limited to Modesty Creek flowing through the property. The majority of the property is in Zone C. The flood plain Panel Number is 300017 0075 A. Zone A is considered to be inside of a 100 and 500 year flood hazard. Zone C is considered to be outside of the 100 and 500 year flood hazard area. The flood plain survey information is dated December 18, 1985. See the Addendum Section of the appraisal for flood plain delineation.

Environmental Hazards: At the time of property viewing I did not observe any surface indication that would be considered an environmental hazard or concern. I am not an expert in the field of environmental hazard assessment work and take no responsibility for such work. If there are concerns with environmental hazards or similar conditions, an expert in the field of environmental safety, hazard and waste should be employed to explore those concerns.

Extent of Data Search

I have reviewed four sales or pending sales and one listing of vacant land that may be similar to the subject property. Not all of the sales analyzed were included in the report as comparable property. Two real estate agencies, a bank loan officer and an independent fee appraiser were interviewed to acquire information about the market area and the subject property. I have also interviewed two landowners in the market area concerning the subject property and real estate property values. I inspected the property on August 15, 16 and September 5, 2018. The effective date of the appraisal is August 15, 2018. The land owner representative(s) was with me when viewing the property the first time I viewed the property.

The geographic market area of the subject property is portions of Granite, Powell and Deer Lodge Counties That would have similar physical characteristics, economic viability and desirable property amenities. The Flint Creek Valleys are considered to be the west boundary; the Boulder Mountain Range the east boundary; Montana Highway 12 and Interstate 90 the north boundary and the Anaconda Mountain Range the southern boundary. This area defines the boundary of comparable sale research. This boundary area is defined for similarities in physical features, distance to consumer services, recreational amenities, property views, property access, economic factors and highest and best property use, in relationship to the subject parcel.

Public records from the Deer Lodge County Courthouse were reviewed relevant to taxation, land surveys, property ownership, land use regulations, building permits, flood plains and zoning. The Department of Revenue, Butte Field Office, was contacted for property assessment/tax information and property ownership. The Natural Resource and Conservation Service Soil Survey Records have been consulted for soil information and aerial photos. The Montana Department of Natural Resources provided information on water rights. The Groundwater Information Center, Montana Bureau of Mines and Geology provided information on wells in the immediate area of the subject property and the subject property. Internet web sites were investigated for additional public information available about Anaconda, Deer Lodge and the surrounding area.

Valuation Approaches and Limitations

The appraisal report is ***An Appraisal Report*** as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). This appraisal is conducted and written according to the standards and guidelines contained in USPAP 2-2b.

The standard approaches (Cost, Market and Income) to value have been considered in developing an estimate of value for the subject property, however the Market Approach to Value is deemed to be the most appropriate valuation method. *Usually* sales of vacant property are available that are *reasonably similar* to the subject. The Cost Approach to Value is a valuation method used for land improvements and building improvements that exist on the property. Land cannot be created; therefore no cost can be derived to express value. The Income Approach to Value is an inappropriate valuation method because vacant rural residential property, such as the subject, is *typically* not traded in the real estate market to generate an income stream from the property in the form of rents and/or leases. Rents from the property would not cover the return on investment, taxes, maintenance and insurance.

In consideration of these factors I consider the Market Approach to Value as the most reliable approach to property value.

Summary of Appraisal Problems

Neighborhood versus Market Area

The neighborhood is considered to be the Deer Lodge Valley from Garrison, Montana to Fairmont, Montana along the Interstate 90 corridor, while the market area would include the areas around Butte, Philipsburg/Drummond. The farther one goes away from the subject property the greater the risk of utilizing data that can be misleading to the appraiser and the client due to the change in economic conditions specific to the subject property area.

Sale Disclosure

Montana is a non-disclosure state. Sales information of real estate transactions are not of public record. I have utilized real estate sales information from real estate appraisers, mortgage lenders, buyers and sellers and local real estate brokers to obtain market area data used in the appraisal. Multiple Listing Services do not include all sales in the neighborhood or market area as many transactions occur without a realtor/broker. The FLEX Multiple Listing Service and the Bozeman Multiple Listing Service have many of the property listings/sales in this neighborhood and market area. Auction sales are not a typical practice in selling real estate in the neighborhood or the market area.

Property Comparability

Vacant land sales of rural residential property are limited in the neighborhood/market area of the subject property. Although there are many land parcels listed for sale in the neighborhood and market area, few have sold in the last three years that are comparable to the subject property. Building sites typically vary from 1 to 80 acres in size; have different views and different

distances to consumer services. In comparison to other areas that surround the subject's market area, values are lower because the subject property is less than desirable due to being in an area of environmental issues (Clark Fork Super Fund Site), a nearby prison and several institutions for mental issues and addiction treatment centers.

Current Economic Conditions

Historically the Montana economy has been loosely connected to the trends that dominate the national economy. Typically the Montana economy lags the national economy by twelve months. The last recession timing and its origins in Montana were identical to the U.S. economic contraction. In 2014 through 2016 the more historic economic patterns of differing local, state and national economic growth has returned. Economic growth was 2.2% in 2014; in 2015 the economic growth was 2.5%. The 2016 Montana economic growth was 1.6% for the year. In 2017 the economic growth was 1.5%.

The 2016 and 2017 data is based upon smaller income tax collections, a declining agricultural sector and the reduction of hydrocarbon extraction and processing industries. Housing prices across the state have been on an upward trend since the spring of 2011. It is expected that 2018 will see the residential real estate industry improve slightly. Housing affordability is an issue state wide but more acute in this area due to a declining economy. Housing starts are limited to custom homes and manufactured homes. Commercial real estate in the Butte, Anaconda and Deer Lodge area is in decline or flat at best. The only two exceptions in Southwest Montana are Dillon and Phillipsburg. This data is taken from the Montana Business Quarterly, Winter 2018 Montana Business Quarterly published by the Montana Bureau of Business and Economic Research.

The unemployment rate for Anaconda is 4.0% as of July 2018, which is lower than the Montana unemployment rate at 4.2% for the same time period. The unemployment rate for the United States is 5.2%. It would appear that current unemployment rates are at or near historic lows for the United States, Montana and Deer Lodge and Powell Counties. Because of the plethora of federal, state and local government employment in the area, unemployment rates will be lower than surrounding areas over time. The overall labor force is in decline and population levels are shrinking; 11% since 2000.

The Deer Lodge Valley will be economically dependent upon government employment and services for the foreseeable future, particularly those industries tied to Super Fund Clean-up Projects. The downsizing of MSE Technology Applications, Golden Sunlight Mine and Talon Energy is a significant loss to the area economy in that these positions will have a domino effect in the overall economic make-up of the subject properties market area. A large retailer has closed its doors as of August 31, 2018. This coupled with further downsizing of the federal government could potentially have a negative impact to the economy over the next four to six years. The current bright spot is that metal prices are up and Montana Resources has ample reserves to continue operation over the long term. If the Highlands mining operation, south of Butte becomes a reality the area could have significant growth economically. A positive for the area is service sector industries, particularly in health care, tourism and tech-related businesses are expanding and doing well.

Property Data

Property Identification

The subject property is legally described as: COS #470, Section 36, Township 9 North, Range 10 West, Deer Lodge County Prime Montana Meridian. See the addenda section of the appraisal report for a graphic illustration plat of the property.

The subject property's physical address is undetermined as there are no improvements that could currently be livable. Parcels of vacant land are not assigned addresses by Deer Lodge County 911 Emergency Services or the United States Postal Service in the area of the subject.

Sale and Transfer History of the Property

The current property owner is the State of Montana. Since the property has always been in the ownership of the state government, it has never been exposed to the real estate market.

Property Tax and Assessment Data

The subject property is in state government ownership and has no property taxes or property assessment data for the parcel.

Neighborhood Data

The subject property is located the Deer Lodge Valley between Deer Lodge and Anaconda, Montana; a rural, agricultural area of southern Powell County and northern Deer Lodge County. The area is within 30 minutes of a variety of recreational opportunities such as downhill and cross country snow skiing, large lake recreation, backpacking, horseback riding, snowmobiling and an 18 hole pro golf course, and 18 hole commercial golf course and a 9 hole golf course. Good fishing and hunting opportunities are available in the immediate area. Anaconda and Deer Lodge have many every day goods and services available, but all services of a modern economy are available in Butte, Montana, a 35 mile drive southeast on Interstate 90. The Deer Lodge and Anaconda public education system consists of grades K-12. Health care services are available from the Powell County Hospital in Deer Lodge and Community Hospital in Anaconda; both have 24-7 emergency centers. Both communities have medical services that include fully staffed clinics, now care, dentists, chiropractic physicians, and 24-hour ambulance service staffed with EMT's. Deer Lodge and Anaconda has a variety of small retail outlets, food centers, financial services and typical county government services. Deer Lodge is the county seat for Powell County while Anaconda is the county seat for Deer Lodge County. The Deer Lodge Airport can handle medium sized passenger jets and has a lighted asphalt runway. This facility has under gone numerous renovations over the last ten years and is continuing to expand. Anaconda has a similar type of airport with an additional landing field.

New construction in the area consists of additions to existing residences, manufactured housing or new outbuildings. There are a variety of real estate sales occurring each year and several properties listed for sale at any given time. The area is not growing and property values are increasing in value but are not growing faster than the inflation rate that is 2.0-3.0% per year.

Historically, employment in the area has been from mining, timber, agriculture, governmental and limited recreational businesses. Increasingly employment is coming from the service sector, governmental and recreational industries. This trend will most likely continue into the future as mining is no longer an economic factor and the timber industry is in decline. Agriculture will continue to be an economic influence for the immediate future. The area is a bedroom community to Butte as housing is less expensive in the subject property's area, and people don't mind commuting 30 minutes for employment. Employment in the market area is limited and on the lower end of pay scales found in today's economy. This is due to the fact that most of the employment opportunities in the area are from governmental and service sectors. Overall the economy of the market area is in decline as evidenced by reduced school enrollments, number of new construction projects and the number of businesses startups/failures.

Physical Description of the Property

Land Data

Location: The subject parcel is located 10.5 miles northeast of Anaconda and 10.5 miles southwest of Deer Lodge. It is one mile west of the Galen Interchange on Interstate 90. Distances are measured in air miles. See the Location Map Addenda of the report for a visual expression of property distances.

Size and Shape: This land parcel consists of 38.78 net acres, according to the Survey Record provided by my client and on file in the Deer Lodge County Courthouse. The subject property forms a rectangle in shape. See the addendum section of the appraisal report for a visual interpretation of property size and shape.

Elevation and Slope: The subject property varies from 4,787 feet to 4,860 feet in elevation. The ground slopes sharply upward from the Galen Highway to the southern property boundary, a rise of 73 feet in elevation in a distance of 1,325 feet. The slope is 1% from the northern edge of the property to the Galen Farm buildings. Then there is a steeper slope of 6% to the bench on the southern end of the property. The drainage is generally to the east/northeast.

Soils: Current soil surveys have been reviewed. There are indications of adverse soil conditions, or limitations for property development. Over 69% of the soils on the subject property have severe limitations for septic tank absorption fields, shallow excavations and basement excavations. The balance of the soils has moderate limitations for these development features.

Vegetation: Native and introduced grassland. There are some Cottonwood Trees.

Access: The subject property access is characterized as legal access from Montana Highway 273, which is maintained by the State of Montana. Currently there is no physical access from the highway to the subject property. There needs to be a permit acquired from the Montana Department of Transportation to construct the access at property owners' expense. For the purposes of this appraisal I am assuming that this access will be granted by the Department of Transportation.

Noxious Weeds: Spotted Knapweed, Houndstongue, Black Henbane, Canada thistle, and Leaf Spurge was observed on the subject property. The factor of noxious weeds is negative toward property value because these plants are on the State of Montana Noxious Weed List and Deer Lodge County Noxious Weed List. Montana State Statue 7-22-2116 requires control of noxious weeds by private landowners and is a long term expense of property ownership.

View: Views are of the Boulder Mountain Range to the east and the Flint Creek Mountain Range to the west. I consider this property amenity to be an enhancement of property value. See subject property addendum photos.

Wildlife: There is limited wildlife on the subject parcel because of its size. Big game species found in the immediate area include whitetail deer. Predator species include coyotes, fox and eagles. There are a variety of upland birds, rodents, rabbits and other small game animals on the property.

Utilities: Utilities are on the north side of Highway 273 or on private property to the west of the subject. Utilities would include telephone and electrical service. It would appear that bringing these services onto the subject property could be more costly than other rural residential properties.

Improvement Data

There are five building structures on the subject property.

Dormitory: 15' x 100', 8' wall height, concrete foundation, wood floor, wood interior, a gable roof with wood shingle roof cover. The north wall of this building is giving way to time and the elements and is falling away from the structure. There may be some recyclable brick material, but would be limited. This building is not contributing value to the property.

Pole Barn: 15.5' x 24', 8' wall height, post foundation, dirt floor, board and batten siding and a gable roof with wood shingle roof cover. This building is in very poor condition and has no salvage value.

Hog Barn: 24' x 73.5', 7' wall height, concrete foundation, concrete floor, gambrel roof with metal and wood shingle roofing. There are three large roof vents and skylights. There is electrical for lighting but not functional. The structure is in poor condition with limited salvage value.

Pole Barn: 24' x 40', 8' wall height, concrete pier foundation, dirt floor, board and batten siding, gable roof with a metal roof cover. This building is in very poor condition and has limited salvage value.

Dairy Facility: This building has a concrete foundation, concrete and wood floors, brick and wood frame walls with some asbestos siding, gambrel and gable roof. The building was constructed from 1913/1916 to the mid 1940's and was in operation from that time to the mid 1940's. This improvement is in very poor condition and has limited salvage value. The north wing of this structure has asbestos siding.

From the closing of the Galen Farm Enterprise to the present, the property management has been under the direction of the Department of Natural Resources and Conservation. This property is leased as a grazing permit as part of a larger land parcel. There was no attempt to protect or maintain the building improvements on the property from the time they went out of use. Cattle and pigeons have used the buildings at their discretion. At the time the Galen Farm was closed, much of the interior construction of the buildings was removed from the structures. Specifically the mechanical systems were removed from the buildings and the electrical service and water lines to the complex.

The subject property improvements are on the National Register of Historic Places.

That the buildings are even present is a testament to the quality of construction and material that went into building them. That said, the only building that could possibly be restored or converted to another use is a portion of the dairy facility. This building could possibly have some salvage value for the timbers, steel and brick materials. The cost to make the building useable or to salvage the construction material is most likely uneconomical. If a salvage operation would have been economical to do, it would have been done prior to this time. For this reason I do not consider that the buildings have any value in the present location other than limited historic value.

Analysis of Valuation

Highest and Best Use

Highest and best use analysis of a property forms the basis for property valuation. It serves as a guide to the selection of comparable properties that are used to estimate a value for the subject property. This includes comparable sales of vacant land, which have similar property amenities as the subject property. Highest and best use of a property is estimated as vacant. Since there are no improvements there is not a second estimate of highest and best use as though improved. The motives and objectives of the *typical buyer* will provide an avenue in estimating highest and best use. The most profitable use is commonly not expressed in terms of economic return but rather in intangible amenities they will afford the owner.

Highest and Best Use is defined as the *most probable* and legal use of property that is physically possible, appropriately supported (in the real estate market), financially feasible, and results in the highest property value. It is the use that will generate the highest net return, usually expressed in cash dollars, to the property as a whole, over a period of time.

Highest and best use of the parcel must be legally permissible, or not prohibited by *enforceable* deed restrictions, or local zoning regulations. The use must be *reasonably probable, likely* and *not* speculative in nature. Demand in the marketplace must presently exist, or reasonably exist in the *near* future for a particular property use.

The subject property must meet four tests to estimate the proper highest and best use.

>Are the use/uses of the subject property legal?

There are specific zoning regulations on the subject property parcel in Deer Lodge County as of the effective appraisal date. Regulations under the State of Montana Land Use and Planning Act would apply to this area. Rural residential use and open space agricultural use are legal uses. The only accepted commercial use would be equine facilities for boarding, training or competitive equine events.

>Are the use/uses of the subject property physically possible?

Open space agricultural grazing use is the current property use. Current use is the best evidence of the property being suited physically to a use. Soil limitations will cause higher development cost for residential and/or recreational tracts but will not preclude this use. Wells for domestic/stock water use do not appear to be a hindrance based upon current well data in the immediate neighborhood and known soil data. There is legal access to the parcel from the Montana Highway 273. See the hypothetical conditions stated previously. Physically the property could be used for open space agricultural use and/or a rural residential building site.

>Are the use/uses of the subject property economically feasible?

Development of the property for rural residential use would be economically feasible based upon the demand evidenced in other areas in the market area. Due to the apparent length of time required to market vacant land tracts (200-300 days) this use would be probable in the near future. Residential building site(s) produce the highest economic return as of the appraisal date because of the parcel size and demand exhibited in the real estate market for small land parcels. The proximity to Butte/Anaconda/Deer Lodge would enhance demand as well.

>Does the use/uses produce the greatest possible net return?

As of the date of appraisal the property is considered to be a bare undeveloped 40-acre tract. Development as a rural residential property is probable due to the fact that there are a limited number of existing residential properties offered for sale in the Deer Lodge Valley. When these properties come on the market there is a significant interest to purchase. That said, prices over \$30,000 to \$50,000 face longer marketing times simply due to the price level.

A rural residential home site meets all four tests of highest and best use criteria. Therefore, it is my conclusion that Highest and Best Use of the subject property is a Rural Residential Site as improved and as vacant.

Cost Approach to Value

The cost approach to value is not utilized in the appraisal due to the fact that the subject is considered to be vacant land. Land cannot be created, it is non-wasting asset; therefore the approach is invalid. A second reason not to use the cost approach to value the subject is that the existing buildings are in poor condition physically and have little if any salvage value.

Market Approach to Value

The sales chosen for market comparison were selected based upon geographic location, sale date, and property amenities in relationship to the subject property. The sales chosen for comparison are similar in size. Residential land parcel sizes in the market are variable and range from less than an acre to 160 acres in size. Most of the residential sites are five acres or larger because the typical buyer wants to have space in a rural setting. The reasons for larger space demand are as varied as the number of potential rural buyers. Some want to keep livestock, others want wildlife viewing, some want place to hide and relax from societal interaction.

Sale Transaction # 1

Address: TBD Yellowstone Trail, Deer Lodge, MT
Location: Tract B-4 COS #C-610 Section 18, T6N, R9W
Sale Date: 08/11/2016
Price: \$39,300 or \$1,000 per acre, conventional transaction, no sale concessions
Size: 39.30 Acres
Land Use: dry grazing
Improvements: none
Access: County Roads Yellowstone Trail and Racetrack Road
Flood Plain: No
Water Influence: none
Nuisances: None known

Comments: A parcel that was purchased for a rural home site and is used for horse pasture as an interterm use. This parcel is the same distance to Interstate 90 access. The acreage is utilized as grazing land. At \$1,000 per acre this sale would represent the lowest value range for the subject property. The tract was an estate sale. The land sits on a bench that rises up from the valley floor and has panoramic views. The distance to utilities are similar to the subject and also have to cross a public roadway. Information about the sale transaction and terms was acquired from a local bank in Deer Lodge, property assessment records and by physically viewing the property.

Sale Transaction # 2

Address: TBD Greenhouse Road, Deer Lodge, MT
Location: Tract 1 COS #839RT Section 8, T7N, R8W
Sale Date: 12/21/2017
Price: \$210,201 or \$5,691.88 per acre cash, no sale concessions
Size: 36.93 Acres
Land Use: irrigated farm land
Improvements: none
Access: Private property
Flood Plain: No
Water Influence: none
Nuisances: None known

Comments: A parcel that was purchased for a future expansion of the Deer Lodge Airport and is used as irrigated hayland as an interterm use. The access to this parcel is through adjoining landowners. At \$5,691.88 per acre this sale would represent the highest value range for the subject property. The tract was a negotiated property sale. The land is flat with similar views in

comparison to the subject. The distances to utilities are similar to the subject. Information about the sale transaction and terms was acquired from Powell County in Deer Lodge, property assessment records and by physically viewing the property.

Sale Transaction # 3

Address: 139 Black Pine Road, Philipsburg, MT
Location: COS #630 Section 15, T7N, R14W
Sale Date: 03/31/2017
Price: \$155,000 or \$4,016.58 per acre cash, no sale concessions
Size: 36.93 Acres
Land Use: rural residential home site
Improvements: log barn
Access: Black Pine Road, a county gravel roadway
Flood Plain: Zone A and Zone C, similar to the subject
Water Influence: Marshall Creek
Nuisances: None known

Comments: A parcel that was purchased for a home site. At \$4,016.58 per acre this sale would represent a median value range for the subject property. This property was on the market for 1105 days. The land slopes downward from the county road to Marshall Creek near the southern property boundary. The sale has similar views in comparison to the subject. The utilities are all on site and include a well, electricity and telephone service. Information about the sale transaction and terms was acquired from MLS # 21612936 verified through the listing agent Pintlar Territories, property assessment records and by physically viewing the property. This sale is considered to be the most comparable to the subject of the sales available for comparison.

Sales Comments

Although the comparable sales used are not directly comparable to the subject property they are the best sales available and the most representative of subject property value. The sales are of a similar land type, express the same highest and best use and are in relatively close proximity to the subject. The subject property and the three sale transactions used for comparison have similar access in that they are a short drive on a private road from a major transportation corridor.

In reviewing transactions in the market area over a 3-year period and interviews with real estate sales personnel, the indication is that property values are beginning to increase again, however the increases are small, less than 5%. Sales of vacant recreational sites have been stronger in the last twelve months than the previous five years according to one real estate broker. A trend of stabilized small tract land values should continue into the foreseeable future as demand for property in this area will probably not change over the next five years. The factor of increasing construction costs will have a tendency to stabilize land values as well.

Comparable Sales Analysis

The following page is a market grid analysis of the subject property and the comparable sale transactions. From the data presented I have used \$3,842 per acre. This is the weighed value per acre and close to the median value per acre.

The Indicated property value from the market approach to value is \$149,000, rounded.

Amenity	Subject	Sale # 1	Adjust/Ac	Sale # 2	Adjust/Ac	Sale # 3	Adjust/Ac
Address	TBD Galen Road	TBD Yellowstone Trl		TBD Greenhouse Rd		139 Black Pine Rd	
Location	Deer Lodge, MT	Deer Lodge, MT		Deer Lodge, MT		Philipsburg, MT	
	NENE Sec 32	Tract B-4 COS C-610		Tract 1 COS # 839RT		COS #630 Sec 15	
	T9N R10W	Sec 18 T6N R9W		Sec 8 T7N R8W		T7N T14W	
Distance to Subject							
Sale Price	NA	\$39,300		\$210,201		\$155,000	
Price per Acre		\$1,000.00		\$5,691.88		\$4,016.58	
Concession Adj		conventional;0		cash		cash	
Sale Date	NA	8/11/2016		12/21/2017		3/31/2017	
Size in Acres	38.78	39.30	\$0	36.93	\$0	38.59	\$0
Water Influence	Modesty Creek	none	\$250	none	\$250	Marshall Creek	(\$100)
Access	State Highway	County Rd	\$500	County Rd	\$500	County Rd	\$500
View	Mountains	Mountains	\$0	Mountains	\$0	Mountains	\$0
Distance to Services	11 miles	7 miles	\$0	2 miles	\$0	2 miles	\$0
Utilities	across highway	similar distance	\$0	¼ mile distant	\$200	on site	(\$385)
Water Well Availability	good	fair	\$252	average	\$150	on site	(\$170)
Building Imps	none	none	\$0	none	\$0	log barn	\$0
Value Indication/ acre			\$2,002		\$6,792		\$3,862
Gross % Adjustment			100.20%		19.33%		-3.86%
Mean Value /ac	\$4,218						
Median Value/ac	\$3,862						
Sale #	Adjusted Price	Gross % Adjust	Weighting #	Weighted Value			
1	\$2,002	100.20%	3	\$6,006			
2	\$6,592	15.81%	2	\$13,184			
3	\$3,862	-3.86%	1	\$3,862			
Sum of Weighted \$				\$23,052			
Weighted Average/ Acre			6	\$3,842			
Indicated Value	\$148,993						

Income Approach to Value

The income approach to value is not used in this appraisal as an indicator of property value. Typical real estate investors would not purchase this property in anticipation of producing an income stream. They would purchase it in anticipation of increased property value over several years and then reselling. Rural properties of 30-40 acres are *typically* purchased for different reasons than to produce an income stream from rents/leases.

Correlation and Final Estimate of Value

The subject property would enjoy higher buyer demand, even though it is a larger land parcel (40 acres) because it gives access to Interstate 90, would lend itself as an equine facility and is a commutable distance to Butte, Anaconda and Deer Lodge.

Considering the sales that are available in the market area and the property amenities that are associated with them in relationship to the subject property, I have used the best information available to estimate a value for the subject property. I have utilized \$3,842 as the more appropriate value in representing subject property value because it is near the median property value (\$3,862) per acre and is the indicated value of the weighted sales.

Taking into account the factors that would affect the value influences acting upon the subject property, the market data surveyed and analyzed the analysis is indicating that the value of the subject property is ONE HUNDRED FORTY NINE THOUSAND DOLLARS (\$149,000) rounded.

Value as vacant land (hypothetical condition of no improvements) is \$149,000.

Value of the improvements is \$00.00.

Value of the total property, including land and improvements is \$149,000.

William H Bandy

William H. Bandy / 12 September 2018

General State Certification #438

Certified in the State of Montana

Expiration Date of Certification: March 31, 2019

Estimate of Exposure Time

When the purpose of an appraisal assignment is to estimate market value, I must also develop an opinion of reasonable exposure time linked to the value estimate, as required by USPAP.

Exposure time precedes the effective date of an appraisal and may be defined, as the estimated length of time the subject property would have been exposed to the real estate market, prior to the hypothetical consummation of a sale of the property at market value on the effective date of the appraisal. This is a retrospective opinion based upon past events assuming a competitive and open market, usually expressed as the number of days, or months that similar types of property have taken to sell in the real estate market.

Property values are stable to showing a small value increase in the area. The transactions used as comparable properties were purchased as residential building sites. As of the appraisal date, out of state influence is not a driving force of real estate values along the Upper Clark Fork River corridor. Demand and supply are considered to be in balance at this time. Exposure time is estimated to be 250 days, if the subject property had been listed at the appraised value with an experienced real estate marketing firm.

Appraiser's Qualifications

I was employed with the Montana Department of Revenue (DOR) as a Commercial Real Estate Tax Appraiser from August 1974 to November 2000. I have valued all of the real property in Powell County, over 6,500 parcels, completed four reappraisal cycles, with defense of value to the taxpayer, local and state tax appeal boards and district court. Work with the DOR included review of fee appraisals, classification of agricultural and timberland, mass appraisal valuation of industrial, commercial and residential properties. I have valued parcels in five western Montana counties (Lewis and Clark County, Granite County, Deer Lodge County, Jefferson County, and Beaverhead County) and Powell County.

While employed with DOR I drafted a working ownership plat for Butte-Silver Bow County, the first one for the Department of Revenue in that county. Drafted a working ownership plat for Powell County that was used from 1978 to 1999, when ownership mapping was converted to GIS format. I have reviewed contracts for deed, purchaser interests, warranty deeds, mortgages, conservation easements and water right filings in working as an appraiser. Proficiency in reading aerial photos, topographic maps, plat maps, soil surveys, highway right-of-way maps, and land survey maps had been acquired during 30 plus years of appraisal work.

I have twelve years' experience in fee appraisals, which include valuations of residential property, commercial property, small industrial property, recreational property, small tract home sites, ranches and timberland property.

I have over 2,000 hours of appraisal educational course work in the classroom and in the field. This education includes all aspects of appraisal theory and application. I acquired a Bachelor's Degree in Agricultural Production with a minor in Botany from Montana State University in March of 1972.

I hold a Certified General Appraiser License, which qualifies me to perform all appraisal assignments. The license may be verified at LicenseLookup.mt.gov. I am certified by the Department of Revenue for the appraisal of residential, commercial, industrial, agricultural and forest property as required by Montana Code Annotated 15-7-107.


My clients include Powell County, Granite County, Anaconda School District, First Security Bank, Lodge, Peoples Bank of Deer Lodge, First Bank of Lincoln, Pioneer Federal Savings and Loan, First Interstate Bank of Missoula, Mountain West Bank of Missoula and Helena, Rocky Mountain Credit Union-Bozeman, Southwest Federal Credit Union Anaconda, Northwest Farm Credit Services, Farmers State Bank, Ruby Valley National Bank, Flint Creek Valley Bank, Attorneys: James J. Masar, Doug Harris Law Offices, Connors Law Firm, Gregg Schutz, Gregory L. Hanson, Smith Law Firm, J D Law Firm, Newland and Company, Sun Mountain Lumber, Cominco American and the Church of Jesus Christ of Latter Day Saints.

Individuals in the Deer Lodge, Philipsburg, and Anaconda area become clients when they wish to sell their property or are doing estate planning. The majority of my current appraisal assignments are for, financing/lending purposes, and estate planning or estate settlement, but I am also involved with divorce settlements, property divisions, proposed building and business projects.

William H Bandy

William H. Bandy
Certified General Appraiser #438
Certified in the State of Montana

Appraiser's License

State of Montana Business Standards Division Board of Real Estate Appraisers	This certificate verifies licensure as: CERTIFIED GENERAL APPRAISER
License #: REA-RAG-LIC-438	
Status: Active	
Expiration Date: 03/31/2019	
WILLIAM H BANDY 7406 EASTSIDE RD DEER LODGE, MT 59722	
	

Renew online at <https://ebiz.mt.gov/pol> by signing in with your username and password.

The renewal cycle for your board opens 60 days prior to the expiration date on your current license.

Renew your license prior to your expiration date to avoid being charged a late fee(s).

Remember to maintain your online account information with a password, security question and a valid email address. You can update your account information by accessing the 'Account Management' link when logged in.