

***AN APPRAISAL OF  
SECTION 16, TOWNSHIP 9 NORTH, RANGE 7 EAST (639.77 ACRES)  
MEAGHER COUNTY, MONTANA***

***DATE OF VALUATION  
MARCH 15, 2010***

***FOR  
MONTANA DEPARTMENT OF NATURAL RESOURCES AND  
CONSERVATION TRUST LAND MANAGEMENT DIVISION  
1625 ELEVENTH AVENUE, HELENA, MT 59620***

***BY  
GREGORY A. THORNQUIST  
ELKHORN APPRAISAL SERVICES  
HELENA, MONTANA***

March 16, 2010

Montana DNRC Trust Land Management Division  
c/o Tom Konency, Appraiser  
P.O. Box 201601  
Helena, MT 59620-1601

RE: Section 16, Township 9 North, Range 7 East, Meagher County, Montana, consisting of 639.77 acres.

Dear Tom:

In accordance with the contract with the Department of Natural Resources and Conservation, Trust Land Management Division, I have made the necessary inspection and analysis to appraise the above referenced property. The attached report provides the essential data, and detailed reasoning employed in estimating my final value estimate. The report contains 34 pages excluding the addenda

I have appraised the property as a whole, owned in fee simple and unencumbered. I assume no responsibility for matters that are legal in nature nor do I render any opinion as to title.

The property being appraised is Section 16, Township 9 North, Range 7 East, Meagher County, Montana, consisting of 639.77 acres.

The value reported is qualified by certain definitions, assumptions and limiting conditions, hypothetical conditions and certification, which are set forth within the attached report. The analysis contained herein is considered to be a complete appraisal, and is presented in a summary appraisal report format. This appraisal report is intended to conform to the Uniform Standards of Professional Appraisal Practice, and State of Montana, DNRC reporting requirements.

**The final conclusion to value was established from sales which have legal access. Attempts were made to identify vacant land sales without legal access but none could be found. Therefore, no market adjustment for lack of legal access could be established and the value reported is based upon the Hypothetical Condition as having legal access.**

Based on my analysis, the market value of the subject property, as set forth, documented and qualified in the attached report under conditions prevailing on March 15, 2010 was:

***Eight Hundred Thousand Dollars\****  
***\$800,000\****

\* This value is subject to the Hypothetical Conditions on page 9.

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

Respectfully submitted,

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Gregory A. Thornquist  
Montana State Certified  
General Real Estate Appraiser #867

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### **ADDENDA:**

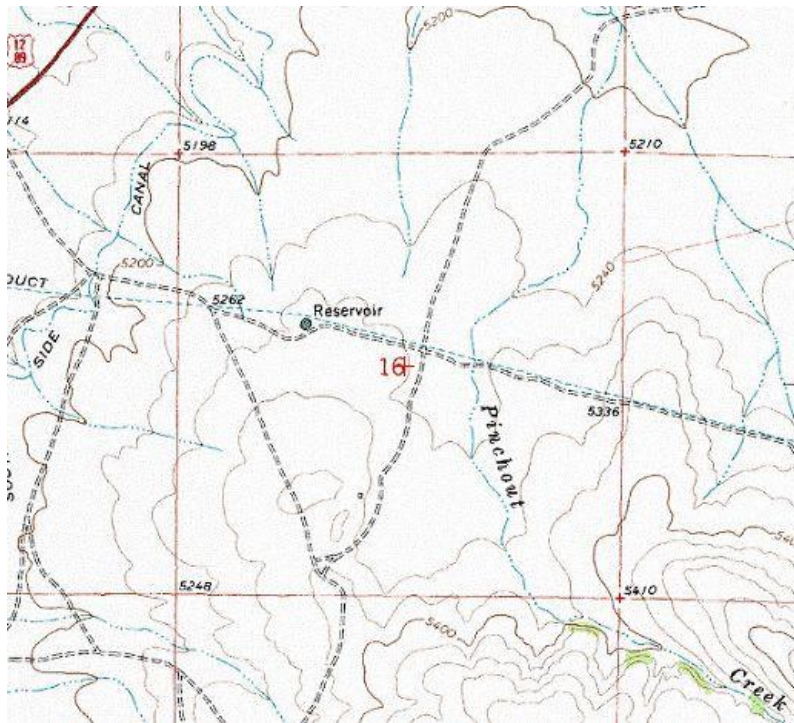
Contract/Scope of Work  
Nomination of State Trust Land Parcel For Sale  
Easement and Right-Of-Way Agreement  
Right-Of-Way Deed  
Checklist Environmental Assessment  
Wheeler Letter  
Comparable Land Sales  
Qualifications of the Appraiser  
State License

## **SUBJECT PROPERTY PHOTOGRAPHS**



View of the subject

Photograph taken from near the west boundary looking southeast (3/15/10)



Topographical map of the subject

## **SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

<i>PURPORTED OWNER:</i>	State of Montana
<i>PROPERTY TYPE:</i>	Agricultural
<i>LOCATION OF PROPERTY:</i>	Meagher County, MT.
<i>SITE:</i>	639.77 acres
<i>PROPERTY RIGHTS APPRAISED:</i>	Fee Simple (See Hypothetical Conditions on page 9)
<i>ZONING:</i>	None
<i>PRESENT USE:</i>	Agricultural & Water Treatment Facility of the City of White Sulphur Springs
<i>HIGHEST AND BEST USE:</i>	Assemblage with adjacent land
<i>DATE OF VALUATION:</i>	March 15, 2010
<i>VALUE:</i>	\$800,000*

\* This value is subject to the Hypothetical Conditions on page 9.

## **ASSUMPTIONS AND LIMITING CONDITIONS**

This is to certify that the appraiser, in submitting this statement and opinion of value of subject property, acted in accordance with and was bound by the following principles, limiting conditions and assumptions. Unauthorized use of this report is set forth below.

1. No responsibility is assumed for matters that are legal in nature nor is any opinion rendered on title of property appraised.
2. Unless otherwise noted, the property has been appraised as though free and clear of all encumbrances.
3. Where the values of the land and the improvements are shown separately, the value of each is segregated only as an aid to better estimate the value which it lends to the whole parcel, rather than value of that particular item if it were by itself.
4. All maps, areas, plans, specifications, and other data furnished your appraiser were assumed to be correct. No survey of the property was made by this firm. Furthermore, all numerical references to linear measurements, area, volume or angular measurements should be assumed to be "more or less" (+/-) and are accurate to a degree consistent with their use for valuation purposes.
5. This appraisal considers only surface rights to the property with consideration of current zoning and land use controls. The estimate of **highest and best** use will form the basis for the value estimate. This appraisal does not consider mineral, gas, oil or other natural resource rights that may be inherent in the ownership of the property.
6. In this appraisal assignment, any potentially hazardous material found on the land or used in the construction of the buildings, such as urea formaldehyde foam insulation, petroleum residue, asbestos and/or existence of toxic waste or gases, which may or may not be present on the property, has not been considered. The appraiser is not qualified to detect such substances. Any interested party is urged to retain an expert in this field if there is any question regarding such potentially hazardous material. If such material or substance is present it could adversely affect the value reported herein.
7. The appraiser is not a seismologist. This appraisal should not be relied upon as to whether a seismic problem exists, or does not actually exist on the property. The property which is the subject of this appraisal is within a geographic area where earthquakes and other seismic disturbances have previously occurred and where they may occur again. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the appraiser concerning the geologic and/or seismic condition of the property. The appraiser assumes no responsibility for the possible affect on subject property on seismic activity and/or earthquakes. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed seismic requirements by the City or County. It is possible that a survey of the property could reveal that the property does not meet the required seismic requirements. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance requirements in estimating the value of the property.

8. All data contained in this report and in the appraiser's files, as obtained from other sources, upon which to any degree the opinions and conclusions were based, are considered reliable and believed to be true and correct. However, the appraiser does not assume responsibility for the accuracy of such items that were obtained from other parties.
9. There shall be no obligation to give testimony or attendance in court by reason of this appraisal with reference to the property in question unless arrangements have been previously made and at an additional fee.
10. Neither all nor any part of the contents of this report, especially the conclusions as to value, the identity of the appraiser or the firm with which he is connected shall be disseminated to the public through advertising media, news media, public relations media, sales media, or any other public means of communication without the prior written consent of the appraiser.
11. Gregory A. Thornquist does not authorize the out-of-context quoting from, or partial reprinting of, this appraisal report.
12. The liability of Gregory A. Thornquist is limited to the client and to the fee collected. Further, there is no accountability, obligations or liability to any third party. If this report is placed in the hands of anyone other than client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser assumes no responsibility for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, or of a legal nature.
13. The fee for this appraisal report is for the service rendered and not for time spent on the physical report or for the physical report itself.
14. This appraisal report is prepared for the sole and exclusive use of the client, State of Montana, Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC). No third parties are authorized to rely upon this report without the expressed written consent of the appraiser.
15. This Summary Appraisal Report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analysis is contained in the appraiser's file.



## **HYPOTHETICAL CONDITIONS**

1. The subject property is owned by the State of Montana and this appraisal assumes the property is in held in private ownership. This is noted in the *“Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program”* which is included in the addenda
2. The *“Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program”* also notes that *“Landlocked parcel, (parcels with no legal access), will be appraised with the hypothetical condition of having legal access and should be appraised as the property currently exists, which is without legal access, (“as is”).* This is further discussed in the highest and best use section of this report.
3. Although the subject parcel is leased, this appraisal assumes that the current lease does not exist. This is part of the scope of the assignment and is noted in the “Supplemental Appraisal Instructions”.

## **SCOPE OF THE APPRAISAL**

I initially spoke with Tom Konency, appraiser with the Montana DNRC Trust Land Management Division and I was retained to appraise the subject property. Mr. Konency provided me with the following information:

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

On March 8, 2010, I met with D.J. Bakken, Helena Unit Manager for DNRC. Mr. Bakken provided me access to the file on record for the subject and also provided copies of various documents utilized and referenced throughout this analysis. On March 15, 2010 Mr. Bakken escorted me to the subject parcel, which is the date of value and the date the photographs were taken.

The subject parcel is currently leased to Stone Temple Ranch which owns the majority of the surrounding adjacent land. In 2005 Stone Temple Ranch encumbered its fee owned lands with a conservation easement. This easement places certain use restrictions on the land into perpetuity. On page 3 of the DNRC's Environmental Assessment it states "*The Stone Temple Ranch has indicated that the property, if they purchase it, would be enrolled into their adjacent Conservation Easement, with the language.*

***Agricultural Activities.*** *To conduct farming, ranching, and other agricultural activities, including raising and managing livestock and planting, raising, and harvesting agricultural crops. Farming activities on the Property shall be limited to areas where such activities have been historically practiced. However, rangeland restoration is permitted so long as native species are used and the soil surface is not disturbed by plowing or cultivation other than by no tillage methods which do not expose the soil surface or sub-surface to the effects of wind and water erosion.*

The subject property is not currently encumbered with a conservation easement; therefore I have not considered sales of property encumbered with a conservation easement in this analysis. In addition, I spoke with Mr. Konency, and he indicated he did not see the usefulness of appraising the property as though encumbered.

The subject **does not** have legal access. As noted in the Scope of Work as provided by the client, the property is to be appraised as though legal access exists. Physical access to the property is from the adjacent properties of which the most readily accessible access is via the Castle Mountain Estates Subdivision near the northwest corner of the subject.

There is a water reservoir tank on the subject property which provides water to the town of White Sulphur Springs. There is an easement agreement for the tank and water line. A copy of this agreement is in the addenda.

The neighborhood and surrounding competitive market areas were researched to find comparable

market data. Real Estate agents, property owners, and real estate appraisers in Helena, Billings, Bozeman, White Sulphur Springs, Martinsdale, Harlowtown, and various other similar communities were interviewed in an attempt to find relevant market data. This market data has been confirmed by personal contact with the buyer, seller, broker, and/or property owner.

I spoke the Harley Harris, attorney with Luxan& Murfitt, who is the attorney working with Stone Temple Ranch. Mr. Harris has been working with DNRC on behalf of Stone Temple Ranch with respect to purchasing the subject property. Mr. Harris indicated back in 2008 Clark Wheeler, appraiser, was retained to assist in estimating an indication of a preliminary value of the subject property. I was provided a copy of this letter and although it provides a value of \$1,500 per acre for the subject, it does not reference particular sales. I made attempts to contact Mr. Wheeler to possibly obtain the sales for which that preliminary value was determined, but no response was given. Therefore, the following analysis is based upon the market data I have researched.

All of the comparables described in the body of the report are shown in detail on the summary sheets included in the addenda. In addition, attempts were made to physically visit photograph each of these comparables, but some were not as a result of crossing private land or the inability to locate the appropriate access.

### ***Effective Date:***

The effective date of this appraisal report is March 15, 2010. This is the date of valuation and was the actual date of the property inspection. This appraisal report was completed March 16, 2010.

## **DEFINITION OF MARKET VALUE**

Market value, as used in this report, was provided by the client and is defined as follows:

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

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

## **PURPOSE OF THE APPRAISAL**

The purpose of the appraisal is to provide the clients with a credible opinion of current fair market value of the appraised subject property.

## **INTENDED USE OF THE APPRAISAL AND INTENDED CLIENT**

The intended use is for the decision making process concerning the potential sale of the subject property. The clients and intended users are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).

## **PROPERTY RIGHTS APPRAISED**

This appraisal is made with the understanding and assumption that present ownership of the subject property includes all rights that may be lawfully owned, and is therefore, title in fee simple as of March 15, 2010. A fee simple estate is subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

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

## **IDENTIFICATION OF PROPERTY AND LEGAL DESCRIPTION**

The property which is the subject matter of this report consists of 639.77 acres located in Meagher County, Montana. The legal description for the subject sites as provided to me are as follows:

Section 16, Township 9 North, Range 7 East, Meagher County, Montana.

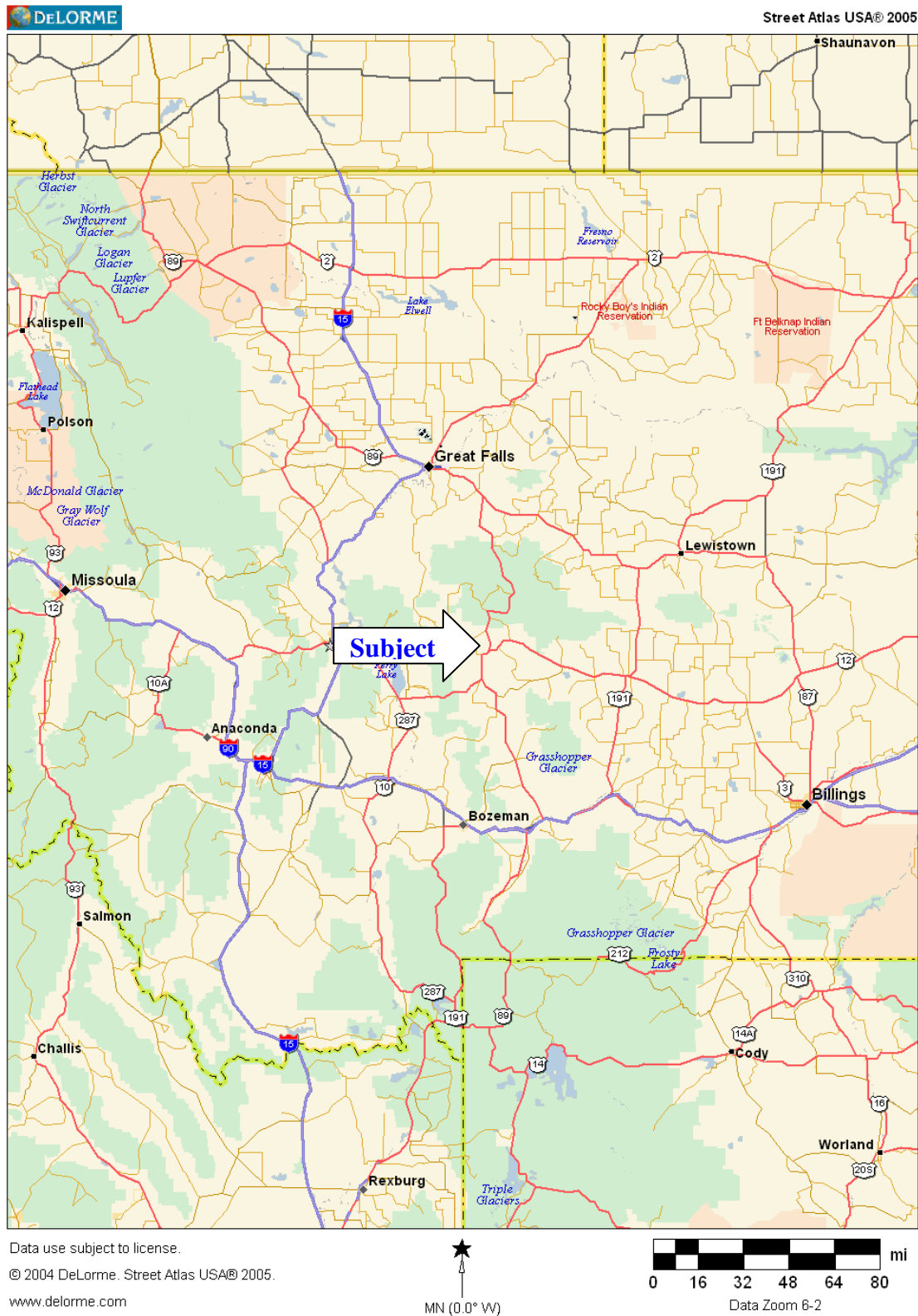
## **PURPORTED OWNER**

The subject parcel is owned by the State of Montana.

### ***SALES HISTORY OF THE PROPERTY***

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

## REGIONAL MAP



## **REGIONAL AND CITY ANALYSIS**

The subject property is located in Meagher County, approximately two miles of White Sulphur Springs, Montana and just north of Highway 12.

White Sulphur Springs is located on Highway 89 between Yellowstone Park to the south and Glacier National Park to the north. Highway 89 is also known as Kings Hill Scenic Byway.

There are numerous recreational opportunities in the area that include skiing, snowmobiling, fishing, hunting, camping, mountain biking, hiking, etc. The Big Belt, Little Belt, and Castle Mountains surround the area with thousands of acres of public access and several campgrounds nearby in the Lewis & Clark National Forest. There are many ghost towns, old gold & silver mines, railroads and Victorian era historical sites.

White Sulphur Springs is the county seat and was one of the original counties in Montana. The town was named because of the white deposits around the hot sulphur springs that were found there.

The Smith River Valley, with White Sulphur Springs as its trading center, was once the home of buffalo and later of prospectors working the Castle Mountain lead and silver mines. Since the days of Fort Logan, White Sulphur Springs has been famous for cattle. Weathered homes and out-buildings at the nearby ghost town of Castle are all that remain of the 1880s silver mining boom.

The following information was obtained from various web sites offering data about Meagher County and White Sulphur Springs:

### White Sulphur Springs

- Population in July 2008: 951. Population change since 2000: -3.4%
- Males – 462 (48.7%)
- Females – 498 (51.3%)
- Median resident age – 44.1 years
- Montana median age – 37.5 years
- Median household income in 2007 - \$38,961
- Montana median income in 2007 - \$43,531
- Median house or condo value in 2007 - \$121,472
- Montana median house or condo value in 2007 - \$170,000
- 2008 cost of living index in White Sulphur Springs: 83.8 (less than average, U.S. average is 100)

In summary, Meagher County is made up of small communities with agriculture being the predominate economic base. In addition, the area offers a wide variety of recreational opportunities.

## **REAL ESTATE TAXES**

The subject property is owned by the State of Montana and is currently exempt from taxation. If the parcel sells and is in private ownership it will be subject to taxation pursuant to the applicable laws and administrative rules of the State of Montana.

## **PROPERTY DESCRIPTION**

### ***Site***

*Size:* The subject consists of 639.77 acres.

*Shape:* The subject parcel is rectangular in shape.

*Topography:* The parcel has rolling topography with small ravines and drainages which are typical in the area.

*Soil Conditions:* Soil conditions are unknown. No soil tests were provided to your appraiser.

*Easements:* There is an easement for access to the water treatment system owned by the City of White Sulphur Springs. This easement is for water treatment system across State lands. In addition, Stone Temple Ranch has agreed with the City of White Sulphur Springs for the ability to access and potentially expand the water treatment facility, the tank, water pipeline and access road. Additional easements on the property are a utility easement and phone line easement. A title policy should be used for the final determination of easements and encroachments.

*Access:* The subject parcel has no legal access and physical access is from adjacent private property and a private road from an adjacent subdivision, Castle Mountain Estates.

*Water:* There is no live water on the subject parcels other than seasonal runoff. There is a pivot system located on the adjacent parcel at the northeast corner which irrigates approximately 70 acres of the subject



property. The water source is also on the adjacent property.

*Utilities:*

There is electrical power line easement on the property.

*Flood Plain:*

The subject parcel is not located in an area that has not been mapped for flood hazards.

*Nuisances or Hazards:*

None of the surrounding uses appear to have an adverse impact on the subject property.

*Improvements:*

The water treatment facility is owned by the City of White Sulphur Springs. There is a small block structure which is owned by the State of Montana as a result of being abandoned by a previous lessee. This structure is considered to have no contributory value.

**SUBJECT PROPERTY PHOTOGRAPHS**

(3/15/10)



Private access road to the subject at the west boundary



Looking east towards the irrigated portion of the subject at the NEC  
Photograph taken from the north boundary

**SUBJECT PROPERTY PHOTOGRAPHS**



Looking east along the south boundary



Looking west along the north boundary

## **SUBJECT PROPERTY PHOTOGRAPHS**



Closure sign at the entrance to the subject



State owned block structure and abandoned satellite dish.



**SUBJECT PROPERTY PHOTOGRAPHS**



City owned improvement (water treatment facility)



City owned improvement (water treatment facility)

**SUBJECT PROPERTY PHOTOGRAPHS**



City owned improvement (water treatment facility)

## **ZONING**

The subject property has no underlying zoning.

## **HIGHEST AND BEST USE**

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value."<sup>1</sup>

The definition above applies to the highest and best use of vacant land or improved property. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

Quite often in estimating the highest and best use of land, the appraiser is controlled by governmental regulations. These controls are generally zoning ordinance, parking requirements and building codes. Also, in the estimate of highest and best use, one must recognize the attitude of typical investors in the marketplace.

Real estate will usually fall into certain definite development patterns, and their uses can be classified as: residential, agricultural, recreational, industrial, commercial and public use. In valuing the highest and best use of the land both as if vacant and improved, the following criteria must be met: 1) legally permissible, 2) physically possible, 3) financially feasible, and 4) maximally productive.

## **HIGHEST & BEST USE OF LAND AS VACANT**

### ***Legally Permissible***

An investigation at the Meagher County Planning Office revealed the subject parcel is not zoned. It was reported because of the existence of the water treatment system, recreational uses are prohibited. The current allowable use for the site is agricultural. Based upon the use restrictions and the location of the subject there is no apparent need for the property to be used as commercial, industrial, or by a government entity (public use).

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

### ***Physically Possible***

This area is predominately agricultural and recreational lands. The subject property has no legal access and physical access is from adjacent private land. The “Assignment Conditions” as provided by the client instruct the appraiser to appraise the property as though legal and physical access exists.

The topography of the subject parcel is rolling hills which are typical for this immediate area. The current use for agricultural purposes is physically possible.

### ***Financially Feasible***

The predominate industry in this area is agricultural with recreational influences, i.e. hunting and fishing. As a result of the City of White Sulphur Springs water treatment facility being located on the parcel recreational uses is prohibited. The subject is surrounded by agricultural and a subdivision at the northwest corner. The most financially feasible use is assemblage with the adjacent agricultural land.

### ***Maximally Productive***

The use that conforms to the requirements of the first three tests, and would provide the maximum productivity of the subject site, is for assemblage with adjacent agricultural land.



## **PROPERTY VALUATION**

### **Methods and/or Techniques Employed:**

Whenever possible, all three basic approaches to value (Cost Approach, Sales Comparison Approach and Income Approach) are utilized. The resulting indications of value are then correlated into a final estimate of market value. In the course of investigating the marketplace where this valuation will be made, sufficient data was found to employ the sales comparison approach.

## **DEFINITIONS**

### **Sales Comparison Approach:**

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments to the sales price of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant.<sup>2</sup>

The reliability of this technique is depended upon (A) the availability of comparable sales data, (B) the verification of sales data, (C) the degree of comparability or extent of adjustment necessary for time differences, and (D) the absence of non-typical conditions affecting the sales price.

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<sup>2</sup>The Appraisal of Real Estate, 12th Edition, Page 417, 2001, sponsored by the Appraisal Institute.

## **SITE VALUATION**

The method employed to value the site as if vacant and available for sale is the Sales Comparison Approach. An investigation of the market revealed sales which are indicative of what a well-informed buyer or seller would consider in forming an opinion of value. Descriptive data of these sales are contained in the Addenda.

### ***Adjustments***

All of the comparable properties differ somewhat from each other, and from the subject in various ways. The usual differences are for cash equivalency, market conditions, location, and a number of physical characteristics. Many of these factors, in varying degrees, are applicable in the appraisal of the subject property. When dissimilarities are found in comparable properties, they are adjusted for by adding to the comparable price when the dissimilar factor is inferior to the same factor found in the subject property. Likewise, a minus adjustment should be made when the comparable sale has a factor which is superior to that found in the subject property. The sale properties, then, are adjusted to the subject property.

However, in the market it is often difficult and sometimes impossible to accurately isolate a given factor. In short, one very seldom finds sales which are identical in all respects but one, and thus is able to prove conclusively the value, or lack of it, for any one factor due to a difference in sale price. Often, there are plus and minus factors which offset each other. Thus, the use of subjective judgment, to some degree, may be exercised.

Nevertheless, the differences in values are real and adjustments based on as much fact as can be found, will be made. Then, the appraiser may call upon his experience to make subjective judgments.

### ***Property Rights***

Each of the sales involves fee simple property rights. As a result, no property rights adjustments are warranted.

### ***Financing:***

All sales are cash to the seller or on terms considered cash equivalent, and no adjustments are required.

### ***Conditions of Sale:***

No non-market conditions motivating the buyer or seller involved in the transactions are known or reported, therefore no adjustments are required.

***Expenditures Immediately After Sale:***

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

***Market Conditions:***

Typically in an active market an adjustment for market conditions is required to bring all comparable sales up to the effective date of the appraisal report, March 15, 2010.

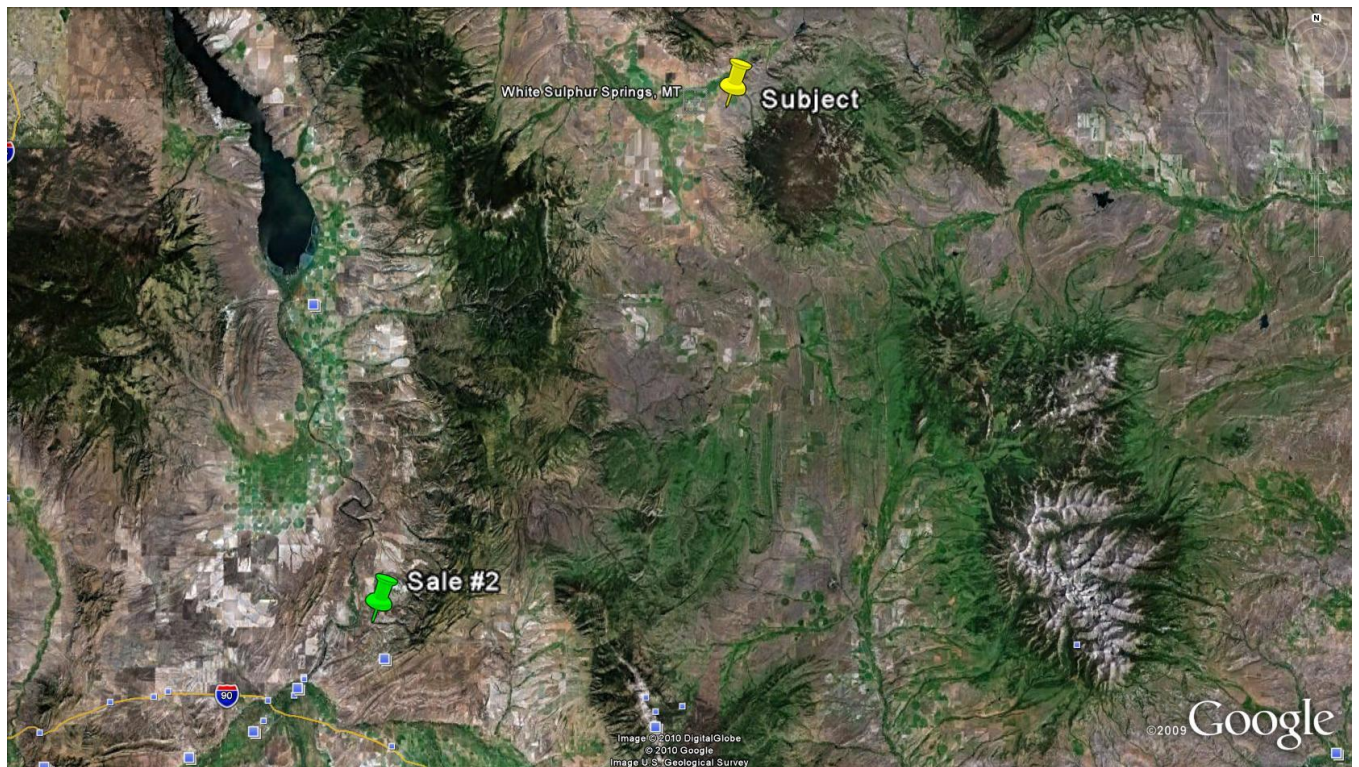
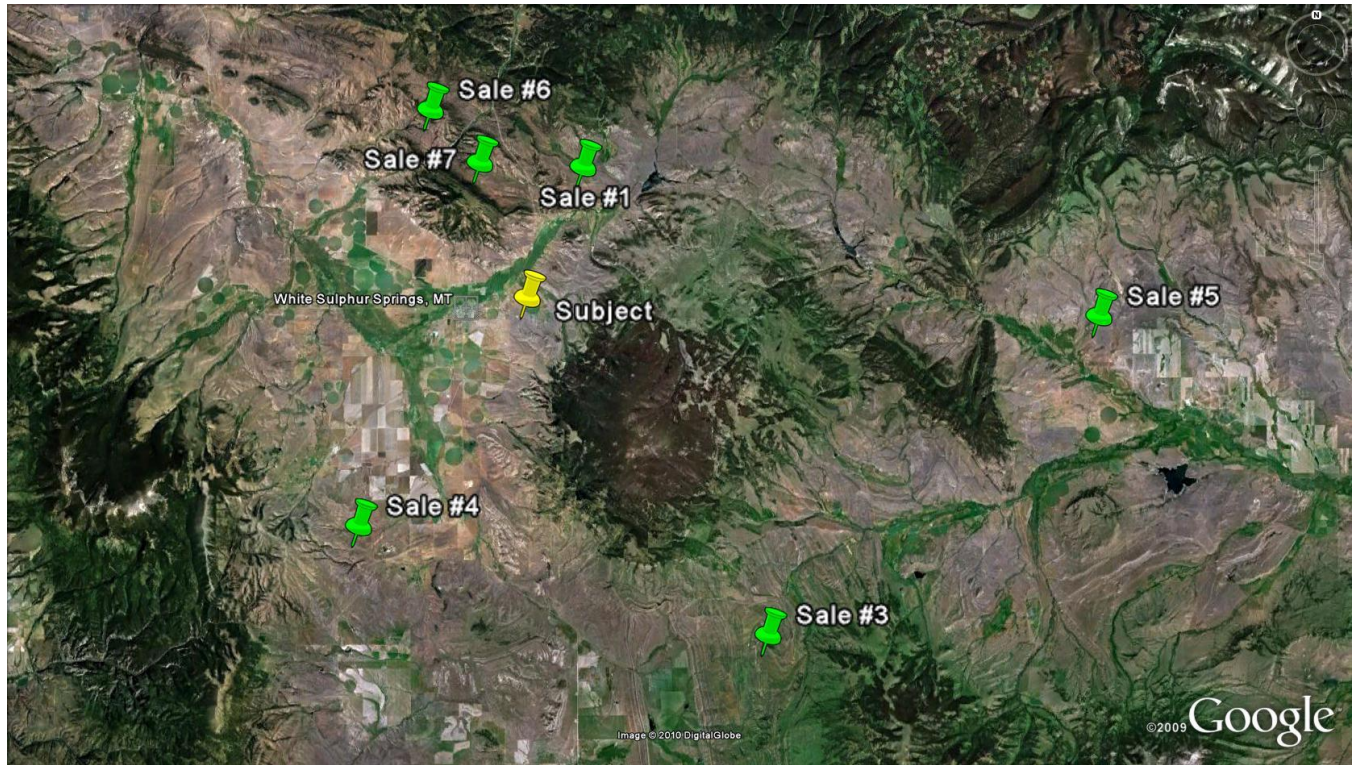
I spoke with a number of real estate professionals familiar with the area and they all indicated there has been little or no appreciation in land values in recent years. In addition, they indicated no market evidence is present which suggests land values have declined even though there has been little sales activity of large acreage tracts. Therefore, I have not applied an upward or downward adjustment to the land sales used within this analysis.

***Remaining Adjustments:***

The remaining adjustments will be explained in a qualitative analysis which is an effective technique that recognizes the inefficiencies of a real estate market and the difficulty in expressing the adjustments with mathematical precision. The adjustments included in the qualitative analysis are location, size, water, use (agricultural/recreational), topography and utilities. The land sales location map and adjustment grid can be seen on the following pages.



## *LAND SALE LOCATION MAP*





**LAND SALE ADJUSTMENT GRID**

	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
<b>Sale Price</b>		\$200,000	\$181,000	\$1,300,000	\$165,000	\$1,160,000	\$195,000	\$900,000
<b>Date of Sale</b>	NA	4/1/10 (pending)	4/1/10 (pending)	3/4/05	11/2/07	7/20/06	6/15/06	4/15/08
<b>Size (Acres)</b>	639.77acres	200 acres	181 acres	1,668 acres	160.10 acres	1,560 acres	115.65 acres	866.98 acres
<b>Price Per Acre</b>		\$1,000/AC	\$1,000/AC	\$779/AC	\$1,031/AC	\$744/AC	\$1,686/AC	\$1,038/AC
<b>Location</b>	2 miles east of White Sulphur Springs, MT	±10 miles north of White Sulphur Springs, MT	±15 miles NE of Three Forks, MT	±25 miles SE of White Sulphur Springs, MT	±15 miles SW of White Sulphur Springs, MT	±30 miles east of White Sulphur Springs, MT	±10 miles north of White Sulphur Springs, MT	±10 miles north of White Sulphur Springs, MT
<b>Comparison</b>		Similar	Inferior	Inferior	Inferior	Inferior	Similar	Similar
<b>Size</b>	639.77 acres	200 acres	181 acres	1,668 acres	160.10 acres	1,560 acres	115.65 acres	866.98 acres
<b>Comparison</b>		Superior	Superior	Inferior	Superior	Inferior	Superior	Inferior
<b>Water</b>	None	None	None	Sawmill Creek, seasonal springs, water rights	None	None	None	Seasonal streams and natural springs
<b>Comparison</b>		Similar	Similar	Superior	Similar	Similar	Similar	Superior
<b>Use (Agricultural)</b>	Average	Below Average	Below Average	Below Average	Below Average	Below Average	Below Average	Below Average
<b>Comparison</b>		Inferior	Inferior	Inferior	Inferior	Inferior	Inferior	Inferior
<b>Use (Recreational)</b>	Restricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
		Superior	Superior	Superior	Superior	Superior	Superior	Superior
<b>Topography</b>	Rolling and sloping	Rolling, sloping & steep hillsides	Rolling, sloping and view of river	Rolling and sloping	Rolling and sloping	Rolling and sloping	Rolling, sloping and view of reservoir	Rolling, sloping and view of reservoir
<b>Comparison</b>		Inferior	Similar	Similar	Similar	Similar	Similar	Similar
<b>Utilities</b>	Electricity	None	None	None	Electricity	Electricity	None	None
<b>Comparison</b>		Inferior	Inferior	Inferior	Similar	Similar	Inferior	Inferior
<b>Overall Comparability</b>		<b>Inferior</b>	<b>Inferior</b>	<b>Inferior</b>	<b>Inferior</b>	<b>Inferior</b>	<b>Superior</b>	<b>Inferior</b>

### ***Sales Analysis:***

The subject parcel is 639.77 acres and is located two miles east of White Sulphur Springs. The use of the parcel is agricultural with approximately 70 acres irrigated with a pivot system with the water rights from the adjacent property. The topography is rolling hillsides. As previously noted there is a water treatment system on the site which provides water to the City of White Sulphur Springs. As a result of this treatment system the site has no public access for recreational uses. The City of White Sulphur Springs has a right-of-way agreement to service and maintain the treatment system as well as the potential for improvements/additions to the facility. As previously noted the parcel has no legal access and physical access is from the adjacent private and the private road from the adjacent subdivision. As noted in the "Scope of Work" the appraiser assumes the property has legal access.

**Sale No. 1** is a pending sale anticipated to close April 1, 2010. This property is part of the State of Montana's Land Banking Program and the sale price was established from an independent fee appraisal. There are two parcels which make up this sale, one consisting of 160 acres and one consisting of 40 acres. The sale price is \$200,000 or \$1,000 per acre. These are non-contiguous parcels but are both leased and being purchased by the same buyer. This sale is considered superior to the subject with respect to size and recreational use, similar with respect to location, water, but inferior with respect to agricultural use, topography, and utilities. Overall, this sale at \$1,000/acre is inferior to the subject.

**Sale No. 2**, like sale No. 1 is a pending sale anticipated to close April 1, 2010, is part of the State of Montana's Land Banking Program and the sale price was established from an independent fee appraisal. This parcel consists of 181 acres with a sale price of \$181,000 or \$1,000 per acre. This sale is considered superior to the subject with respect to size and recreational use, similar with respect to water and topography, but inferior with respect to location, agricultural use and utilities. Overall, this sale at \$1,000/acre is inferior to the subject.

**Sale No. 3** occurred on March 4, 2005 for 1,668 acres at \$1,300,000 or \$779 per acre. This property is located approximately twenty-five miles south of White Sulphur Springs. This sale involved a very desirable ranch property with excellent aesthetic qualities, good privacy, and fine recreational opportunities. This property has approximately ½ mile of common boundary with the Lewis and Clark National Forest. Water on the property is from Sawmill Creek, and seasonal streams, springs and the property has recorded water rights. One spring has been improved to supply water to serve two stock water tanks. The property has access via an easement across adjacent land. This sale is considered superior to the subject with respect to water and recreational use, similar with respect to topography, but inferior with respect to location, size, agricultural use and utilities. Overall, this sale at \$779 per acre is considered inferior to the subject.

**Sale No. 4** occurred on November 2, 2007 for 160.1 acres at \$165,000 or \$1,031 per acre. This property is located approximately fifteen miles southwest of White Sulphur Springs. This parcel is located along the north end of the Grassy Mountain Subdivision and offers excellent views of the surrounding mountains and valley. This property is located approximately 1.5 miles north of Highway 12 along the boundary of Broadwater and Meagher counties. This property is also just west of Helena National Forest. This sale is considered superior to the subject with respect to size and recreational use, similar with respect to size, water, topography and utilities, but inferior with respect to location and agricultural use. Overall, this sale at \$1,031 per acre is considered inferior to the subject parcel.

**Sale No. 5** occurred on July 20, 2006 for 1,560 acres, at \$1,160,000 or \$744 per acre. This property is located approximately thirty miles east of White Sulphur Springs. This land consists of native grasses with poor irrigation. The selling agent indicated there were some agricultural outbuildings and corrals on the property that were in poor condition and had no contributory value. This property was converted to non-irrigated hay land and is back on the market for \$1,700,000. This sale is considered superior to the subject with respect to recreational use, similar with respect to water, topography and utilities, but inferior with respect to location, size, and agricultural use. Overall, this sale at \$744 per acre is considered inferior to the subject parcel.

**Sale No. 6** occurred on May 15, 2006 for 115.65 acres at \$195,000 or \$1,686 per acre. This property is located approximately ten miles north of White Sulphur Springs. Although this parcel is irregular in shape, it has good recreational amenities and elevated views of Newlan Reservoir. This sale is considered superior to the subject with respect to size and recreational use, similar with respect to location and water, but inferior with respect agricultural use and utilities. Overall, this sale at \$1,686 per acre is considered superior to the subject parcel.

**Sale No. 7** occurred on October April 15, 2008 for 866.98 acres at \$900,000 or \$1,038 per acre. This property is located approximately ten miles north of White Sulphur Springs. This land is desirable recreational ranch property with excellent scenic and wildlife amenities. In addition, this property overlooks the Newlan Reservoir. This sale is considered superior to the subject with respect to recreational use, similar with respect to location and topography, but inferior with respect to size, agricultural use and utilities. Overall, this sale at \$1,038 per acre is considered inferior to the subject parcel.

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

Sale No.	Price Per Acre	Overall Comparability
Sale No. 5	\$744/AC	Inferior
Sale No. 3	\$779/AC	Inferior
Sale No. 1	\$1,000/AC	Inferior
Sale No. 2	\$1,000/AC	Inferior
Sale No. 4	\$1,031/AC	Inferior
Sale No. 7	\$1,038/AC	Inferior
Sale No. 6	\$1,686/AC	Superior

The subject best attributes are its proximity to White Sulphur Springs and the agricultural productivity. Approximately 70 acres are irrigated hay land by a pivot system located at the northeast corner. The negative attribute is the restriction for recreational uses. Meagher County, and the surrounding areas are well known for its recreational uses, mainly hunting.

Considering each of the aforementioned sales, it is my opinion a reasonable estimate of value for each of the subject parcel as of March 15, 2010 is **\$1,250 per acre or \$799,713.**

**\$800,000 Rounded\***

\* This value is subject to the Hypothetical Conditions on page 9



## **VALUE ESTIMATE AND CERTIFICATION**

The undersigned does hereby certify that, to the best of his knowledge and belief, except as otherwise noted in this appraisal report:

- The statements of fact contained in this report are true and correct.
- The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and/or those found in the letter of engagement or appraisal consultation contract authorizing this report and is my personal, impartial, and unbiased professional analysis, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting a predetermined value.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. This appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
- My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with The Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- Gregory A. Thornquist is currently licensed in the State of Montana (Certificate #867) as a Certified General Real Estate Appraiser. Regarding the Competency Provision of USPAP, I further attest I've had substantial approved education and experience in the appraisal of vacant land and commercial property.

Based upon all the elements of which I am aware of and which could reasonably affect value, I have estimated market value of the subject parcel, as of March 15, 2010, to be:

***Eight Hundred Thousand Dollars\****

***\$800,000\****

March 16, 2010

Date

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Gregory A. Thornquist,  
General Certified Appraiser #867

\* This value is subject to the Hypothetical Conditions on page 9