# AN APPRAISAL OF 752.32 ACRES LOCATED IN CUSTER COUNTY MONTANA PARCEL 232

## DATE OF VALUATION

December 17, 2014

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**FOR**
**STATE OF MONTANA,**
**DEPARTMENT OF NATURAL RESOURCES & CONSERVATION**

*ELKHORN APPRAISAL SERVICES*
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January 12, 2015

State of Montana
Department of Natural Resources & Conservation
Trust Land Management Division
P.O. Box 201601
Helena, MT 59620-1601

RE: An appraisal of 752.32 acres located in Custer County, Montana – Parcel #232. This appraisal report establishes an "as is" value in fee ownership.

In accordance with the letter of engagement, 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.

I have appraised the property as a whole, owned in fee simple ownership. The lease indicates the property is leased to Jeff & Susan Peila. I assume no responsibility for matters that are legal in nature nor do I render any opinion as to title.

The property being appraised consists of 752.32 acres and in the body of the report is a complete legal description and detail of the subject property

The value reported is qualified by certain definitions, assumptions and limiting conditions, hypothetical conditions and certification, which are set forth within the attached report. 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 including the assumptions and limiting conditions on 12/17/14 is:

***Two Hundred Fifty Two Thousand Dollars****

***$252,000****

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

Respectfully submitted,

Montana State Certified
General Real Estate Appraiser
License # REA-RAG-LIC-867
1/12/2015

* This value is subject to the Hypothetical Conditions on page 10

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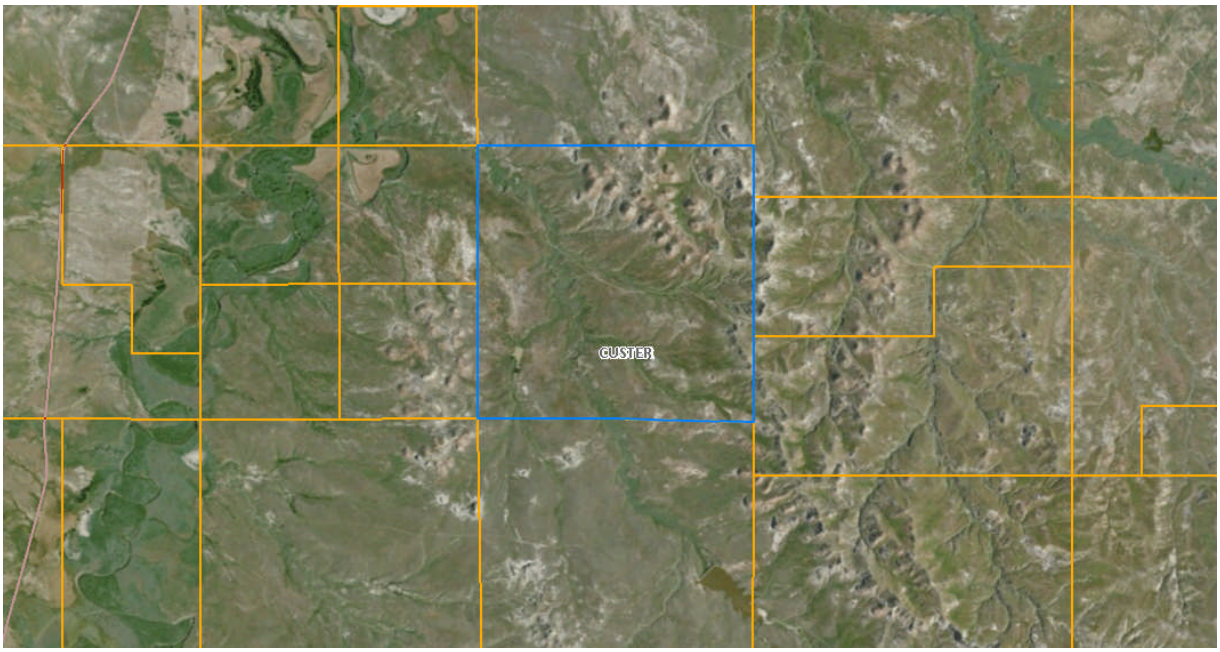
## Addenda

- Contract
- Scope of Work & Legal Description
- State of Montana Cadastral Data
- Appraiser's Qualifications
- Appraiser's License

## *SUBJECT PROPERTY TOPOGRAPHICAL MAP*




Arial view of the subject

## *SUBJECT PHOTOGRAPHS*

(12/17/14)

Looking south along the westerly boundary

Looking east along the northerly boundary

## *SUBJECT PHOTOGRAPHS*

Looking southeast across the property

## *SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS*

| | |
|---|---|
| *PURPORTED OWNER:* | State of Montana |
| *PROPERTY TYPE:* | Grazing/Pasture |
| *LOCATION OF PROPERTY:* | Custer County, MT |
| *SITE:* | 752.32 acres |
| *PROPERTY RIGHTS APPRAISED:* | Fee simple |
| *ZONING:* | None |
| *PRESENT USE:* | Grazing/Pasture |
| *HIGHEST AND BEST USE:* | Agricultural |
| *DATE OF VALUATION:* | 12/17/14 |
| *LAND VALUE:* | $252,000* |

* This value is subject to the Hypothetical Conditions on page 10

## *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.

- No responsibility is assumed for matters that are legal in nature nor is any opinion rendered on title of property appraised.

- Unless otherwise noted, the property has been appraised as though free and clear of all encumbrances.

- 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.

- 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.

- 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.

- 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 effect 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.

- 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.

- 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.

- Neither all nor any part of the contents of this report, especially the conclusions 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.

- Gregory A. Thornquist does not authorize the out-of-context quoting from, or partial reprinting of this appraisal report.

- 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.

- 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.

- 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.

- 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 files.

## *HYPOTHETICAL CONDITIONS*

- 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

- 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.

- 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 Emily Cooper with the Montana DNRC Trust Land Management Division and I was retained to appraise the subject property. Ms. Cooper provided me with the following information:

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

On December 17, 2014 I met with Marc Aberg, Lands Program Manager with the Department of Natural Resources and Conservation and Mr. Aberg and I drove to the subject property.

The subject parcel is currently leased to Jeff and Susan Peila and the lessee contacted the DNRC inquiring about purchasing the subject property. The lessee owns the adjacent land and therefore there is no access to the subject without crossing private property.

The neighborhood and surrounding competitive market areas were researched to find comparable market data. Real Estate agents, property owners, and real estate appraisers in the area were interviewed in an attempt to find relevant market data. This market data has been confirmed by personal contact with the buyer, seller, broker, appraiser, and/or property owner.

All of the comparable sales described in the body of the report are shown in detail on the summary sheets in a separate document. I did not physically inspect each of the comparable sales.

### *Effective Date:*

The effective date of this appraisal report is December 17, 2014. This is the date of valuation and was the actual date of the property inspection. This appraisal report was completed January 12, 2015.

## *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 this appraisal is to arrive at a supportable estimation of the market value.

## *INTENTED USE OF THE APPRAISAL AND 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).

## *PERSONAL PROPERTY*

None

## *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 December 17, 2014. 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 752.32 acres located in Custer County, Montana. The legal description for the subject as noted on the State of Montana's Cadastral Data is as follows:

All of Section 36, Township 5 North, Range 51, East, Custer County, State of Montana.

Geo-code 14-1454-36-1-01-01-0000

## *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 ANALYSIS*

The subject is located approximately 33 miles southeast of Miles City, Montana. The property is approximately one mile east of County Road 551. The DNRC office in Miles City oversees the operation and management of the property.

The property is located in eastern Montana and properties in this area are agricultural in nature.

## *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 752.32 acres. |
| *Shape:* | The subject parcel is rectangular in shape. |
| *Topography:* | The parcel has mildly rolling topography and there is seasonal runoff. |
| *Soil Conditions:* | Soil conditions are unknown. No soil tests were provided to your appraiser. |
| *Easements:* | 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. |
| *Water:* | Seasonal runoff. |
| *Utilities:* | None |
| *Flood Plain:* | Not within a designated flood zone. |
| *Nuisances or Hazards:* | None of the surrounding uses appear to have an adverse impact on the subject property. |
| *Improvements:* | There are no improvements on the property. |

## 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."[1]

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.

### *Legally Permissible*

The subject property has no underlying zoning. The subject has historically been used as agricultural grazing. Based upon the location there is no apparent need for the property to be used as commercial, industrial, or by a government entity (public use).

### *Physically Possible*

This area is predominately agricultural 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 mildly rolling.

[1] *The Appraisal of Real Estate, 12th Edition*, (Appraisal Institute, 2001), p. 305.

### *Financially Feasible*

Predominate use in the area is agricultural. The subject is bordered by agricultural owned by the lessee. The lessee contacted the DNRC with respect to potentially purchasing the property through the Land Banking Program. If the sale proceeds this parcel would be assembled with the Peila ranch.

### *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 agricultural grazing/pasture 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:***

The process of deriving a value indication for the subject property by comparing similar properties that have recently sold with the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as through vacant when an adequate supply of comparable sales is available.[2]

[2] The Appraisal of Real Estate, 14th Edition

## *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 seven sales which are indicative of what a well-informed buyer or seller would consider in forming an opinion of value. Within this analysis I have included limited information with respect to the sales. In a separate document is a more detailed description of the sales which has been provided to the client. The separation of the descriptive data has been done for confidentially purposes.

### *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:*

Sale No. 10 was a contract for deed which had favorable financing and therefore was adjusted to reflect typical market financing. The remaining 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 were reportedly involved in the transactions, therefore no adjustments are required.

### *Expenditures Immediately After Sale:*

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

### *Improvements:*

Some of the sales had improvements which contributed to the sales prices. The contributory value of the improvements has been deducted as illustrated in the sales grid which follows.

### *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, December 17, 2014.

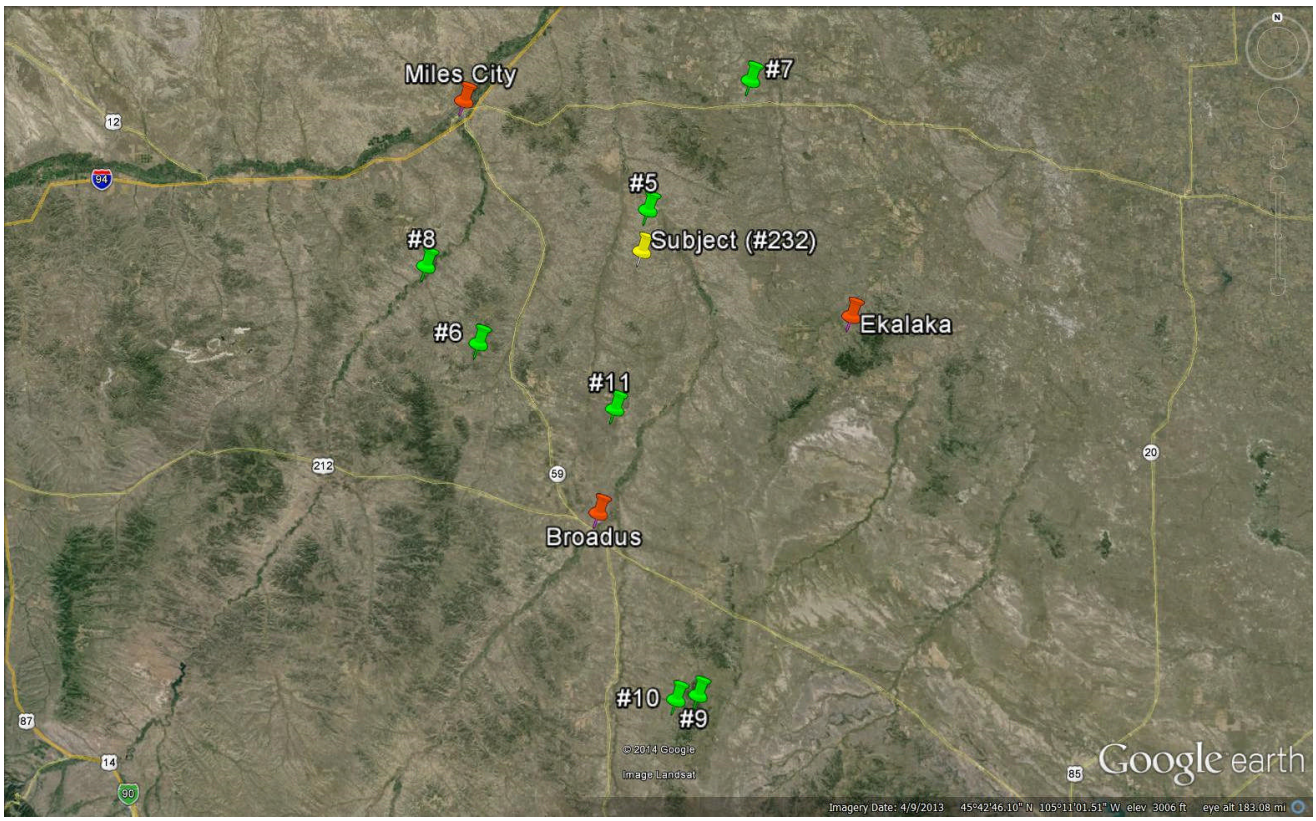
I spoke with a number of real estate professionals familiar with the area and they all indicated there has been increased demand for agricultural land which may be a product of increasing cattle prices.

### *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 map on the following page illustrates the approximate location of the subject and sales. In the Sales Grid I have utilized Miles City as the point of reference.

The adjustments are illustrated in the following grid.

## *SALES MAP*


Miles City
#7
#5
Subject (#232)
#8
#6
Ekalaka
#11
Broadus
#10
#9
Google earth

## *SALES GRID*

| | Subject | Sale #5 | Sale #6 | Sale #7 | Sale #8 | Sale #9 | Sale #10 | Sale #11 |
|---|---|---|---|---|---|---|---|---|
| | Custer County | Custer County | Custer County | Custer County | Custer County | Powder River County | Powder River County | Powder River County |
| Location | ±33 miles southeast of Miles City | ±33 miles southeast of Miles City | ±35 miles south of Miles City | ±40 miles east of Miles City | ±22 miles south of Miles City | ±80 miles southeast of Miles City | ±95 miles northwest of Miles City | ±20 miles southeast of Miles City |
| Sale Date | NA | 1/3/14 | 12/21/12 | 3/5/12 | 7/22/10 | 12/20/13 | 12/18/13 | 12/24/12 |
| Size - acres | 752.20 | 20,154 | 3,286 | 1,466 | 133.31 | 3,854 | 305 | 1,463 |
| Sale Price | NA | $7,775,000 | $1,375,000 | $665,000 | $200,000 | $1,555,692 | $100,000* | $1,000,000 |
| Less Contributory Imps | NA | $40,500 | $20,000 | $65,000 | $8,000 | $52,000 | $0 | $122,500 |
| Land Value | NA | $7,775,000 | $1,355,000 | $600,000 | $192,000 | $1,503,692 | $100,000 | $877,500 |
| **Price Per Acre** | **NA** | **$384** | **$412** | **$365** | **$1,440** | **$390** | **$328** | **$600** |
| Location | ±33 miles southeast of Miles City | ±33 miles southwest of Miles City | ±35 miles south of Miles City | ±40 miles east of Miles City | ±22 miles south of Miles City | ±80 miles southeast of Miles City | ±95 miles south of Miles City | ±20 miles southeast of Miles City |
| Comparison | | Similar | Similar | Superior | Similar | Similar | Similar | Similar |
| Use - Acres | | | | | | | | |
| Irrigated | None | None | None | None | | None | None | 101 |
| Hay | None | 1,087 | None | 77 | Mixture of irrigated and grazing | None | None | 138 |
| Dry Crop | None | 3,307 | None | 160 | | None | None | None |
| Improved Pasture | None | 927 | None | 36 | | None | None | None |
| Pasture | 752.2 | 14,822 | 3,286 | 1,185 | | 3,849 | 305 | 280 |
| | | | | | | | | 938 |
| Comparison | | Superior | Similar | Superior | Superior | Similar | Similar | Superior |
| Water Influence | Seasonal Runoff | Seasonal Runoff | Seasonal Runoff | Seasonal Runoff | Tongue River | Seasonal Runoff | Seasonal Runoff | Powder River |
| Comparison | | Similar | Similar | Similar | Superior | Similar | Similar | Superior |
| Topography | Rolling | Rolling | Rolling | Rolling | Rolling | Rolling | Rolling | Rolling |
| Comparison | | Similar | Similar | Similar | Similar | Similar | Similar | Similar |

* Adjusted for favorable financing

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

| Sale No. | Price Per Acre |
|---|---|
| Sale No. 8 | $1,440/Ac |
| Sale No. 11 | $600/Ac |
| Sale No. 6 | $412/Ac |
| Sale No. 9 | $390/Ac |
| Sale No. 5 | $384/Ac |
| Sale No. 7 | $365/Ac |
| Sale No. 10 | $328/AC |

The majority of the sales consisted of a variety of agricultural land uses. Irrigated ground typically carries the greatest value on a per acre basis whereas pasture land carries the least value on a per acre basis. In confirming the sales with respect to price paid and allocation of land use I also was provided an estimate of value on a per acre basis for each land use category. The following table illustrates this per acre allocation if provided with the exception of the area attributed to a building site(s).

| **Sale No. 5** | | |
|---|---|---|
| Meadows | 1,087 acres | $550/ac |
| Dry crop | 3,307 acres | $465/ac |
| Improved pasture | 927 acres | $440/ac |
| **Pasture** | **14,882 acres** | **$335/ac** |
| **Sale No. 6** | | |
| **Pasture** | **3,285 acres** | **$422/ac** |
| **Sale No. 7** | | |
| Meadows | 77 acres | $600/ac |
| Hay | 160 acres | $525/ac |
| Improved pasture | 36 acres | $425/ac |
| **Pasture** | **1,185 acres** | **$325/ac** |
| **Sale No. 8** | | |
| **Unverified - Mix of numerous uses** | **133 acres** | **$1,440/ac** |
| **Sale No. 9** | | |
| **Pasture** | **3,854 acres** | **$390/ac** |
| **Sale No. 10** | | |
| **Pasture** | **305 acres** | **$328/ac** |
| **Sale No. 11** | | |
| Irrigated | 101 acres | $1,650/ac |
| Meadows | 138 acres | $700/ac |
| Recreational pasture | 280 acres | $700/ac |
| **Pasture** | **938 acres** | **$400/ac** |

Because the subject is entirely pasture land I have narrowed the analysis of the sales/allocation to only pasture land. In addition, I have excluded sale No. 8 as I was unable to verify the breakdown of the various uses. The price per acre of the remaining sales for pasture land is as follows:

| | |
|---|---|
| **Sale No. 5** | **$335/ac** |
| **Sale No. 6** | **$422/ac** |
| **Sale No. 7** | **$325/ac** |
| **Sale No. 9** | **$390/ac** |
| **Sale No. 10** | **$328/ac** |
| **Sale No. 11** | **$400/ac** |
| **Mean** | **$367/ac** |

The lessee of the subject recently purchased adjoining land and the reported allocation for the pasture land was $335/acre. Although this sale was considerably larger with respect to amount of land area, there is no market indicators to suggest an adjustment for economies of scale. The allocation of $335/acre is adequately supported by the aforementioned sales and allocation of pasture land. Therefore, considering each of the aforementioned sales, it is my opinion a reasonable estimate of value for the subject parcel as of December 17, 2014 is **$335 per acre or $251,987 ($335/ac. x 752.2 acres).**

## $252,000 Rounded*

* This value is subject to the Hypothetical Conditions on page 10

## *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 December 17, 2014, to be:

***Two Hundred Fifty Two Thousand Dollars****

***$252,000****

Montana State Certified
General Real Estate Appraiser
License # REA-RAG-LIC-867
1/12/2015

* This value is subject to the Hypothetical Conditions on page 10

# ***ADDENDA***

*FOR DNRC USE ONLY*

**Maximum amount under this agreement: $[redacted]**

**Source of Funds**

| Fund Name | Fund No. |
|---|---|
| Land Banking Private Closing Costs | 02031 |

| Subclass | Org. No. | Percent |
|---|---|---|
| 555HA | 6043-59 | 100% |

**Approved**

No. 155055
Division JG
Legal THB
F.S.O. [illegible]

# TRUST LAND MANAGEMENT DIVISION

# APPRAISAL OF POTENTIAL LAND BANKING SALES IN CARTER, CUSTER, GARFIELD, McCONE AND POWDER RIVER COUNTIES

**THIS CONTRACT** is entered into by and between the State of Montana/Department of Natural Resources and Conservation, (State/DNRC), whose address and phone number are P.O. Box 201601, (406) 444-2074 and Greg Thornquist, Elkhorn Appraisal Services, (Contractor), whose address and phone number are P.O. Box 448, Helena, MT 59624 and (406) 449-7646.

## 1. EFFECTIVE DATE, DURATION, AND RENEWAL

**1.1 Contract Term.** The contract's initial term is upon contract execution, through January 31, 2015, unless terminated earlier as provided in this contract. In no event is this contract binding on the State unless the State's authorized representative has executed it in Section 27. **The appraisal report is to be completed and forwarded to Montana DNRC, Emily Cooper, and P.O. Box 201601, Helena, MT 59620-1601 by December 19, 2014.**

## 2. SERVICES AND/OR SUPPLIES

Contractor agrees to provide to the State the following: The Contractor shall be responsible for providing a credible appraisal, for the parcels in Carter, Custer, Garfield, McCone and Powder River Counties, as described in Attachment B, Montana DNRC Trust Land Management Division Supplemental Appraisal Instructions. The appraisal will be an Appraisal Report, conducted and prepared in compliance with the current Uniform Standards of Professional Appraisal Practice that will describe adequately, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions.

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

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

2) The definition of market value is that as defined in 70-30-313 M.C.A.

## 3. CONSIDERATION/PAYMENT

**3.1 Payment Schedule.** In consideration of the appraisal report to be provided, together with all the tasks and services described herein above, the State shall pay Contractor [redacted]. Upon the successful completion of all tasks and services described herein above, the Contractor shall submit an invoice with the submission of the final appraisal report to the DNRC for payment for services rendered. The Contractor shall, at no additional expense to the State, correct unsatisfactory work before payment is made. Payment shall be made within 30 days of the Contractor's submission of an invoice to DNRC. In any instance, the DNRC's total cumulative payments to the Contractor under this contract shall not exceed [redacted]

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

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

## 4. ACCESS AND RETENTION OF RECORDS

**4.1 Access to Records.** Contractor shall provide the State, Legislative Auditor, or their authorized agents access to any records necessary to determine contract compliance. The State may terminate this contract under section 22, without incurring liability, for the Contractor's refusal to allow access as required by this section. (18-1-118, MCA.)

**4.2 Retention Period.** Contractor shall create and retain all records documenting the Summary Appraisal Report for a period of eight years after either the completion date of this contract or termination of the contract should such action arise.

## 5. ASSIGNMENT, TRANSFER, AND SUBCONTRACTING

Contractor may not assign, transfer, or subcontract any portion of this contract without the State's prior written consent. (18-4-141, MCA.) Contractor is responsible to the State for the acts and omissions of all subcontractors or agents and of persons directly or indirectly employed by such subcontractors, and for the acts and omissions of persons employed directly by Contractor. No contractual relationships exist between any subcontractor and the State under this contract.

## 6. HOLD HARMLESS/INDEMNIFICATION

To the fullest extent permitted by law, the Contractor shall indemnify and hold harmless the State, its elected and appointed officials, officers, agents, directors, and employees from and against all claims, damages, losses and expenses, including the cost of defense thereof, to the extent caused by or arising out of Contractor's negligent acts, errors, or omissions in work or services performed under this Contract, including but not limited to, the negligent acts, errors, or omissions of any Subcontractor or anyone directly or indirectly employed by any Subcontractor for whose acts Subcontractor may be liable.

## 7. REQUIRED INSURANCE

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

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

**7.3 Specific Requirements for Automobile Liability.** Contractor shall purchase and maintain coverage with split limits of $50,000 per person (personal injury), $100,000 per accident occurrence (personal injury), and $100,000 per accident occurrence (property damage), OR combined single limits of $100,000 per occurrence to cover such claims as may be caused by any act, omission, or negligence of Contractor or its officers, agents, representatives, assigns, or subcontractors.

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

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

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

**7.7 Certificate of Insurance/Endorsements.** A certificate of insurance from an insurer with a Best's rating of no less than A- indicating compliance with the required coverage's, has been received by the State Procurement Bureau, P.O. Box 200135, Helena, MT 59620-0135. Contractor must notify the State immediately of any material change in insurance coverage, including but not limited to changes in limits, coverage's, and status of policy. The Contractor must provide the State with copies of insurance policies upon request.

## 8. COMPLIANCE WITH WORKERS' COMPENSATION ACT

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

## 9. COMPLIANCE WITH LAWS

Contractor shall, in performance of work under this contract, fully comply with all applicable federal, state, or local laws, rules, and regulations, including but not limited to, the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by Contractor subjects subcontractors to the same provision. In accordance with 49-3-207, MCA, Contractor agrees that the hiring of persons to perform this contract will be made on the basis of merit and qualifications and without discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin of the persons performing this contract.

## 10. DISABILITY ACCOMMODATIONS

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

## 11. REGISTRATION WITH THE SECRETARY OF STATE

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

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

## 12. OWNERSHIP OF WORK PRODUCT

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

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

**12.2 Ownership of Contractor Pre-Existing Materials.** Contractor retains ownership of all literary or other works of authorship (such as software programs and code, documentation, reports, and similar works),

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

## 13. CONTRACT TERMINATION

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

**13.2 Reduction of Funding.** The State must by law terminate this contract if funds are not appropriated or otherwise made available to support the State's continuation of performance of this contract in a subsequent fiscal period. (18-4-313(4), MCA.) If state or federal government funds are not appropriated or otherwise made available through the state budgeting process to support continued performance of this contract (whether at an initial contract payment level or any contract increases to that initial level) in subsequent fiscal periods, the State shall terminate this contract as required by law. The State shall provide Contractor the date the State's termination shall take effect. The State shall not be liable to Contractor for any payment that would have been payable had the contract not been terminated under this provision. As stated above, the State shall be liable to Contractor only for the payment, or prorated portion of that payment, owed to Contractor up to the date the State's termination takes effect. This is Contractor's sole remedy. The State shall not be liable to Contractor for any other payments or damages arising from termination under this section, including but not limited to general, special, or consequential damages such as lost profits or revenues.

## 14. EVENT OF BREACH – REMEDIES

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

- products or services furnished fail to conform to any requirement;
- failure to submit any report required by this contract;
- failure to perform any of the other terms and conditions of this contract, including but not limited to beginning work under this contract without prior State approval and breaching Section 27.1 obligations; or
- voluntary or involuntary bankruptcy or receivership.

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

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

- terminate this contract under section 21; or
- treat this contract as materially breached and pursue any of its remedies under this contract, at law, or in equity.

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

- terminate this contract after giving the State written notice of the stated failure. The written notice must demand performance of the stated failure within a specified period of time of not less than 14 days. If the demanded performance is not completed within the specified period, the termination is effective at the end of the specified period; or
- treat this contract as materially breached and, except as the remedy is limited in this contract, pursue any of its remedies under this contract, at law, or in equity.

## 15. WAIVER OF BREACH

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

## 16. FORCE MAJEURE

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

## 17. CONFORMANCE WITH CONTRACT

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

## 18. LIAISONS AND SERVICE OF NOTICES

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

Emily Cooper, Lands Section Supervisor is the State's liaison.
(Address): P.O. Box 201601
(City, State, ZIP): Helena, MT 59620-1601
Telephone: (406) 444-4165
Fax: (406) 444-2684
E-mail: ecooper@mt.gov

Greg Thornquist is Contractor's liaison.
(Address): P.O. Box 448
(City, State, ZIP): Helena, MT 59624
Telephone: (406) 449-7646
Fax: (406) 449-7887
E-mail: elkhornapp@qwestoffice.net

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

## 19. MEETINGS

**19.1 Technical or Contractual Problems.** Contractor shall meet with the State's personnel, or designated representatives, to resolve technical or contractual problems occurring during the contract term or to discuss the progress made by Contractor and the State in the performance of their respective obligations, at no additional cost to the State. The State may request the meetings as problems arise and will be coordinated by the State. The State shall provide Contractor a minimum of three full working days notice of meeting date, time, and location. Face-to-face meetings are desired; however, at Contractor's option and expense, a conference call meeting may be substituted. Consistent failure to participate in problem resolution meetings, two consecutive missed or rescheduled meetings, or failure to make a good faith effort to resolve problems, may result in termination of the contract.

## 20. TRANSITION ASSISTANCE

If this contract is not renewed at the end of this term, or is terminated prior to the completion of a project, or if the work on a project is terminated, for any reason, the Contractor must provide all reasonable transition assistance requested by the State, to allow for the expired or terminated portion of the services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such services to the State or its designees, for a reasonable period of time after the expiration or termination of this project or contract. Such transition assistance will be deemed by the parties to be governed by the terms and conditions of this contract, except for those terms or conditions that do not reasonably apply to such transition assistance. The State shall pay the Contractor for any resources utilized in performing such transition assistance at the most current rates provided by the contract. If there are no established contract rates, then the rate shall be mutually agreed upon. If the State terminates a project or this contract for cause, the State will be entitled to offset the cost of paying the Contractor for the additional resources the Contractor utilized in providing transition assistance with any damages the State may have otherwise accrued as a result of said termination.

## 21. CHOICE OF LAW AND VENUE

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

## 22. TAX EXEMPTION

The State of Montana is exempt from Federal Excise Taxes (#81-0302402).

## 23. AUTHORITY

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

## 24. SEVERABILITY CLAUSE

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

## 25. SCOPE, ENTIRE AGREEMENT, AND AMENDMENT

**25.1 Contract.** This contract consists of eight numbered pages, Attachment A - Scope of Work, pages 9-10 and Attachment B – Supplemental Appraisal Instructions, pages 11-17. In the event of a dispute or ambiguity arising between or among the documents, the order of precedence of document interpretation is the same order as this contract.

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

## 26. WAIVER

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

## 27. EXECUTION

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

**STATE OF MONTANA**
**Dept. of Natural Resources & Conservation**
**Trust Land Management Division**
**P.O. Box 201601**
**Helena, MT 59620-1601**

BY: John Grimm, Chief – Real Estate Mgt Bureau
(Name/Title)

(Signature)

DATE: 12/5/14

**Greg Thornquist, Elkhorn Appraisal Service**
**P.O. Box 4478**
**Helena, MT 59624**

**FEDERAL ID #:** 32-0228888

BY: Greg Thornquist / Owner
(Name/Title)

(Signature)

DATE: 12/2/14

# ATTACHMENT A

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

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

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

### DEFINITIONS:

**Current fair market value. (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
(3) any other relevant factors as to which evidence is offered.

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

### PROPERTY RIGHTS APPRAISED:

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

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

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

### SUBJECT PROPERTY DESCRIPTION & CHARACTERISTICS:

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

neighborhood and market, those conditions shall be communicated to the clients and may change the scope of work required.

**ASSIGNMENT CONDITIONS:**

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

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

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

Legally accessible state lands are appraised as accessible only.

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

# ATTACHMENT B

## MONTANA DNRC TRUST LAND MANAGEMENT DIVISION
### Supplemental Appraisal Instructions

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

Subject Property – Carter County:

| Sale # | Acres | Legal Description |
|---|---|---|
| 61 | 640 ± | ALL, Section 16, T8S-R56E |

Subject Property – Custer County:

| Sale # | Acres | Legal Description |
|---|---|---|
| 232 | 752.32 ± | ALL, Section 36, T5N-R51E |

Subject Property – Garfield County:

| Sale # | Acres | Legal Description |
|---|---|---|
| 719 | 320 ± | W½, Section 14, T15N-R41E |

Subject Property – McCone County:

| Sale # | Acres | Legal Description |
|---|---|---|
| 717 | 40 ± | NW¼NW¼, Section 16, T26N-R48E |

Subject Property – Powder River County:

| Sale # | Acres | Legal Description |
|---|---|---|
| 718 | 80 ± | SW¼NW¼, SW¼SE¼, Section 16, T4N-R50E |

| Area Office Contact Information: | Lessees: |
|---|---|
| Marc Aberg – Lands Program Manager<br>321 Main Street<br>Miles City, MT 59301<br>Phone: (406) 232-2034<br>maberg@mt.gov | Sale 61: Mike Gaffke - (406) 539-4141<br>Sale 232: Jeff & Susan Peila - (406) 373-6642<br>Sale 719: Burl & Shemene Peckman - (406) 974-4455<br>Sale 717: Larry Hesser – (406) 525-3680<br>Sale 718: John Smith - (406) 436-2560 |

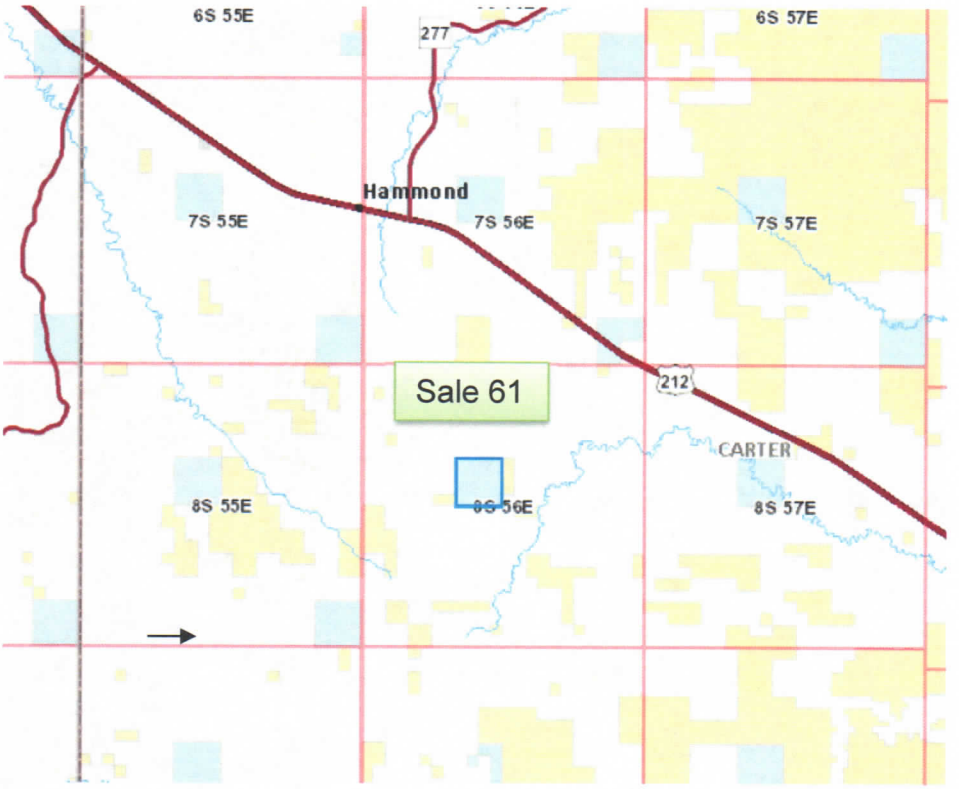
***The following will be located in the body of the contract:***

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

The definition of market value is that as defined in 70-30-313 M.C.A.

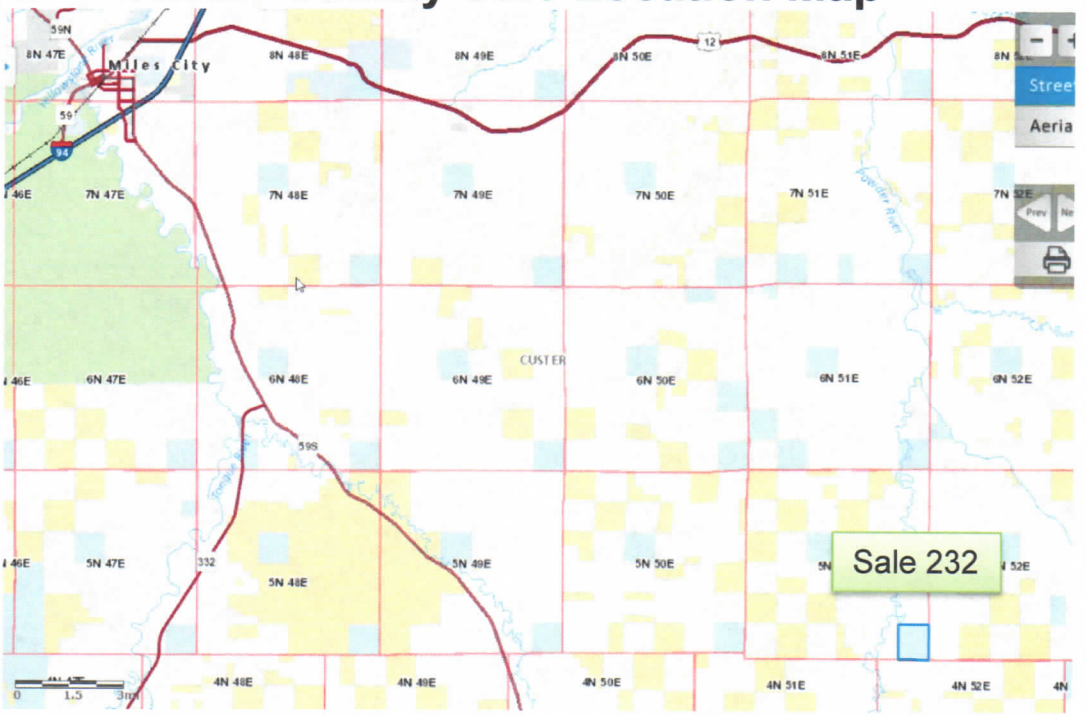
The DNRC will provide access to each state parcel record, as maintained by the land offices, including but not limited to aerial photos, land improvements, current lease data (lease #, name of lessee, AUMs, acres, costs, etc.), property issues, surveys (if any), and production history. The local land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

# Carter County Sale Location Map

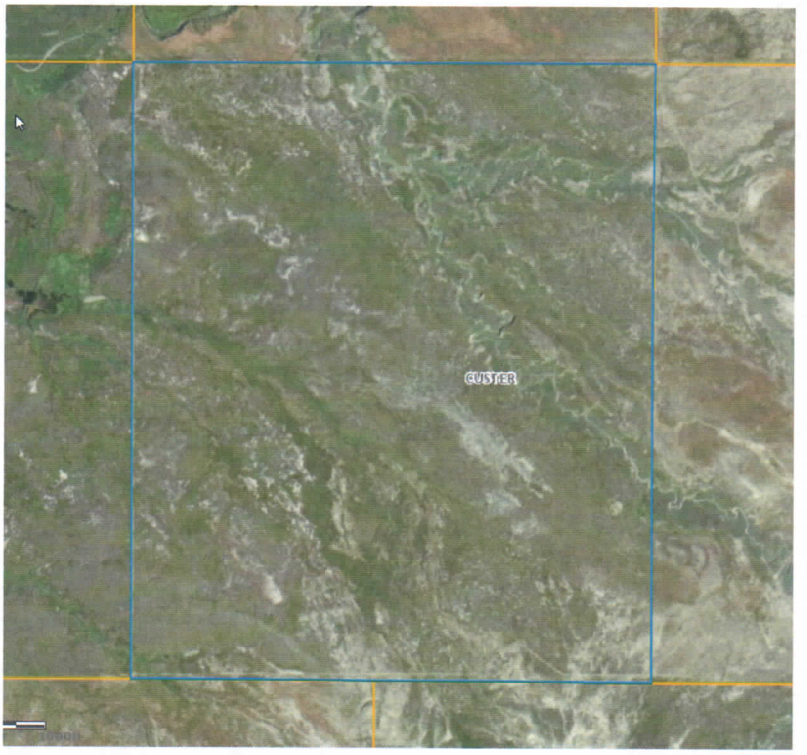



**Sale #61**
ALL, Section 16, T8S-R56E
Century Ranch LLC

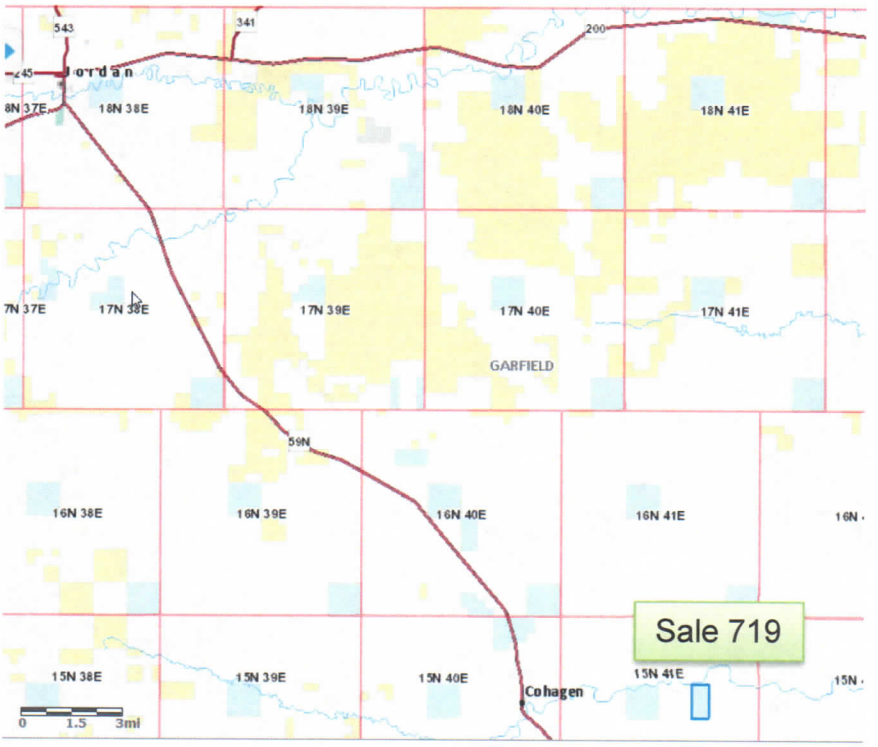
# Custer County Sale Location Map




**Sale #232**
ALL, Section 36, T5N-R51E
Jeff & Susan Peila



# Garfield County Sale Location Map

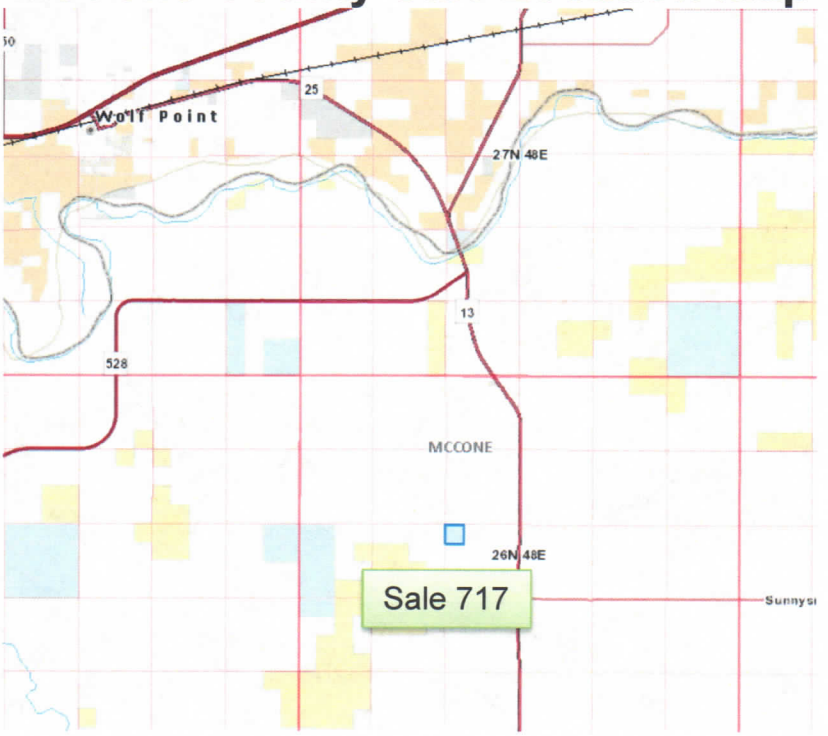



**Sale #719**

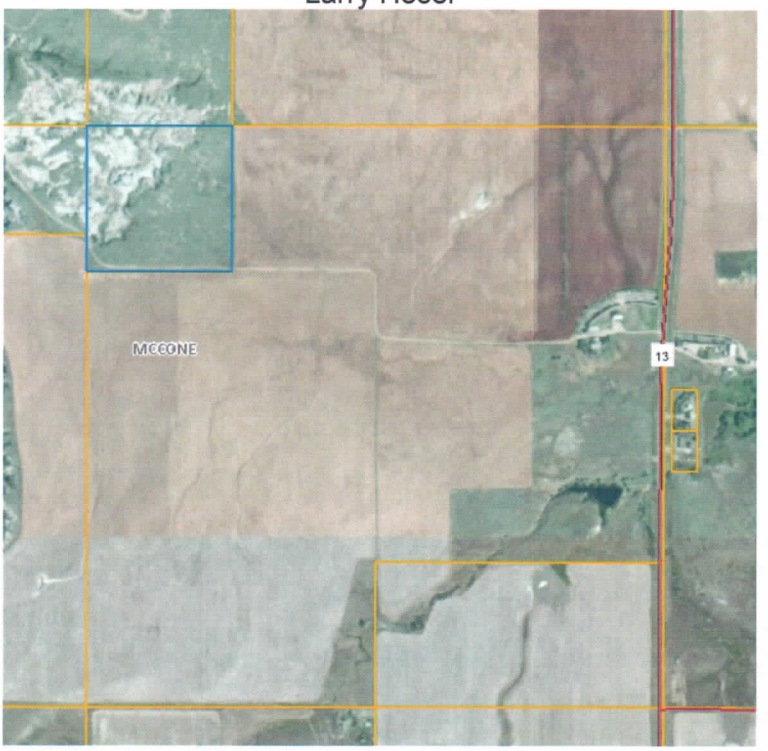
W½, Section 14, T15N-R41E

Burl & Shemene Peckman

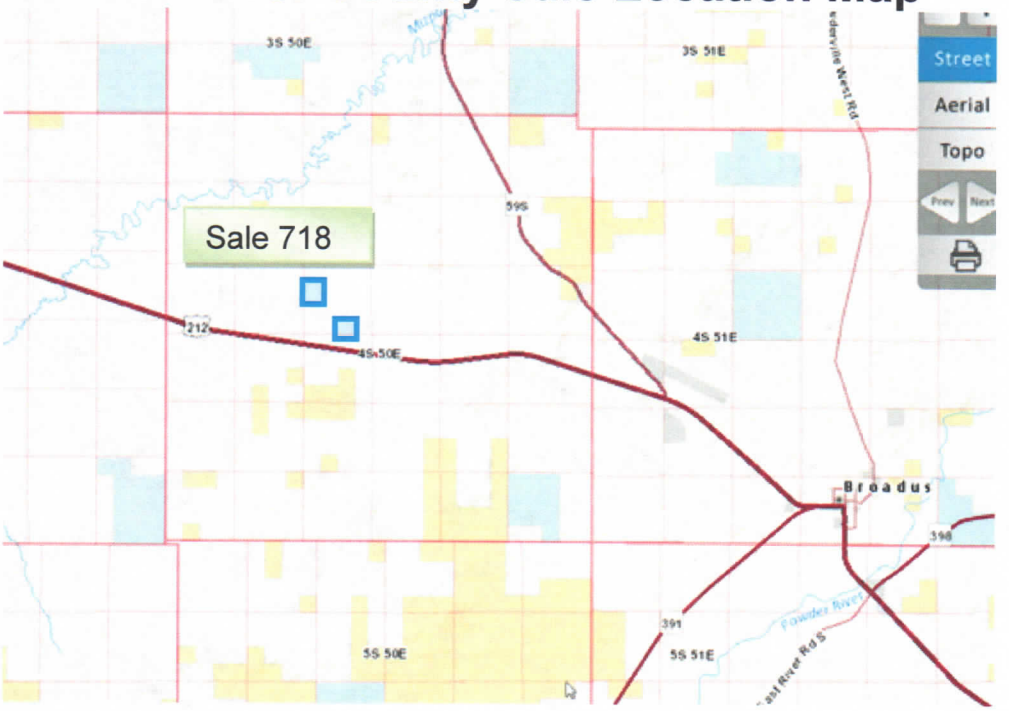
# McCone County Sale Location Map




**Sale #717**
NW¼NW¼, Section 16, T26N-R48E
Larry Heser



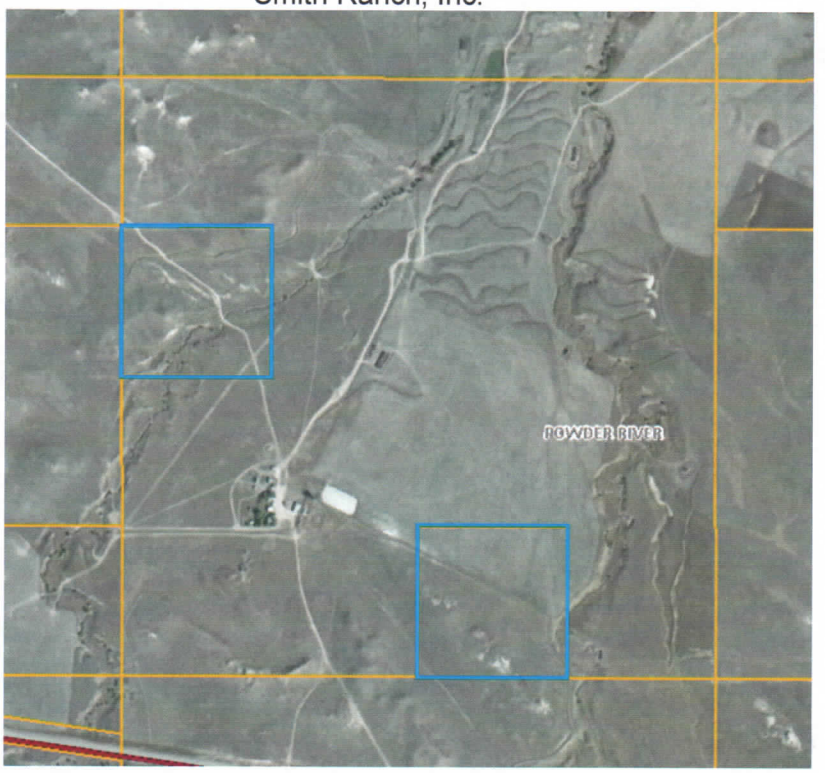
# Powder River County Sale Location Map




**Sale #718**

SW¼NW¼, SW¼SE¼, Section 16, T4N-R50E

Smith Ranch, Inc.



# Property Record Card

## Summary

### Primary Information

**Property Category:** RP
**Subcategory:** Real Property
**Geocode:** 14-1454-36-1-01-01-0000
**Assessment Code:** 000REX0029
**Primary Owner:**
STATE OF MONTANA
STATE OF MONTANA
HELENA, MT 59601-4600
*NOTE: See the Owner tab for all owner information*
**PropertyAddress:**
**COS Parcel:**
**Certificate of Survey:**
**Subdivision:**
**Legal Description:**
S36, T05 N, R51 E, N2, LTS 1-12
**Last Modified:** 10/1/2014 8:08:20 PM

### General Property Information

**Neighborhood:** 001
**Property Type:** EP - Exempt Property
**Living Units:** 0
**Levy District:** 14-0177-13
**Zoning:** 9
**Ownership %:** 100
**Linked Property:**
No linked properties exist for this property
**Exemptions:**
No exemptions exist for this property
**Condo Ownership:**
**General:** 0
**Limited:** 0

### Property Factors

**Topography:** 1
**Fronting:** 1 - Major Strip or Central Business District
**Utilities:** 7,8
**Parking Type:**
**Access:** 2
**Parking Quantity:**
**Location:** 0 - Rural Land
**Parking Proximity:**

### Land Summary

| Land Type | Acres | Value |
|---|---|---|
| Grazing | 0.000 | 35,857.00 |
| Fallow | 0.000 | 00.00 |
| Irrigated | 0.000 | 00.00 |
| Continuous Crop | 0.000 | 00.00 |
| Wild Hay | 0.000 | 00.00 |
| Farmsite | 0.000 | 00.00 |
| ROW | 0.000 | 00.00 |
| NonQual Land | 0.000 | 00.00 |
| Total Ag Land | 752.320 | 35,857.00 |
| Total Forest Land | 0.000 | 00.00 |
| Total Market Land | 0.000 | 00.00 |

### Deed Information:

| Deed Date | Book | Page | Recorded Date | Document Number | Document Type |
|---|---|---|---|---|---|

## Owners

Party #1

**Default Information:** STATE OF MONTANA
STATE OF MONTANA
**Ownership %:** 100
**Primary Owner:** "Yes"
**Interest Type:** Conversion
**Last Modified:** 12/9/2007 1:23:23 PM

Other Names

| Name | Type |
|---|---|

Other Addresses

## Appraisals

Appraisal History

| Tax Year | Land Value | Building Value | Total Value | Method |
|---|---|---|---|---|
| 2014 | 35857 | 0 | 35857 | COST |
| 2013 | 35857 | 0 | 35857 | COST |
| 2012 | 35857 | 0 | 35857 | COST |

## Market Land

Market Land Info
No market land info exists for this parcel

## Dwellings

Existing Dwellings
No dwellings exist for this parcel

## Other Buildings/Improvements

Outbuilding/Yard Improvements
No other buildings or yard improvements exist for this parcel

## Commercial

Existing Commercial Buildings
No commercial buildings exist for this parcel

## Ag/Forest Land

Ag/Forest Land Item #1

**Acre Type:** G - Grazing
**Irrigation Type:**
**Class Code:** 1651
**Timber Zone:**

Productivity

**Quantity:** 0.142
**Commodity:** Grazing Fee

**Units:** AUM/Acre

Valuation

**Acres:** 1.6 **Per Acre Value:** 26.09
**Value:** 42

Ag/Forest Land Item #2

**Acre Type:** G - Grazing **Irrigation Type:**
**Class Code:** 1651 **Timber Zone:**

Productivity

**Quantity:** 0.197 **Commodity:** Grazing Fee
**Units:** AUM/Acre

Valuation

**Acres:** 310.324 **Per Acre Value:** 36.41
**Value:** 11298

Ag/Forest Land Item #3

**Acre Type:** G - Grazing **Irrigation Type:**
**Class Code:** 1651 **Timber Zone:**

Productivity

**Quantity:** 0.262 **Commodity:** Grazing Fee
**Units:** AUM/Acre

Valuation

**Acres:** 16.636 **Per Acre Value:** 48.28
**Value:** 803

Ag/Forest Land Item #4

**Acre Type:** G - Grazing **Irrigation Type:**
**Class Code:** 1651 **Timber Zone:**

Productivity

**Quantity:** 0.27 **Commodity:** Grazing Fee
**Units:** AUM/Acre

Valuation

**Acres:** 82.032 **Per Acre Value:** 49.69
**Value:** 4076

Ag/Forest Land Item #5

**Acre Type:** G - Grazing **Irrigation Type:**
**Class Code:** 1651 **Timber Zone:**

Productivity

**Quantity:** 0.272 **Commodity:** Grazing Fee
**Units:** AUM/Acre

Valuation

**Acres:** 34.445 **Per Acre Value:** 50.16
**Value:** 1728

Ag/Forest Land Item #6

**Acre Type:** G - Grazing **Irrigation Type:**
**Class Code:** 1651 **Timber Zone:**

Productivity

**Quantity:** 0.277 **Commodity:** Grazing Fee
**Units:** AUM/Acre

Valuation

**Acres:** 148.077 **Per Acre Value:** 50.94
**Value:** 7543

Ag/Forest Land Item #7

**Acre Type:** G - Grazing **Irrigation Type:**
**Class Code:** 1651 **Timber Zone:**

Productivity

**Quantity:** 0.328 **Commodity:** Grazing Fee
**Units:** AUM/Acre

Valuation

**Acres:** 40.766 **Per Acre Value:** 60.47
**Value:** 2465

Ag/Forest Land Item #8

**Acre Type:** G - Grazing **Irrigation Type:**
**Class Code:** 1651 **Timber Zone:**

Productivity

**Quantity:** 0.347 **Commodity:** Grazing Fee
**Units:** AUM/Acre

Valuation

**Acres:** 17.635 **Per Acre Value:** 63.91
**Value:** 1127

Ag/Forest Land Item #9

**Acre Type:** G - Grazing **Irrigation Type:**
**Class Code:** 1651 **Timber Zone:**

Productivity

**Quantity:** 0.362 **Commodity:** Grazing Fee
**Units:** AUM/Acre

Valuation

**Acres:** 32.51 **Per Acre Value:** 66.72
**Value:** 2169

Ag/Forest Land Item #10

**Acre Type:** G - Grazing **Irrigation Type:**
**Class Code:** 1651 **Timber Zone:**

Productivity

**Quantity:** 0.363 **Commodity:** Grazing Fee
**Units:** AUM/Acre

Valuation

**Acres:** 47.72 **Per Acre Value:** 66.88
**Value:** 3191

Ag/Forest Land Item #11

**Acre Type:** G - Grazing **Irrigation Type:**
**Class Code:** 1651 **Timber Zone:**

Productivity

**Quantity:** 0.373 **Commodity:** Grazing Fee

**Units:** AUM/Acre

Valuation

**Acres:** 20.575 **Per Acre Value:** 68.75

**Value:** 1415

Gregory A. Thornquist
Elkhorn Appraisal Services
State of Montana, Certified General #867
P.O. Box 448
Helena, MT 59624

# Appraisers Qualifications

**EMPLOYMENT**:

Present, Elkhorn Appraisal Services — Helena, MT
A real estate appraisal firm.

July 2006 to February 2008, Joki & Associates Real Estate Appraisers, — Helena, MT
Staff real estate appraiser.

July 1995 to July 2006, Montana State Tax Appeal Board, — Helena, MT
Board Member/Chairman

1993 - 1995, Rutherford & Associates Appraisals, Inc, — Billings, MT
Apprentice Appraiser

1987 - 1995, Thornquist Property Tax Consulting, — Billings, MT
Owner/ Tax Consultant

**EDUCATION:**

Carroll College — Helena, MT
Business Studies

1984 - 1986 University of Northern Colorado — Greeley, CO
Business Studies

1983 Arapahoe Community College — Littleton, CO
Business Studies

Specialized Real Estate courses:

Litigation Appraising: Specialized Topics and Applications
Appraisal Institute, September 6 & 7, 2014

General Appraiser Market Analysis and Highest & Best Use
Appraisal Institute, April 29-May 2, 2014

National USPAP Update Course
Appraisal Institute Seminar, January 31, 2014

Business Practices and Ethics
Appraisal Institute, September 13, 2013

National USPAP Update Course
Appraisal Institute Seminar, January 27, 2012

The Discounted Cash Flow Model: Concepts, Issues, and Apps
Appraisal Institute Seminar, October 5, 2010

Hotel Appraising – New Techniques for Today's Uncertain Times
Appraisal Institute Seminar, October 4, 2010

Using Spreadsheet Programs in Real Estate Appraisals
Appraisal Institute Seminar, April, 2010

National USPAP Update Course
Appraisal Institute Seminar, February 5, 2010

Appraisal Curriculum Overview
Appraisal Institute Seminar, September 24-25, 2009

Requirements of UASFLA – The Yellow Book
American Society of Farm and Rural Appraisers, October 14, 2008

Office Building Valuation: A Contemporary Perspective
Appraisal Institute Seminar, September, 19, 2008

Report Writing and Valuation Analysis
Appraisal Institute, June, 2007

Uniform Standards of Professional Appraisal Practice (USPAP)
Lincoln Graduate Center, August, 2006

General Applications - Online Course
Appraisal Institute, January, 2006
Using Your HP-12C Financial Calculator - Online Course
Appraisal Institute, October, 2005

The Appraiser as an Expert Witness
Appraisal Institute, January, 2005

Separating Real & Personal Property from Intangible Business Assets
Appraisal Institute, October, 2003

Appraisal Procedures
Appraisal Institute, March, 2002

Partial Interest Valuation - Divided
Appraisal Institute, September, 2001

Litigation Skills for the Appraiser
Appraisal Institute, April, 2000

Residential Case Study
Appraisal Institute, June, 1999

Sales Comparison Valuation of Small Mixed Use Properties
Appraisal Institute, January, 1999

General Applications
Appraisal Institute, December, 1997

Basic Income Capitalization
Appraisal Institute, June, 1997

Income Approach to Valuation
International Association of Assessing Officers, October 1990

Other Related Training

Administrative Law Fair Hearing
The National Judicial College, November, 1995

Logic and Opinion Writing for Administrative Law Judges
The National Judicial College, June, 1999

**STATE CERTIFICATION:** State of Montana, Certified General #867, Issued December, 2007

**TYPICAL APPRAISALS**: Multifamily, office, skilled nursing/convalescent facility, retail, commercial, industrial, special purpose, residential condominiums, vacant land, residential and commercial subdivision land.

**CLIENTS:** Wells Fargo Bank, Stockman Ban, Opportunity Bank, Valley Bank of Helena, United States of America – Department of Veterans Affairs, State of Montana – Department of Natural Resources, State of Montana – Fish Wildlife and Parks, Lewis and Clark County, City of Helena, Butte-Silver Bow County, First Community Bank, Bank of Baker, 1st Interstate Bank, Citizens State Bank, Western Security Bank, First Montana Bank, Mountain West Bank, Rocky Mountain Bank, Amegy Bank, Allstate Appraisal Services, and other private parties.

State of Montana
Business Standards Division
Board of Real Estate Appraisers

This certificate verifies licensure as:
CERTIFIED GENERAL APPRAISER

**License #:** **REA-RAG-LIC-867**
**Status:** **Active**
**Expiration Date:** **3/31/2015**

Endorsement: REAL ESTATE APPRAISER MENTOR

**GREGORY THORNQUIST**
**1522 CHOTEAU ST**
**HELENA, MT 59601**

Montana Department of LABOR & INDUSTRY

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