



Summary Appraisal Report • Residential

of

Vacant Land Parcel located at

1299 Fort Ellis Road
Bozeman, MT 59715

As Of:


July 25, 2011

Prepared For:

John Grimm
Montana DNRC
P.O. Box 201601
Helena, MT 59620-1601

Prepared By:

Keith O'Reilly, MAI
Bridger Appraisals Inc
P.O. Box 11145
Bozeman, MT 59719

 Form 120.03*	Client File #:	117830	Appraisal File #:	R072711142
	<h2>Summary Appraisal Report • Land</h2>			
	Appraisal Company: BRIDGER APPRAISALS INC			
	Address: P.O. Box 11145, Bozeman, MT 59719			
Phone: 406-587-2452		Fax: 406-587-7742		Website:
Appraiser: Keith O'Reilly, MAI		Co-Appraiser:		
AI Membership (if any): <input type="checkbox"/> SRA <input checked="" type="checkbox"/> MAI <input type="checkbox"/> SRPA <input type="checkbox"/> Associate Member		AI Membership (if any): <input type="checkbox"/> SRA <input type="checkbox"/> MAI <input type="checkbox"/> SRPA <input type="checkbox"/> Associate Member		
Professional Affiliation:		Professional Affiliation:		
Email: keith4545@gmail.com		E-mail:		
Client: Montana DNRC		Contact: John Grimm		
Address: P.O. Box 201601, Helena, MT 59620-1601				
Phone:		Fax:		Email:
SUBJECT PROPERTY IDENTIFICATION				
Address: 1299 Fort Ellis Road				
City: Bozeman		County: Gallatin	State: MT	ZIP: 59715
Legal Description: Part of the SE¼SE¼NE¼ of Section 21, Township 2 South, Range 6 East, Gallatin County, Montana. (Parcel 540)				
Tax Parcel #: RGH62717 (IOP)		RE Taxes: Currently Tax Exempt Tax Year: 2010		
Use of the Real Estate As Of the Date of Value: Residential				
Use of the Real Estate Reflected in the Appraisal: Vacant Land				
Opinion of highest and best use (if required): Single Family Residential Development				
SUBJECT PROPERTY HISTORY				
Owner of Record: State of Montana				
Description and analysis of sales within 3 years (minimum) prior to effective date of value: The subject property has not transferred or been listed for sale within the past three years.				
Description and analysis of agreements of sale (contracts), listing, and options: The subject property has not been listed for sale or under contract over the past three years as indicated by the Southwest Montana MLS.				
RECONCILIATIONS AND CONCLUSIONS				
Indication of Value by Sales Comparison Approach		\$ 240,000		
Indication of Value by Cost Approach		\$ N/A		
Indication of Value by Income Approach		\$ N/A		
Final Reconciliation of the Methods and Approaches to Value: The sales comparison approach is the only applicable approach to valuing the subject site as vacant. The income approach and cost approach are not applicable. The final valuation is based upon the Hypothetical Condition that there are no improvements upon the site and that there is legal access. Presently there is a house on the site along with several outbuildings, per the clients instructions no value is being given to the improvements. There appears to be legal and adequate access to the subject site.				
Opinion of Value as of: July 25, 2011		\$ 240,000		
The above opinion is subject to: <input checked="" type="checkbox"/> Hypothetical Conditions and/or <input type="checkbox"/> Extraordinary Assumptions cited on the following page.				

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Client:	Montana DNRC	Client File #	117830
Subject Property:	1299 Fort Ellis Road, Bozeman, MT 59715	Appraisal File #	R072711142

ASSIGNMENT PARAMETERS

Intended User(s): State of Montana Department of Natural Resources and Conservation (DNRC), State of Montana, Montana Board of Land Commissioners

Intended Use: To determine current market value of the subject property for decision making purposes concerning the potential sale of the subject property.

The report is not intended by the appraiser for any other use by any other user.

Type of Value: Current Market Value

Effective Date of Value: July 25, 2011

Interest Appraised: ☒ Fee Simple ☐ Leasehold ☐ Other

Hypothetical Conditions: (A hypothetical condition is that which is contrary to what exists, but is asserted by the appraiser for the purpose of analysis. Any hypothetical condition may affect the assignment results.) The appraisal is based upon the Hypothetical Condition that the subject site is vacant. No contributory value has been given to the residential improvements upon the site.

Extraordinary Assumptions: (An extraordinary assumption is directly related to a specific assignment and presumes uncertain information to be factual. If found to be false this assumption could alter the appraiser's opinions or conclusions. Any extraordinary assumption may affect the assignment results.) None

In accordance with Standard Rule 2-2(b) of the Uniform Standard of Professional Appraisal Practice (USPAP), this is a summary appraisal report.

SCOPE OF WORK

Definition: The scope of work is the type and extent of research and analysis in an assignment. Scope of work includes the extent to which the property is identified, the extent to which tangible property is inspected, the type and extent of data research, and the type and extent of analysis applied to arrive at credible opinions or conclusions. The specific scope of work for this assignment is identified below and throughout this report.

Scope of Subject Property Inspection/Data Sources Utilized**Appraiser**

Property Inspection ☒ Yes ☐ No

Date of Inspection: July 25, 2011

Describe Scope of Property Inspection, Source of Area Calculations and Data Sources Consulted: The site was originally inspected June 25, 2011.

A final brief viewing took place on July 25, 2011 which is the effective date.

The client has supplied me with the subject site size of approximately 8 acres.

Co-Appraiser

Property Inspection: ☐ Yes ☐ No

Date of Inspection:

Describe Scope of Property Inspection, Source of Area Calculations and Data Sources Consulted:

Approaches to Value Developed**Cost Approach:**

☐ Is necessary for credible results and is developed in this analysis

☒ Is not necessary for credible results; not developed in this analysis

☐ Is not necessary for credible results but is developed in this analysis

Sales Comparison Approach:

☒ Is necessary for credible results and is developed in this analysis

☐ Is not necessary for credible results; not developed in this analysis

☐ Is not necessary for credible results but is developed in this analysis

Income Approach:

☐ Is necessary for credible results and is developed in this analysis

☒ Is not necessary for credible results; not developed in this analysis

☐ Is not necessary for credible results but is developed in this analysis

Additional Scope of Work Comments: Neither the cost approach or the income approach are applicable to appraising smaller parcels of residential land similar to the subject property, thus these approaches are not included in the report. See comment addendum.

Significant Real Property Appraisal Assistance: ☒ None ☐ Disclose Name(s) and contribution:

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Subject Property:	1299 Fort Ellis Road, Bozeman, MT 59715	Appraisal File #	R072711142

MARKET AREA ANALYSIS

Location <input type="checkbox"/> Urban <input checked="" type="checkbox"/> Suburban <input type="checkbox"/> Rural	Built Up <input type="checkbox"/> Under 25% <input checked="" type="checkbox"/> 25%-75% <input type="checkbox"/> Over 75%	Growth <input type="checkbox"/> Rapid <input type="checkbox"/> Stable <input checked="" type="checkbox"/> Slow	Supply & Demand <input type="checkbox"/> Shortage <input type="checkbox"/> In Balance <input checked="" type="checkbox"/> Over Supply	Value Trend <input type="checkbox"/> Increasing <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Decreasing	Typical Marketing Time <input type="checkbox"/> Under 3 Months <input type="checkbox"/> 3-6 Months <input checked="" type="checkbox"/> Over 6 Months
Neighborhood Single Family Profile Price _____ Age _____ 150,000 Low 0 1,000,000 High 100 400,000 Predominant 30		Neighborhood Land Use 1 Family 40 % Commercial _____ % Condo _____ % Vacant 60 % Multifamily _____ % _____ %		Neighborhood Name : Area 2--known as the Area surrounding the City of Bozeman PUD <input type="checkbox"/> Condo <input type="checkbox"/> HOA: \$ _____ / Amenities: _____	

Market area description and characteristics: The subject site lies just east of the City Limits of Bozeman. The majority of the land use is single family housing located on larger tracts of land which range from 1 to 20+ acres. There is limited agricultural land in the immediate neighborhood. There is virtually no commercial use in the immediate neighborhood.

SITE ANALYSIS

Dimensions: See Plat Map		Area: 8 acres	
View: Mountain		Shape: Irregular	
Drainage: Appears Adequate		Utility: Average	
Site Similarity/Conformity to Neighborhood Size: <input type="checkbox"/> Smaller than Typical <input checked="" type="checkbox"/> Typical <input type="checkbox"/> Larger Than Typical View: <input checked="" type="checkbox"/> Favorable <input type="checkbox"/> Typical <input type="checkbox"/> Less than Favorable		Zoning/Deed Restriction Zoning: PLI--Public Lands Institutions District <input checked="" type="checkbox"/> Legal <input type="checkbox"/> No zoning <input type="checkbox"/> Legal, non-conforming <input type="checkbox"/> Illegal Convenants, Condition & Restrictions <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Unknown Documents Reviewed <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Ground Rent \$ _____ /	
Utilities Electric <input checked="" type="checkbox"/> Public <input type="checkbox"/> Other _____ Gas <input type="checkbox"/> Public <input type="checkbox"/> Other _____ Water <input type="checkbox"/> Public <input type="checkbox"/> Other Private Well _____ Sewer <input type="checkbox"/> Public <input type="checkbox"/> Other Private Septic _____		Off Site Improvements Street <input checked="" type="checkbox"/> Public <input type="checkbox"/> Private Gravel _____ Alley <input type="checkbox"/> Public <input type="checkbox"/> Private _____ Sidewalk <input type="checkbox"/> Public <input type="checkbox"/> Private _____ Street Lights <input type="checkbox"/> Public <input type="checkbox"/> Private _____	

Site description and characteristics: The subject site contains approximately 8 acres. The size of the site is somewhat odd, after sites reach 5 acres they typically are subdivided in 5 acre increments or 10, 15 and 20 acres sites. The subject site falls in between 5 and 10 acres. The location of the site is good, located just east of the City Limits of Bozeman, MT. The site is accessed by a gravel road which typically is inferior to paved asphalt. There is no natural gas to the subject site which is a negative. The site slopes from west to east and has a good building site; however, there is a drainage area on the southwestern portion of the site that is surplus land adequate for horse ownership.

HIGHEST AND BEST USE ANALYSIS

<input checked="" type="checkbox"/> Present Use	<input type="checkbox"/> Proposed Use	<input type="checkbox"/> Other
Summary of highest and best use analysis: The highest and best use of the subject site as if vacant is for residential single family development. The subject site is not large enough for a stand alone agricultural use. The location of the subject is not adaptable to a commercial use. The only use that meets the criteria of physically possible, legally permissible, financially feasible and maximally productive is that of a single family residence. This is consistent with the current use.		

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Subject Property:	1299 Fort Ellis Road	Appraisal File #	R072711142

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the following assumptions and limiting conditions:

- This report is prepared using forms developed and copyrighted by the Appraisal Institute. However, the content, analyses, and opinions set forth in this report are the sole product of the appraiser. The Appraisal Institute is not liable for any of the content, analyses, or opinions set forth herein.
- No responsibility is assumed for matters legal in character or nature. No opinion is rendered as to title, which is assumed to be good and marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, having responsible ownership and competent management.
- I have examined the property described herein exclusively for the purpose of identification and description of the real property. The objective of our data collection is to develop an opinion of the highest and best use of the subject property and make meaningful comparisons in the valuation of the property. The appraiser's observations and reporting of the subject improvements are for the appraisal process and valuation purposes only and should not be considered as a warranty of any component of the property. This appraisal assumes (unless otherwise specifically stated) that the subject is structurally sound and all components are in working condition.
- I will not be required to give testimony or appear in court because of having made an appraisal of the property in question, unless specific arrangements to do so have been made in advance, or as otherwise required by law.
- I have noted in this appraisal report any significant adverse conditions (such as needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) discovered during the data collection process in performing the appraisal. Unless otherwise stated in this appraisal report, I have no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and have assumed that there are no such conditions and make no guarantees or warranties, express or implied. I will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because I am not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable public and/or private sources that I believe to be true and correct.
- I will not disclose the contents of this appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice, and/or applicable federal, state or local laws.
- The Client is the party or parties who engage an appraiser (by employment contract) in a specific assignment. A party receiving a copy of this report from the client does not, as a consequence, become a party to the appraiser-client relationship. Any person who receives a copy of this appraisal report as a consequence of disclosure requirements that apply to an appraiser's client, does not become an intended user of this report unless the client specifically identified them at the time of the assignment. The appraiser's written consent and approval must be obtained before this appraisal report can be conveyed by anyone to the public through advertising, public relations, news, sales, and other media.
- A true and complete copy of this report contains 22 pages including exhibits which are considered an integral part of the report. The appraisal report may not be properly understood without access to the entire report.
- If this valuation conclusion is subject to satisfactory completion, repairs, or alterations, it is assumed that the improvements will be completed competently and without significant deviation.

VALUE DEFINITION

<input type="checkbox"/> Market Value Definition (below)	<input checked="" type="checkbox"/> Alternative Value Definition (attached)
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MARKET VALUE is defined as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of the title from the seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source: *The Dictionary of Real Estate Appraisal, 4th ed., Appraisal Institute*

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APPRAISER'S CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analysis, opinions, and conclusions are limited only by the report assumptions and limiting conditions, and are my personal, unbiased professional analysis, opinions, and conclusions.
- I have no present (unless specified below) or prospective interest in the property that is the subject of this report, and I have no (unless specified below) personal interest with respect to the parties involved.
- I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Individuals who have provided significant real property appraisal assistance are named below. The specific tasks performed by those named are outlined in the Scope of Work section of this report.
☒ None ☐ Name(s)

As previously identified in the Scope of Work section of this report, the signer(s) of this report certify to the inspection of the property that is the subject of this report as follows:

Property Inspected by Appraiser ☒ Yes ☐ No

Property inspected by Co-Appraiser ☐ Yes ☐ No

ADDITIONAL CERTIFICATION FOR APPRAISAL INSTITUTE MEMBERS

Appraisal Institute Member Certify:

- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

Designated Appraisal Institute Member Certify:

As of the date of this report, I ☒ have / ☐ have not completed the continuing education program of the Appraisal Institute.

Designated Appraisal Institute Member Certify:

As of the date of this report, I ☐ have / ☐ have not completed the continuing education program of the Appraisal Institute.

APPRAISERS SIGNATURES

APPRAISER:

Signature 

Name Keith O'Reilly, MAI

Report Date August 8, 2011

Trainee _____

License # Certified General #400 State MT

Expiration Date 3-31-2012

CO-APPRAISER:

Signature _____

Name _____

Report Date _____

Trainee _____

License # _____ State _____

Expiration Date _____

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SITE EVALUATION**Site Valuation Methodology**

- ☒ **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, then applying appropriate units of comparison and making adjustments to the sale prices 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; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available.
- ☐ **Market Extraction:** A method of estimating land value in which the depreciated cost of the improvements on the improved property is estimated and deducted from the total sale price to arrive at an estimated sale price for the land; most effective when the improvements contribute little to the total sale price of the property.
- ☐ **Alternative Method:** (Describe methodology and rationale)

Site Valuation

ITEM	SUBJECT	COMPARISON 1		COMPARISON 2		COMPARISON 3	
Address	1299 Fort Ellis Road Bozeman, MT 59715	Tract 3 COS 1093B Bozeman, MT 59715		9270 Hodgeman Canyon Road Bozeman, MT 59715		12551 Cottonwood Rd Bozeman, MT 59718	
Proximity to Subject		0.89 miles NW		5.68 miles SW		8.35 miles SW	
Data Source/ Verification		Southwest Montana MLS#157921 Cory Vellinga		Southwest Montana MLS#145506 Dianne Click		Southwest Montana MLS#155442 Shawn Moran	
Sales Price	\$		\$ 195,000		\$ 392,000		\$ 285,000
Price/ Acre	\$ 0		\$ 38,682.80		\$ 33,822.26		\$ 40,714.29
Sale Date	N/A	01-28-2010 (-15%)		06-11-2010 (-10%)		08-19-2009 (-20%)	
Location	Suburban	Suburban/Equal		Superior Site		Suburban/Equal	
Site Size	8 acres	5.041 acres		11.59 acres		7 acres	
Site View	Mountain	Mountain		Mountain		Mountain	
Site Improvements	None	None		None		None	
Per Acre Indicated Value		\$32,879.70		\$30,439.80		\$32,571.42	
Net Adjustment		<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 0	<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 0	<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 0
		Net Adj. 0%		Net Adj. 0%		Net Adj. 0%	
Indicated Value		Gross Adj. 0% \$ 32,879		Gross Adj. 0% \$ 30,439		Gross Adj. 0% \$ 32,571	
Prior Transfer History	N/A	N/A		N/A		N/A	
	N/A	N/A		N/A		N/A	

Site Valuation Comments: The number comparable sales is currently limited. A search of MLS shows that there are presently 54 sites listed for sale between 5 acres and 12 acres. The median list price is \$269,000, the low list price is \$139,900 and the high list price is \$605,000. In the same set of parameters there are only 5 sales that have taken place since 01-28-2010 or only approximately 3 sales per year. Two of the most similar listings are located in the comment addendum of the report the asking price for these properties are \$29,474 per acre for 7.8 acres and \$29,900 per acre for 10 acres. The above data supports a value less than \$32,879 per acre. Sale 1 is located closest in proximity while Sale 2 is the most current. The reason I have reconciled below \$32,879 per acre is that the sales comparison approach supports a lower value per acre for larger sites. I have reconciled between \$28,500 per acre (listings less 5%) and \$32,879 per acre or \$30,000 per acre x 8 acres or \$240,000.

Site Valuation Reconciliation: The quality of market data is very good. Sale 1 is located in proximity to the subject, approximately 0.89 of a mile to the west. Overall the site does not have the privacy of the subject, however, it is located on an asphalt paved road and does have access to natural gas. Sale 2 is located in an area that offers more privacy, similar to the subject. Overall the views and amenities of this site may be slightly superior to the subject. Comparable Sale 3 has been given the least amount of consideration in the final valuation process. Overall the sale is older and required a larger negative market condition adjustment. The actual indicated range of value is very narrow, thus I believe the overall indication of value is reasonable and reliable.

Opinion of Site Value**\$ 240,000**

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PURPOSE AND USE OF APPRAISAL

The purpose of this appraisal is to estimate the current market value of the vacant land located at 1299 Fort Ellis Road, Bozeman, MT as of July 25, 2011. The use of this appraisal is to assist the client(s)--Montana Department of Natural Resources and Conservation (DNRC), the State of Montana and the Montana Board of Land Commissioners, in determining a credible opinion of current market value for the subject property to be used in the decision making process concerning the potential sale of the subject property. I have not previously appraised the subject property.

SCOPE OF THE APPRAISAL

In regard to the subject property, the following steps were involved.

1. The property was viewed on July 25, 2011 by Keith O'Reilly, MAI. Photographs were taken on that date.
2. Market research was conducted in the Bozeman area.
3. Real estate brokers were consulted for sales and rental information.
4. Public records were reviewed for size, type, and age of the comparable properties. Montana is a nondisclosure state therefore; no selling price information appears on the public record.
5. Market data extending back to January of 2006 was considered.

AREA DATA**Bozeman Montana -**

The subject property is located just east of the City of Bozeman, MT. Bozeman, MT is the home of Montana State University and the city enjoys a rare combination of outdoor recreation and culture, with nearby ski areas, a symphony, Museum and Planetarium, and a cultural arts center. Bozeman has experienced significant growth over the last decade. The local economy is partially dependent on tourism, yet the university remains the largest employer in the region. Montana State University is a land grant institution offering bachelor degrees in over 47 fields. Student enrollment in the Spring of 2011 was approximately 12,850.

Market Conditions -

The residential real estate market has slowed in 2007, 2008, 2009 and 2010 when compared to 2005 and early 2006, this is similar to the rest of the Country. Loan discounts, interest buy-downs, and other concessions are taking place in the market to a limited extent.

Market Trends for Single Family Homes - (Sales Price Range of \$150K to \$550K in the City Limits of Bozeman)

Year	Number Units Sold	Average List Price	Average Sales Price
2004	390	\$253,334	\$251,247
2005	453	\$290,043	\$287,423
2006	355	\$326,242	\$320,395
2007	311	\$321,771	\$313,226
2008	292	\$311,222	\$300,745
2009	284	\$281,523	\$268,673
2010	311	\$276,464	\$265,796
2011 thru July	182	\$217,839	\$208,455

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REGIONAL DATA

The City of Bozeman is the county seat of Gallatin County Montana. The county contains 2,517 square miles and surrounds the Gallatin River Valley which is one of the most productive agricultural regions in Montana. Gallatin County is situated in a mountainous region in the southwestern part of the state approximately 140 miles west of Billings, Montana and 65 miles north of Yellowstone National Park.

Transportation -

Major forms of transportation include:

1 Railroad, Montana Rail Link

5 Commercial Airlines that include United, Delta, Northwest, Horizon and Frontier located at the Gallatin Field Airport in Belgrade, Montana.

1 Bus line, Greyhound

1 locally owned free service bus line known as the Streamline which runs between Belgrade and Bozeman.

Several intrastate and interstate motor carriers.

Population -

Published population figures for Bozeman and Gallatin County are listed below:

Data	Bozeman	Gallatin County
1970 Census	18,670	32,505
1980 Census	21,645	42,865
1990 Census	22,660	50,463
2000 Census	27,509	67,831
2010 Census	37,280	89,513

Market Condition:

In my opinion vacant land values have declined at least 40% in every segment; multi-family residential sites have seen even a larger decline in value. I have concluded this by comparing older sales with current listings and using paired sales where data is available. The data below includes all types of land from townhouse lots and single family lots to development land. Though current sales data on multifamily sites is limited it is reasonable to assume the same decline would apply to each segment.

Development Land- (Decline of 62% per the list price)

- Sold- 59.5 Acres, Not Zoned, Not Annexed, 10/11/2004 \$84,973
- 52.3 acres just south of Bronken Field. Preliminary plat 52.3 acres closed 08-05-2010 for \$26,750 per acre. An indicated decline in value of 68%.

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Single Family Land**Harvest Creek (Decline of 43% to 50%)**

- Older Sale- Southwest Montana MLS# 132871-- LOT 11 Block 24 sold on 2/1/2007 \$100,000
- Current Sales-
 - Southwest Montana MLS# 160096--Lot 22 Block 26 sold on 4/28/2009 \$50,000
(2 lots were purchased)
 - Southwest Montana MLS# 162289-- Lot 13 Block 37 sold on 8/11/2009 \$57,000
- Current Listing- Southwest Montana MLS# 164437-- Lot 25 Block 22 \$62,000 on the market for 1,234 days.

Green Hills Ranch (Decline of 38% per list price)

- Older Sale- Southwest Montana MLS# 127814-- Lot 41 Green Hills 1/31/2007 \$300,000
- Current Listing- Southwest Montana MLS# 160723-- Lot 6 Block 1 \$185,000 (DOM 243)
Terminated Listing.
- Lot 22 Green Hills Ranch Sold 08-10-10 for \$115,000 listed at \$140,000. Previously asked \$240,000+

Townhouse Lots (Decline of 47%)

- Older Sale- Southwest Montana MLS #136391-- Lot 3B Block 3 West Winds 3/27/2007 \$45,000
- Current Listing – Southwest Montana MLS # 143519--Lot 10A Block 4 West Winds DOM 778
\$29,900 Expired.

After interviewing a couple of builders it was confirmed that the developer of West Winds has sold similar sites for \$24,500.

Current Listing-

TBD Fowler Lane- 10 acres, listed MLS# 171893 for \$299,000, currently under contract.

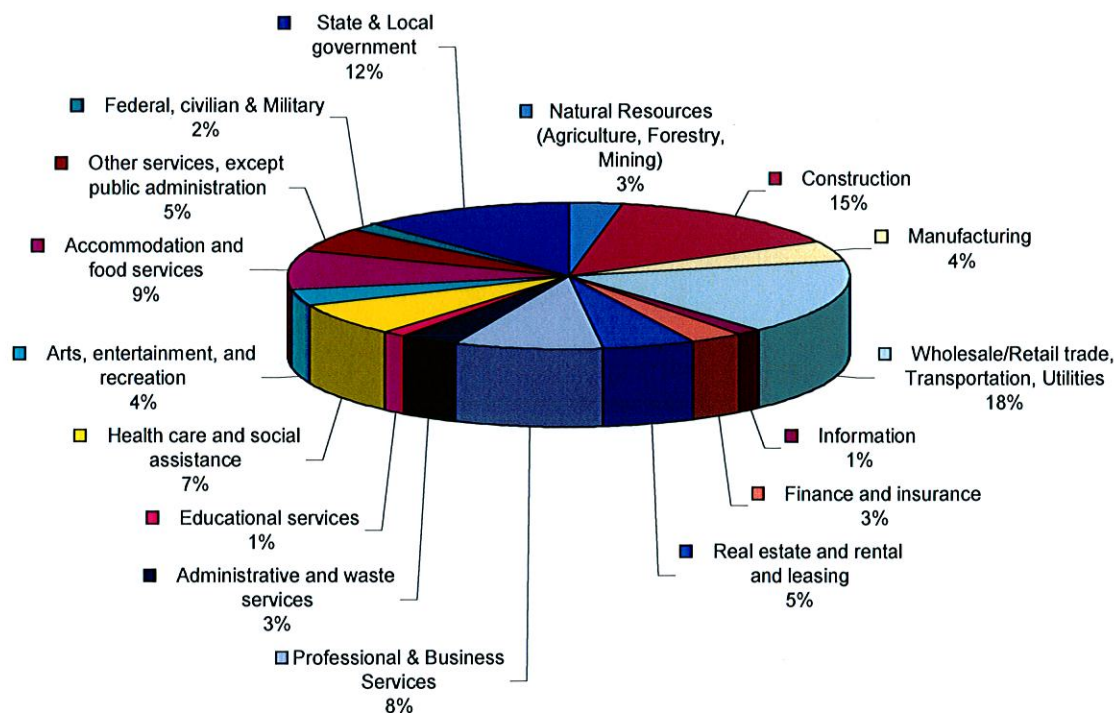
TBD Daves Lane- 7.8 acres, listed MLS# 173971 for \$229,900.

Client:	Montana DNRC	Client File #:	117830
Subject Property:	1299 Fort Ellis Road	Appraisal File #:	R072711142

Economy –

The economic base of the subject region is comprised of the following:

Natural Resources (Agriculture, Forestry, Mining)	2079	3.10%
Construction	9433	14.06%
Manufacturing	2965	4.42%
Wholesale/Retail trade, Transportation, Utilities	11216	16.72%
Information	950	1.42%
Finance and insurance	1968	2.93%
Real estate and rental and leasing	3666	5.46%
Professional & Business Services	5664	8.44%
Administrative and waste services	2315	3.45%
Educational services	952	1.42%
Health care and social assistance	4819	7.18%
Arts, entertainment, and recreation	2361	3.52%
Accommodation and food services	5901	8.80%
Other services, except public administration	3504	5.22%
Federal, civilian & Military	1067	1.59%
State & Local government	8228	12.26%
Total	67088	100.00%



Client:	Montana DNRC	Client File #:	117830
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Adverse Site Conditions or External Factors -

As of the date of viewing, I observed no obvious adverse easements, encroachments, land uses or conditions that would affect the marketability of the subject property. This would only include areas that are visible and accessible during a typical inspection of a property. This appraisal does not guarantee (expressed, written or implied) that the property is void of any defects or environmental factors that may affect the marketability of the property. The appraiser claims to have no expertise, education, qualifications, or certifications in these areas. It is recommended by the appraiser that a qualified expert is hired to perform an inspection specifically addressing these issues.

Report -

This summary 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. As such, it might not include full discussions of the data, reasoning, and analyses that are were used in the appraisal process to develop the opinion of value. Supporting documentation concerning the data, reasoning, and analysis is retained in the office file. The information contained in this report is specific to the needs of the client and for the intended use as stated in this report. The appraiser is not responsible for unauthorized use of this report.

The liability of BRIDGER APPRAISALS INC. and its employees are limited to the fee collected for preparation of the appraisal. There is no accountability for liability to any third party.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

During the reconciliation of the sales comparison approach both quantitative and qualitative adjustments are considered for the comparable properties. The adjustments that were made are in anticipation of the market reaction for the differences in the subject property versus the comparable properties.

Bridger Appraisals Inc
SUBJECT PHOTO ADDENDUM

Client:	Montana DNRC	Client File #:	117830
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Subject property
View looking north west for Fort Ellis Rd.



Street scene looking north along
Fort Ellis Rd.



Interior view of the subject site

Client: Montana DNRC
Subject Property: 1299 Fort Ellis Road

Client File #: 117830
Appraisal File #: R072711142



COMPARABLE SALE # 1
Tract 3 COS 1093B
Bozeman, MT 59715



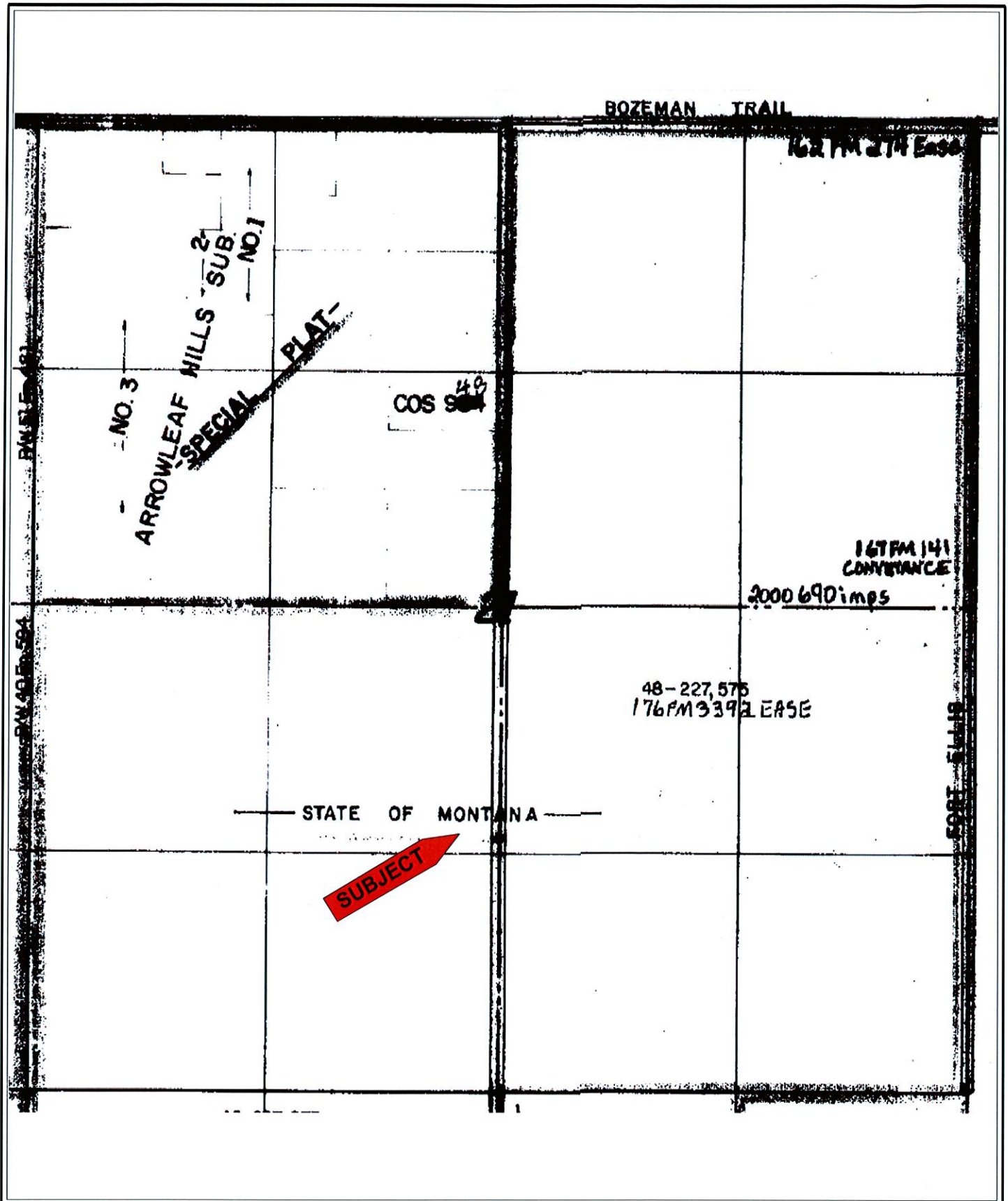
COMPARABLE SALE # 2
9270 Hodgeman Canyon Road
Bozeman, MT 59715



COMPARABLE SALE # 3
12551 Cottonwood Rd
Bozeman, MT 59718

Bridger Appraisals Inc
Plat Map

Client:	Montana DNRC	Client File #:	117830
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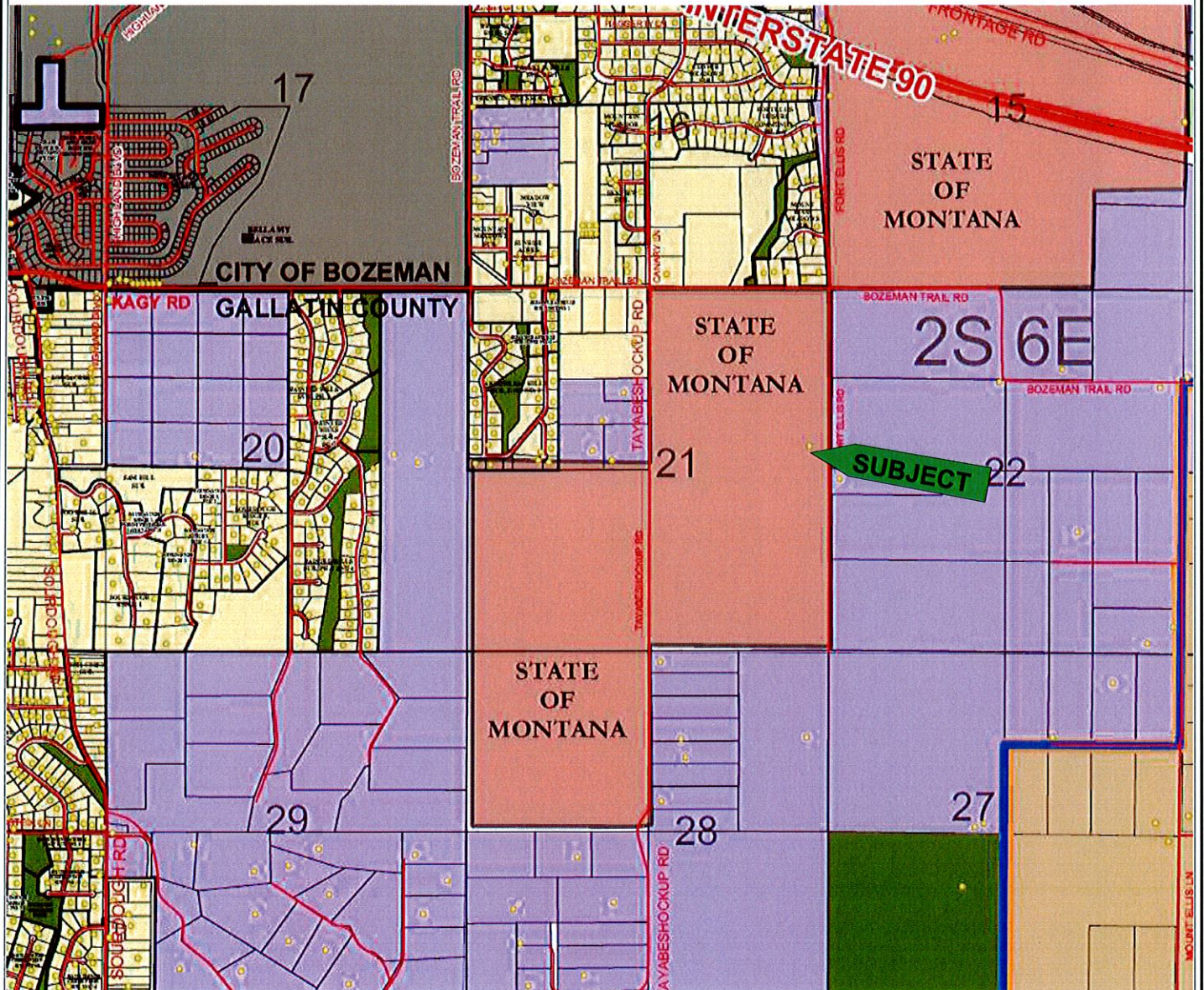


Client:	Montana DNRC	Client File #:	117830
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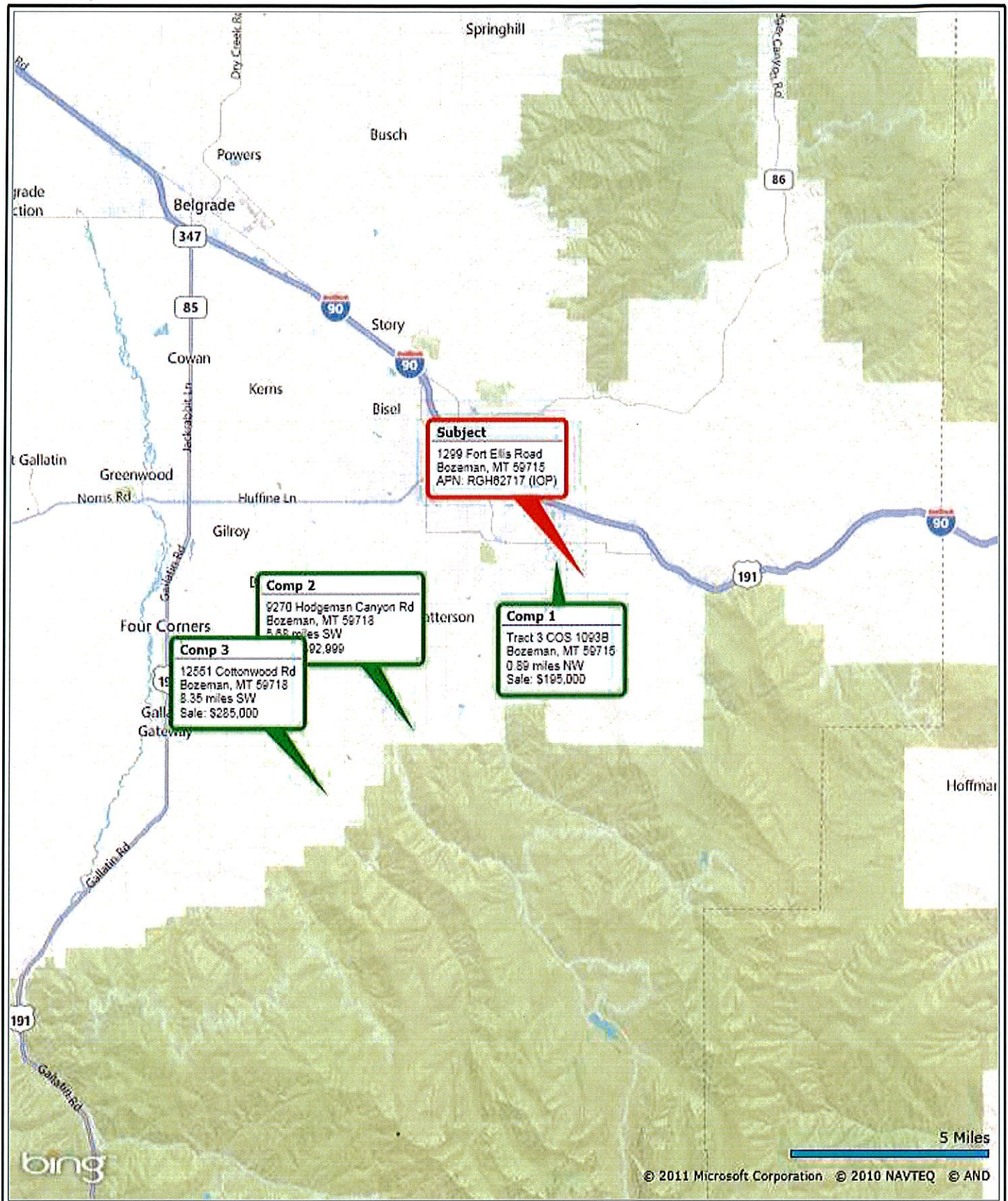
Bridger Appraisals Inc
Zoning Map

Client:	Montana DNRC	Client File #:	117830
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Bridger Appraisals Inc
Location Map

Client:	Montana DNRC	Client File #:	117830
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Client:	Montana DNRC	Client File #:	117830
Subject Property:	1299 Fort Ellis Road	Appraisal File #:	R072711142

Keith O'Reilly, MAI

State of Montana General Certificate #400 Expires 3-31-2012

Qualifications**EDUCATION**

- Educated in the Bozeman and Billings Public Schools Systems, Bozeman and Billings, MT.
- Obtained a B.S. degree in Business Marketing from Montana State University in 1992.

APPRAISAL EDUCATION COURSES:

- Successfully completed the following courses and seminars from Appraisal Institute:

<u>Courses from Appraisal Institute</u>	<u>Seminars from Appraisal Institute</u>
1110 Appraisal Principles	"The New URAR"
1120 Appraisal Principles	"High Tech Appraisal Office"
1210 Appraisal Principles	"Fundamental of Relocation"
1410 Appraisal Principles	"Understanding Limited Appraisals Residential"
1420 Appraisal Principles	"Understanding Limited Appraisals General"
310 Basic Income Capitalization	"660-Small Hotel/Motel Valuation"
430 Standards of Professional Standards Part C	"620-Mixed Use Valuation Analysis"
510 Advanced Income Capitalization	"Appraising Manufactured Housing"
520 Highest & Best Use and Market Analysis	"Data Confirmation and Verification Methods"
530 Advanced Sales Comparison and Cost Approaches	"Partial Interest Valuation-Undivided"
540 Report Writing and Valuation Analysis	"Appraisal Review General"
550 Advanced Application	"2004 7hr USPAP Update"

- Completed Ted Whitmer's Comprehensive Appraisal Work Shop, Dallas Texas

APPRAISAL EXPERIENCE:

I have specialized in the appraisals of residential and commercial properties located in Gallatin County, Montana since May of 1992.

My experience includes an apprenticeship with Henry Neils, MAI & Patrick Nolan, MAI, SRA.

Appraising residential properties including single family, 2-4 family, and condominiums, industrial sites and buildings, commercial sites and buildings, and insurable value appraisals.

I am a native of Bozeman and have resided in the area for approximately 38 years. I served as a board member for the Montana Board of Real Estate Appraisers from 2001 -2007 and was the Chairman of the Screening Panel Committee for the Board of Appraisers.

I have completed work for the following:

American Bank, Wells Fargo Home Mortgage, Prudential Relocation, First Interstate Bank, Valley Bank of Belgrade, United States Government General Services Administration, Big Sky Western Bank, Sterling Savings and Loan, First Security Bank of Bozeman, U.S. Bank, American Federal Savings Bank, Wells Fargo Bank, Bozeman Deaconess Hospital, Burlington Northern Santa Fe Railroad.

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STATE OF MONTANA	Specialty:
Department of Labor and Industry	
Board of Real Estate Appraisers	
This verifies the below named is currently licensed as a	
Certified General Appraiser	
License #: 400	Active
Expires: 03/31/2012	LicenseLookup.mt.gov
KEITH PATRICK O'REILLY	LicenseRenewal.mt.gov
BRIDGER APPRAISALS	
147 MCGEE DR	
PO BOX 11145	
BOZEMAN, MT 59719	

Client:	Montana DNRC	Client File #:	117830
Subject Property:	1299 Fort Ellis Road	Appraisal File #:	R072711142

FOR DNRC USE ONLY			Approved No. <u>117830</u> Amendment No. _____ Division <u>JMS</u> C.S.D. <u>W</u> Legal <u>THB</u>
Maximum amount under this agreement: <u>\$1,500.00</u>			
Source of Funds			
Private Funds			
Fund Name	Fund No.		
Land Bank Private Funds	02031		
Subclass	Org. No.	Percent	
555HA	6043-55	100%	

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
TRUST LAND MANAGEMENT DIVISION

POTENTIAL LAND BANKING SALE OF ONE PARCEL IN GALLATIN COUNTY

This Agreement is between the Montana Department of Natural Resources and Conservation (DNRC), and Keith O'Reilly, Bridger Appraisals, 84-1378397. The parties to this Agreement, in consideration of the mutual covenants and stipulations set out herein, agree as follows:

Section 1. **PURPOSE.** The purpose of this Agreement is to establish mutually agreeable terms and conditions, specifications and requirements for, Keith O'Reilly, Bridger Appraisals, to provide DNRC with a real estate appraisal, on the subject property in Gallatin County.

Section 2. **TERM.** The effective date of this agreement is the last date of signing, or upon compliance with Section 8, Compliance with Workers' Compensation Act, whichever is later, and shall terminate on September 1, 2011 unless terminated earlier pursuant to Section 15, Termination. The appraisal report is to be completed and forwarded to Montana DNRC, John Grimm, P.O. Box 201601, Helena, MT 59620-1601 by August 1, 2010.

Section 3. **LIAISON.** All communications by the Contractor to the DNRC concerning this Agreement shall be addressed to John Grimm, Real Estate Section Supervisor, Department of Natural Resources and Conservation, P.O. Box 201601, Helena, Montana 59620-1601. All communications by the DNRC to the Contractor shall be addressed to Keith O'Reilly, Bridger Appraisals, PO Box 11145, Bozeman, MT 59719.

Section 4. **SCOPE OF WORK.** The Contractor shall administer all activities provided for in this Agreement on behalf of the DNRC. The Contractor shall be responsible for providing a credible appraisal, in a summary report format, conducted and prepared in compliance with the current Uniform Standards of Professional Appraisal Practice, for the parcel in Gallatin County, as described in Attachment B, Montana DNRC Trust Land Management Division Supplemental Appraisal Instructions.

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

Revised 5/08

1

Client:	Montana DNRC	Client File #:	117830
Subject Property:	1299 Fort Ellis Road	Appraisal File #:	R072711142

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) 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.

Section 5. PAYMENT. In consideration of services rendered pursuant to this Agreement, DNRC agrees to pay the Contractor an amount not to exceed One Thousand Five Hundred and No/100 Dollars (\$1,500.00). The Contractor shall submit an invoice with the submission of the appraisal report to the DNRC for payment for services rendered. Payment will be made within thirty (30) days of delivery of services/goods and receipt of a properly executed invoice, as long as the DNRC's review of said services/goods finds them acceptable. If the work submitted fails to meet Contract specifications set out herein, payment will be withheld for the unsatisfactory work. The Contractor shall, at no additional expense to the State, correct unsatisfactory work before payment is made. If agreed upon work is not brought to acceptable standards, the Contract Agreement will be terminated for unsatisfactory performance and no payment will be made.

Section 6. LEGAL REQUIREMENTS. The Contractor shall comply with all applicable federal, state, and local laws, statutes and ordinances and all applicable rules, regulations, and standards established by DNRC.

Section 7. LAW AND VENUE. Any action at law or suit in equity, or judicial proceeding for the enforcement of this Agreement or any provision thereof shall be instituted only in the courts of the State of Montana. This Agreement shall be governed by the laws of the State of Montana, both as to interpretation and performance. In the event of litigation concerning the terms of this Agreement venue shall be in the First Judicial District in and for the County of Lewis and Clark.

Section 8. COMPLIANCE WITH WORKERS' COMPENSATION ACT

The Contractor is required to supply the State with proof of compliance with the Montana Workers' Compensation Act while performing work for the State of Montana. Neither the Contractor nor its employees are employees of the State. The proof of insurance/exemption must be in the form of workers' compensation insurance, an independent contractor exemption, or documentation of corporate officer status and must be received by the DNRC Procurement Bureau, P.O. Box 201601, Helena, MT 59620-1601, and must be kept current for the entire term of the contract.

CONTRACTS WILL NOT BE ISSUED TO VENDORS WHO FAIL TO PROVIDE THE REQUIRED DOCUMENTATION WITHIN THE ALLOTTED TIME FRAME.

Client:	Montana DNRC	Client File #:	117830
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Coverage may be provided through a private carrier or through the State Compensation Insurance Fund (406) 444-6500. An exemption can be requested through the Department of Labor and Industry, Employment Relations Division (406) 444-1446. Corporate officers must provide documentation of their exempt status.

Section 9. EQUAL EMPLOYMENT. Any hiring of employees under this Agreement shall be on the basis of merit and qualifications, and there shall be no discrimination on the basis of race, color, religion, creed, sex, national origin, age, disability, marital status, or political belief. "Qualifications" mean qualifications as are generally related to competent performance of the particular occupational task.

Section 10. PUBLIC INFORMATION AND OWNERSHIP OF PRODUCTS. Subject to the provisions set out herein below relating to confidential information, all information in the possession of the Department relating to this project shall be made available to the public. Upon completion of this Agreement, all information, reports, data, records, documents, and materials in the possession of the Department pertaining to this Agreement shall be available to the public. The Contractor shall indemnify and hold harmless DNRC from liability for injury caused by the release of any information, reports, data, records, documents, and materials provided by the Contractor. All copyrights, patents, or other royalty rights resulting from the completion of this Agreement or the information, reports, records, data documents, materials, and end products of this Agreement shall be the sole property of the DNRC. The separate addendum of confidential specific market data referenced in section 4.1 of this contract, used for developing the appraisal report will be reviewed and accepted along with the appraisal. After review and acceptance the addendum will be returned to the appraiser for retention in his/her files, and will be deemed the appraisers sole property.

Section 11. INDEMNITY AND LIABILITY (Hold Harmless/Indemnification): The Contractor agrees to be financially responsible for any audit exception or other financial loss to the State of Montana which occurs due to the negligence, intentional acts, or failure by the Contractor and/or its agents, employees, subcontractor, or representative to comply with the terms of this Agreement. The Contractor agrees to indemnify the state, its officials, agents, and employees, while acting within the scope of their duties and hold harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed, goods or rights to intellectual property provided or omissions of services or in any way resulting from the acts or omission of the Contractor and/or its agents, employees, subcontractors or its representatives under this Agreement, all to the extent of the Contractor's negligence.

Section 12. ASSIGNMENTS, TRANSFERS AND SUBCONTRACTS. There will be no assignment, transfer or subcontracting of this Agreement, nor any interest in this Agreement, unless agreed to by both parties in writing as provided in Section 14, Modifications. This Agreement shall be binding on all successors and assigns of the Contractor, including successors in interest.

Section 13. AUDIT. The Contractor shall maintain reasonable records of its performance under this Agreement. The Contractor agrees that DNRC, the Legislative Auditor, or the Legislative Fiscal Analyst may audit all records, reports, and other documents which the Contractor maintains under or in the course of this Agreement to insure compliance with this Agreement. Such records, reports, and other documents may be audited at any reasonable time. The Agreement may be

Client:	Montana DNRC	Client File #:	117830
Subject Property:	1299 Fort Ellis Road	Appraisal File #:	R072711142

unilaterally terminated by DNRC upon the Contractor's refusal to comply with this or any other section. In the event the Agreement is terminated for such failure to comply, the Contractor, at the option of DNRC, shall return to DNRC all funds previously awarded the Contractor and all results of the project to date.

Section 14. MODIFICATIONS. This instrument contains the entire Agreement between the parties, and no statement, promises, or inducements made by either party, or agents of either party, which are not contained in this Agreement shall be valid or binding and this Agreement may not be enlarged, modified or altered except as provided in this Agreement. No letter, telegram, or other communication passing between the parties to this Agreement, concerning any matter during the term of this Agreement shall be deemed a part of this Agreement unless it is distinctly stated in such letter, telegram, or communication that it is to constitute part of this Agreement, and such letter, telegram, or communication is attached as an appendix to this Agreement and is signed by the authorized representative of each of the parties to this Agreement. If executed properly under this section, modifications of this Agreement do not need independent consideration to be legally enforceable.

Section 15. TERMINATION. Upon breach of any of the terms and conditions of this Agreement by the Contractor, DNRC may terminate this Agreement and have any and all remedies at law or equity. In the event of such breach and termination, DNRC may further, at its option, take over the work and services and prosecute the same to completion by contract or otherwise and the Contractor shall be liable to DNRC for any excess cost occasioned to DNRC thereby. The Contractor may cancel this Agreement upon DNRC's mutual written agreement and DNRC may postpone or cancel this Agreement if subsequent funding is not available.

Section 16. WAIVER. A waiver of any particular provision of this Agreement by DNRC shall not be construed as a waiver of any other provision, nor shall any such waiver otherwise preclude DNRC from insisting on strict compliance with this Agreement in other circumstances.

Section 17. UNAVAILABILITY OF FUNDING. This contract is subject to the availability of legislative appropriations or funding. DNRC reserves the right, in its sole discretion, to terminate or reduce the scope of this contract should it experience any reduction in legislative appropriations".

Section 18. CONTENTS. This Agreement consists of: Pages 1-5; Attachment A, Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program, 2 pages, and; Attachment B, Montana DNRC Trust Land Management Division Supplemental Appraisal Instructions, 1 page.

Section 19. AGREEMENT RENEWAL. This Agreement may, upon mutual agreement between the parties and according to the terms of the existing contract, be extended one thirty-day interval and no more.

Section 20. INSURANCE REQUIREMENTS. The contractor shall purchase and maintain Occurrence coverage with combined single limits for bodily injury, personal injury, and property damage of \$300,000.00 per occurrence and \$600,000.00 aggregate per year to cover such claims as may be caused by any act, omission, or negligence of the contractor or its officers, agents, representatives, assigns or subcontractors.

Client:	Montana DNRC	Client File #:	117830
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Additional Insured Status: The State, its officers, officials, employees, and volunteers are to be covered as additional insureds; for liability arising out of activities performed by or on behalf of the contractor, including the insured's general supervision of the contractor; products and completed operations; premises owned, leased, occupied, or used.

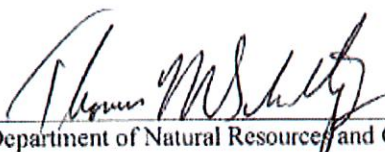
Primary Insurance: The contractor's insurance coverage shall be primary insurance as respect to the State, its officers, officials, employees, and volunteers and shall apply separately to each project or location.

Any insurance or self-insurance maintained by the State, its officers, officials, employees or volunteers shall be excess of the contractor's insurance and shall not contribute with it.

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

Certificate of Insurance/Endorsements: A certificate of insurance, indicating compliance with the required coverages and referencing Contract # **117830**, must be filed with the DNRC's liaison and attached to this agreement prior to signature by the DNRC. The Contractor must notify the State immediately, of any material change in insurance coverage, such as changes in limits, coverages, change in status of policy, etc.

Date 7-18-11  Contractor's Authorized Representative

Date 7/25/11  Department of Natural Resources and Conservation

Client:	Montana DNRC	Client File #:	117830
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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.

Client:	Montana DNRC	Client File #:	117830
Subject Property:	1299 Fort Ellis Road	Appraisal File #:	R072711142

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.) Soil classification, surrounding land uses, and the possibility of converting grazing ground to cropland should be considered.

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 in a Summary Report format, that is, it will describe adequately, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions. All hypothetical conditions and extraordinary assumptions must be noted.

Landlocked parcels, (parcels with no legal access), will be appraised with the hypothetical condition of having legal access and should be appraised as the property currently exists, which is without legal access, ("as is"). If evidence through reasonably recent sales of comparable properties is available in the subject's market or similar markets, provide the value of the subject property, as it currently exists without access. Include details of an adjustment in appraised value due to lack of access. If no evidence through reasonably recent sales of comparable properties is found in the subject's market or similar markets, and thus no "as is" value can be properly supported, then state such in the report. As with lack of legal access, adjustments for additional items such as lack of land improvements, etc. will be supported by analysis of the pertinent subject market data through sales pairings or other analytical methodology. In moderately to rapidly changing markets, historic information may not be as relevant as more current market information. (Note: Access typically consists of two parts; legal access and physical accessibility. The above references to access, hypothetical and "as is" are in regards to legal access. The physical accessibility to the subject parcel is to be appraised as it currently exists.) Legally accessible state lands are appraised as accessible only.

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

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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 PROPERTIES:

Parcel 540: Part of the SE ¼ SE ¼ NE ¼, Sec. 21, T2S-R6E, Gallatin County, (Sale 540 is to be surveyed out and subdivided into a parcel approximately 8-acres in size.). The property is located just southeast of Bozeman and is accessed by Fort Ellis Road. There are numerous improvements on the property including landscaping, however the property is to be appraised specifically as if it were a vacant, unimproved, buildable parcel, (with an approved driveway access and rural electric and phone to site).;

Unit Office Contact is:
Craig Campbell, DNRC Unit Manager
2273 Boot Hill Court, Suite 110
Bozeman, MT 59715
Direct Line: 406-556-4507
Office No.: 406-586-5243
Fax No.: 406-587-9726

Lessees:
Sale 540: Joe Esparza & Ris Higgins
