



KELLEY APPRAISAL Real Estate Appraisers & Consultants - Ph. (406)755-2015

1001 S. Main St., P.O. Box 1633, Kalispell, MT 59903-1633

Fa x: (406)755-2003 - Email: jim@kelleyappraisal.net

May 20th, 2014

Montana DNRC
Ms. Emily Cooper
P.O. Box 201601
Helena, MT 59620-1601

RE: Appraisals on 1886 La Brant Road, Bigfork, MT
(Contract #147058)

Dear Ms. Cooper:

In fulfillment of our agreement as outlined in the appraisal contract dated April 16th, 2014, I am pleased to transmit herewith my Summary Report of my complete appraisal of the opinion of market value of the referenced parcels of real estate, as of April 30th, 2014. The report set forth my value conclusions, along with a summary of supporting data and reasoning which form the basis of my opinions.

The value opinions reported are qualified by certain definitions, limiting conditions, and certifications which are set forth in these reports.

This reports are prepared for my professional fee billed to the Montana DNRC. They are intended only for use by the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).

Respectfully submitted,

James O. Kelley
Certified General Appraiser
Montana License #REA-RAG-LIC-80

Real Estate Appraisal Report



Lakefront Lot and Cabin

1886 La Brant Road
Bigfork, MT

Prepared for
Montana DNRC
Ms. Emily Cooper
P.O. Box 201601
Helena, MT 59620-1601

Effective Date of Appraisal
April 30th, 2014

Date of Appraisal Report
May 20th, 2014

By
James O. Kelley
Real Estate Appraiser

TABLE OF CONTENTS

COVER PAGE	Front
LETTER OF TRANSMITTAL	Next
SUMMARY OF SALIENT FACTS AND CONCLUSIONS	Page 2
APPRAISAL DEFINITION AND PROCESS	Page 4
PURPOSE OF THE APPRAISAL	Page 5
SCOPE OF THE APPRAISAL	Page 5
INTENT OF THE REPORT	Page 6
REFERENCES AND EXTENSION OF COLLECTION, CONFIRMATION AND REPORTING DATA	Page 6
SALES AND MARKETING HISTORY	Page 6
PERSONAL PROPERTY	Page 6
THREE APPROACHES TO VALUE	Page 6
CONTINGENT AND LIMITING CONDITIONS	Page 6
LEGAL DESCRIPTION	Page 7
HYPOTHETICAL CONDITION	Page 7
DEFINITION OF MARKET VALUE	Page 7
DATE OF VALUATION	Page 7
REGIONAL MARKET CONDITIONS	Page 8
MARKET NEIGHBORHOOD	Page 9
PROPERTY DESCRIPTION	Page 11
Site:	Page 11
Zoning:	Page 12
Building Improvements:	Page 13
Property Taxes:	Page 14
HIGHEST AND BEST USE	Page 15
COST APPROACH	Page 17
SALES COMPARISON APPROACH	Page 20
Physical Comparison Reconciliation:	Page 24
FINAL RECONCILIATION	Page 30
Marketing Time:	Page 32
CERTIFICATE OF APPRAISAL	Page 33
EXPERIENCE AND QUALIFICATIONS	Page 34
PHOTOS OF THE SUBJECT	Page 36
COMPARABLE LAND SALES	Page 40
IMPROVED COMPARABLES	Page 46
ATTACHMENT “A”	Page 51
ATTACHMENT “B”	Page 53

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

CLIENT:	State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC)	
INTENDED USER:	The State of Montana, The Montana Board of Land Commissioners, Department of Natural Resources and Conservation (DNRC), and Jake & Margaret Rose VanSeter	
INTENDED USE:	Estimate value for a potential sale	
OWNER OF RECORD:	Land:	State of Montana
	Improvements:	Jake and Margaret R. VanSeter
PROPERTY APPRAISED:	1886 La Brant Road, Bigfork, MT	
LEGAL DESCRIPTION:	Lot 21, Echo Lake Cabinsites, COS #18885 in Section 5, T27N, R19W, P.M.M., Flathead County, Montana (See complete legal description on page 7 of this report.)	
PROPERTY RIGHT:	Unencumbered Fee Simple Estate	
BUILDING IMPROVEMENTS:	There is a 1,216 square foot house that was built in 2004. This home has 864 sf on the ground level and 352 sf on a second story. To the northeast of the house is an older cabin that is 500 sf and has two rooms. This cabin is not on a permanent foundation and was built around 1950. Near the middle of the site is a 128-sf storage shed. At the corner of the driveway is a RV hookup.	
CURRENT USE:	Residential	
ZONING:	SAG-5 (Suburban Agricultural)	
HYPOTHETICAL CONDITION:	It is acknowledged that the subject site is currently leased to the owner of the building improvements. This appraisal is based on the hypothetical condition that the lease does not exist.	
HIGHEST AND BEST USE:	Residential	
SITE DATA:	The site is an irregularly shaped tract with a gross size of 1.331 acres and a net usable size of 1.067 acres. This tract fronts on LaBrant Road on its northwest side and Echo Lake on its east side.	
DATE OF VALUATION:	April 30th, 2014	

DATE OF REPORT: May 20th, 2014

DATE OF INSPECTION: April 30th, 2014

PURPOSE OF APPRAISAL: The purpose of this report is to estimate the market value of the subject property as defined herein. This estimate is to be used solely by the client and intended users which are The State of Montana, The Montana Board of Land Commissioners, Department of Natural Resources and Conservation (DNRC), and Jake & Margaret Rose VanSeter.

ESTIMATED MARKETING TIME: Six months

SUMMARY OF THE THREE APPROACHES TO VALUE:

The following is a recap of the results of the three approaches	Land Value	Improvements Value	Overall Value
Cost Approach	\$460,000	\$210,000	\$670,000
Income Approach	N/A	N/A	N/A
Sale Comparison	\$460,000	\$240,000	\$700,000

VALUE CONCLUSIONS

Property	Value
Fee Simple value of the Site	\$460,000
Fee Simple value of the overall property	\$700,000
Contributory value of the house and other improvements	\$240,000

Note: The attached 53 pages are considered an important part of this appraisal.

APPRAISAL DEFINITION AND PROCESS

An appraisal is an unbiased estimate of the nature, quality, value or utility of an interest, or aspect of, identified real estate. The summary appraisal is based on selective research into appropriate market areas; assemblage of pertinent data; the application of appropriate analytical techniques; and the knowledge, experience and professional judgment necessary to develop an appropriate value.

The summary appraisal considers selected socioeconomic conditions as they affect the subject property. This encompasses the city and neighborhood conditions which include, but are not limited to the social, economic, governmental and environmental influences and trends as they affect the marketability and value in the marketplace of the subject property.

A physical inspection is made of the property as well as the surrounding area for the purpose of analyzing all conditions pertinent to the market value of the subject property.

Three recognized approaches to value are employed in the appraisal process. The cost approach, market (sales comparison) approach and income capitalization approach. The conclusion of each approach is stated in a summary format.

All three inter-related approaches are used in arriving at a final value. They are approached from a different direction, dealing with a separate set of circumstances and are evaluated as such, and correlated based on which set of circumstances best represents the market as it exists as of the date of the appraisal.

The cost approach is based on the premise that value of a property can be indicated by the current cost to construct a reproduction or replacement for the improvements minus that amount of depreciation evident in the structures from all causes plus the value of the land. This approach is particularly useful for appraising new or nearly new improvements and for providing an alternative to the sales comparison and income capitalization approaches. In addition, cost approach techniques are employed to derive information needed to apply both the sales comparison and income capitalization approaches to value.

The market (sales comparison) approach is most viable when an adequate number of properties of similar type have been sold recently or are currently for sale in the subject property market area. The application of this approach produces a value indication for a property through comparison with similar properties, called comparable sales. The sales prices of properties judged to be most comparable tend to set a range in which the value indication for the subject property falls.

In using the income capitalization approach, the appraiser measures the present value of the future benefits of property ownership. Income streams and values of property resale (reversion) are capitalized (converted) into a present lump-sum value. This approach is generally most applicable in appraising income producing investment properties.

The final analytical step in the summary appraisal process is the reconciliation of the indications of value into a single dollar figure or range in which the value will most likely fall. The nature of the reconciliation depends on the number of approaches which have been used (all three approaches are not always applicable in every appraisal problem) and on the reliability of the value indications derived from these approaches.

PURPOSE OF THE APPRAISAL

The purpose of this report is to estimate the market value of the subject property as defined herein. This estimate is to be used solely by the client and intended users which are The State of Montana, The Montana Board of Land Commissioners, Department of Natural Resources and Conservation (DNRC), and Jake & Margaret Rose VanSeter.

The purpose of the appraisal is to provide the clients with a credible opinion of the current fair market value of the appraised subject properties and is intended for the use in the decision making process concerning the potential sale of said subject properties.

SCOPE OF THE APPRAISAL

The following steps were followed in arriving at the final estimate of value included in the appraisal report of the subject property:

1. After receiving the assignment, a preliminary search of all available resources was made to determine market trends, influences and other significant factors pertinent to the subject property.
2. A physical inspection of the property was performed. Although due diligence was exercised while at the subject, the appraiser is not an expert in such matters as pest control, structural engineering, hazardous waste, etc. and no warranty is given as to these elements. As needed, inspections by various professionals within these fields might be recommended with the final estimate of value subject to their finds.
3. A second review of the data was then performed with the most relevant factors extracted and considered. Sales were examined and discussed with parties involved in the transactions. Market factors were weighted and their influence on the subject property was determined.
4. The appraisal report was then completed in accordance with standards dictated by THE APPRAISAL FOUNDATION. The report includes all data and information needed to lead a reader to a similar value conclusion.
5. In doing this appraisal the following criteria was used:
 1. state the identity of the client and any intended users, by name or type
 2. state the intended use of the appraisal
 3. summarize information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment
 4. state the real property interest appraised
 5. state the type and definition of value and cite the source of the definition
 6. state the effective date of the appraisal and the date of the report
 7. summarize sufficient information to disclose to the client and any intended users of the appraisal the scope of work used to develop the appraisal;
 8. summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained;
 9. state the use of the real estate existing as of the date of value and the use of the real estate reflected in the appraisal; and, when an opinion of highest and best use was developed by the appraiser, summarize the support and rationale for that opinion;
 10. clearly and conspicuously:
 - i. - state all extraordinary assumptions and hypothetical conditions; and
 - ii. - state that their use might have affected the assignment results; and
 11. include a signed certification in accordance with Standards Rule

6. The appraisal is based on the hypothetical condition that the subject is under fee simple ownership.
7. The appraisal is to allocate a separate value the State owned land and the privately owned improvements on that land.
8. See attachments "A" and "B" for additional details.
9. The appraisal report was then delivered to the client, State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC), which constituted the completion of the assignment.

INTENT OF THE REPORT

The intent of this report is to comply with the Uniform Standards of Professional Appraisal Practice as adopted by the Appraisal Standards Board of the Appraisal Foundation as of January 1st, 2014.

REFERENCES AND EXTENSION OF COLLECTION, CONFIRMATION AND REPORTING DATA

- Ms. Anne Moran - DNRC Kalispell Unit Office
- Flathead County Planning Office
- Northwest Montana Association of Realtors MLS
- Various Brokers representing comparable properties.

SALES AND MARKETING HISTORY

The Subject has not sold or been offered for-sale in the last three years.

PERSONAL PROPERTY

No personal property is included.

THREE APPROACHES TO VALUE

The appraiser has made reasonable effort to employ the three recognized approaches to value.

CONTINGENT AND LIMITING CONDITIONS

1. The appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The appraiser has made no survey of the property.
3. The appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made therefore.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuation for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the appraiser, and contained in the report, are obtained from sources considered reliable and believed to be true and correct. However, no

responsibility for the accuracy of such items furnished the appraiser can be assumed by the appraiser.
7. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the appraiser is affiliated.

8. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the Appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the Appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the exchange client or his successors and assigns, professional appraisal organizations, any state or federal department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the appraiser.

LEGAL DESCRIPTION

Lot 21, Echo Lake Cabinsites, COS #18885 in Section 5, T27N, R19W, P.M.M., Flathead County, Montana

and

Improvement number 78 on Lot 21, Echo Lake Cabinsites, COS #18885 in Section 5, T27N, R19W, P.M.M., Flathead County, Montana

Assessor Number 0154810

HYPOTHETICAL CONDITION

It is acknowledged that the subject site is currently leased to the owner of the building improvements. This appraisal is based on the hypothetical condition that the lease does not exist.

DEFINITION OF MARKET VALUE

Current Fair Market value, as used in this report, is defined as follows under 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.

DATE OF VALUATION

Values reported are as of the date of my physical inspection on April 30th, 2014.

REGIONAL MARKET CONDITIONS

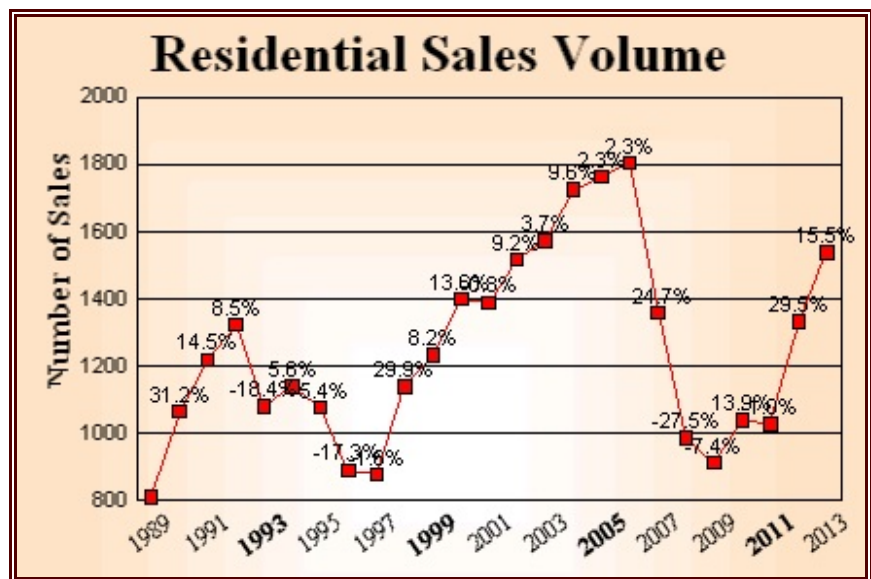
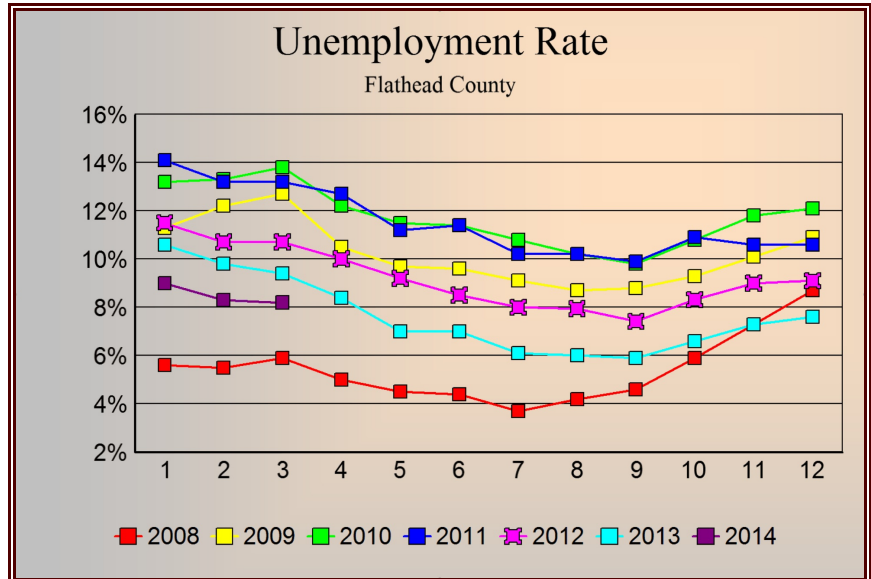
In the last five years, this region of Western Montana had been negatively impacted by the recent economic recession that occurred throughout the United States. This has most notably been evident in the unemployment rate which has gone from 3.5% to 5% in Flathead County to a high of 14.1% in January of 2011, with the last reported unemployment rate in March, 2014 of 8.2%.

Real estate has been most notably impacted by a substantial decrease in volume of home sales, as is indicated by the graph to the right. Along with this decrease in sales volume, the countrywide median home price decreased 16.3% in 2009, 1.5% in 2010, 8.6% in 2011, then stabilized in 2012 with a 4% increase. In 2013, there was an 11.8% increase in the median price, however this was mostly due to a decline in the number of bank-owned REO properties.

After a substantial decrease in the number of sales from 2006 through 2009, there has been a steady increase from the low in 2009. In 2012 there was nearly a 30% increase in the number of sales and in 2013, there was a 15.5% increase.

This data suggests that the prices reached their bottom around the end of 2011 and is currently improving. The number of sales are increasing and the price level appears stable.

Additional data dealing with general market conditions is available in a report prepared by the appraisal at this link: <http://kelleyappraisal.net/FlatheadMarket13.pdf>

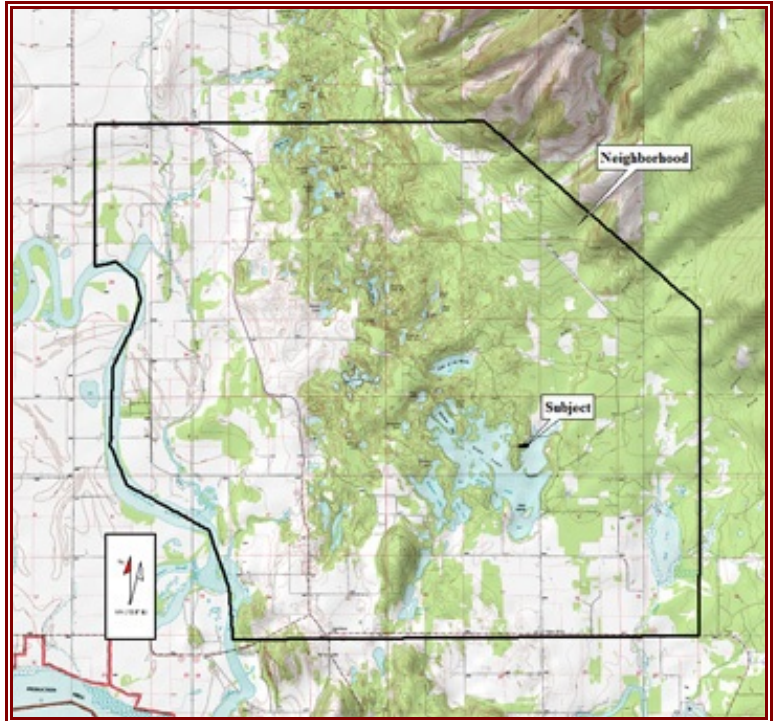


MARKET NEIGHBORHOOD

The subject neighborhood is best described as a semi-rural area that is just north of the town of Bigfork and east of Kalispell.

Boundaries are: The Many Lakes Area to the north, the Swan Range to the east, Montana Highway 83 to the south and the Flathead River to the west to the west.

The neighborhood is two miles north of the town of Bigfork and six miles east of the City of Kalispell. This area covers approximately 48 square miles and is generally centered around Echo Lake, which runs from north to south through the eastern portion of the area. The central and eastern portion of the neighborhood is mostly wooded with rolling hills and 20 to 30 small lakes and ponds that are fed by ground water in the area. The western portion is mostly farmland.



In this defined neighborhood, there are a total of 3,657 parcels of land that have a total of 1,807 single family homes and 314 farmsteads. Based on this, the overall average parcel size is approximately 6.4 acres. Based on an average household size of 2.2 people per dwelling the approximate population base is around 4,666 residents. A relatively high percentage of these residents are seasonal that occupy homes around Echo Lake as recreational homes.

According to the Montana Department of Revenue property tax records, the overall composition of this area is as follows:

Property Type	Number	% of Properties	% of Acres
agricultural rural	455	12.4%	28.2%
commercial rural	69	1.9%	0.5%
exempt property	111	3.0%	0.9%
farmstead rural	314	8.6%	38.6%
residential rural	1807	49.4%	22.2%
vacant land rural	901	24.6%	9.6%
Total	3657	100.0%	100.0%

Currently, there are 56 residential properties on the market in this neighborhood and they have an overall price range of \$108,500 to \$5,100,000. Of those 56 properties, 17 are water front properties and their asking price range is between \$304,900 and \$3,895,000. In the last year, there were 36 residential sales

with an average price of \$303,769, a median price of \$252,500 and an overall range of between \$135,000 and \$850,000. There were only three waterfront residential sales and they were for \$199,000, \$349,000 and \$780,000.

There are also 82 tracts of land that are currently on the market in this area and they have an overall price range of between \$45,000 and \$1,995,000. Of those, 11 are waterfront tracts and their price range is between \$76,000 and \$1,995,000. In the last year there were 20 land sales with a median price of \$137,500, an average price of \$155,953 and an overall range of between \$26,000 and \$415,000. Of those, there were three waterfront land sales and they were for \$155,000, \$272,000 and \$280,000.

Public electricity and phone service is available in most areas. Public water and sewer are not available.

Trends

The general development trend in the area is for continued residential development. The agricultural uses in the area are not financially feasible and that land is likely to see continued development as homesites.

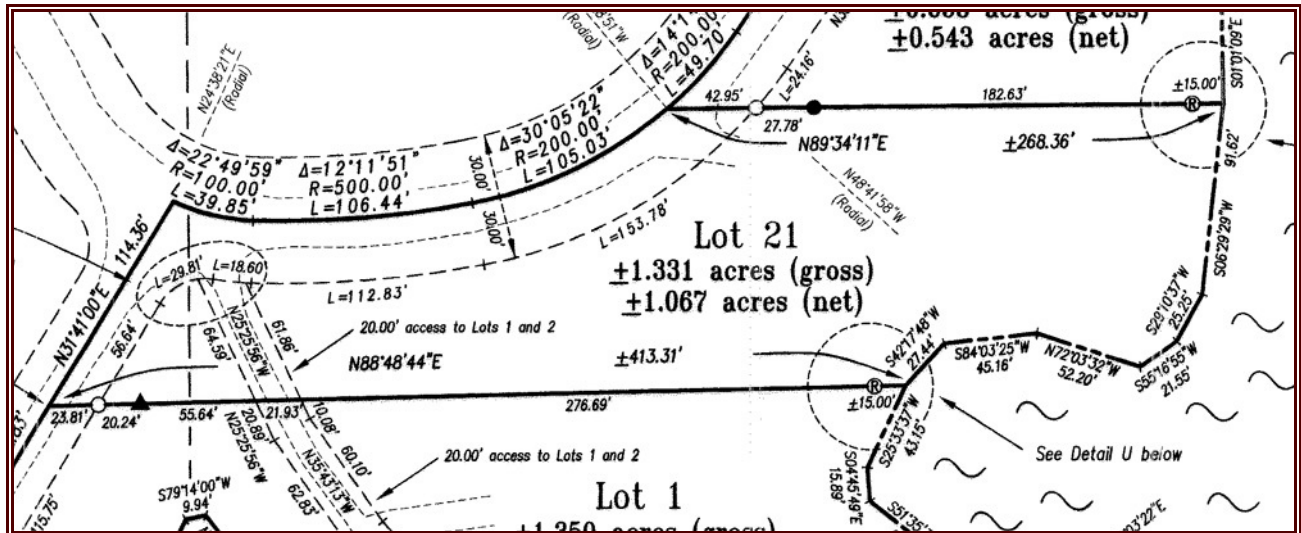
Conclusion:

The subject parcel is well located in the neighborhood as well as the greater Flathead Valley as residential building site.

PROPERTY DESCRIPTION

Site:

The site is an irregularly shaped tract with a gross size of 1.331 acres and a net usable size of 1.067 acres. This tract fronts on LaBrant Road with 353.06 feet of frontage on its northwest side. The east side fronts on Echo Lake with 263.22 feet of water frontage. Of the 263.22 feet of lake frontage, 138.42 feet face the lake to the east and the remaining 124.8 feet face a shallow bay at the southeast corner of the site.



Site Improvements: The subject site has a private well and septic system as well as a gravel driveway and landscaping around the property. The footprints of the building improvements cover 2,140 sf.

Access: Legal access to the site is from a LaBrant Road which adjoins the subject's northeast side.

Streets: LaBrant Road is a gravel surfaced public road that is owned and maintained by Flathead County.

Topography: The subject is mostly level and near the same grade as the adjoining county road. It is slightly rolling, then drops off to the waters edge along the lakeshore.

Soil Conditions: The soil conditions appear acceptable of the construction of homes that are typical of this area.



Easements: There is a 30-foot road easement that covers the northwest side of the subject. There is also a 20-foot wide access easement the crosses the west corner of the subject and gives access to the adjoining property that is to the south of the subject. These easements cover approximately .264 acres

of the subject, leaving a net usable size of 1.067 acres.

Flood Zone: The subject is not in an H.U.D. identified flood hazard area, according to FEMA Flood Hazard map #30029C1875G. **Note:** This is a flood map that has not been printed, therefore all properties within its designated area are considered to be outside of a flood hazard area.

Environmental Hazards: My inspection of the subject site did not reveal any evidence of environmental hazards.

Utilities: Electricity and phone service are to the subject site. Public water and sewer services are not available. The subject does have a private well and on-site septic system.

Conclusion:
The subject site is well suited for residential use.

Zoning:

SAG-5 (Suburban Agricultural) - This is a district to provide and preserve smaller agricultural functions and to provide a buffer between urban and unlimited agricultural uses, encouraging separation of such uses in areas where potential conflict of uses will be minimized, and to provide areas of estate-type residential development.

The subject does comply with current zoning.

Building Improvements:

There is a 1,216 square foot house that was built in 2004. This home has 864 sf on the ground level and 352 sf on a second story. The ground level has a kitchen, living room, two bedroom and a bath. The second story has one bedroom, a bath and a den area. Under the eaves on the second story are two storage areas. At the front of the house is a three-level deck that covers 491 sf. Along the side of the house is a 284 sf wood porch.

The house has a poured concrete foundation, is wood framed with cedar siding. The roof is a gable design and covered with a metal roofing material. The interior has wood framed walls that are finished with drywall and wood trim. The ceilings in the bedrooms and bath are drywall and the living room area has an open ceiling that is finished with cedar. The floors are finished with prego on the main level and carpet on the second story.

The bathrooms have tile floors. Along the south wall on the main level is a gas fired fireplace. The primary heating system for this house is a system of electric cadet heaters that are installed in the walls. The kitchen and bathroom counter-tops are granite and the overall quality of the interior and exterior finish is good.

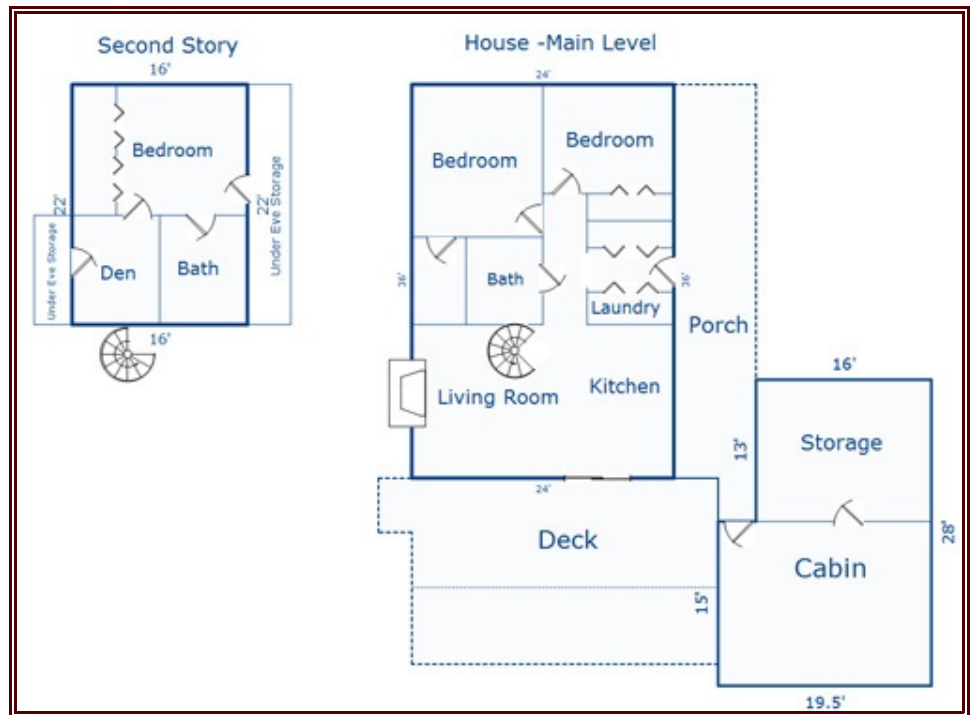
To the northeast of the house is an older cabin that is 500 sf and has two rooms. This cabin is not on a permanent foundation and was built around 1950. It is heated and does have electricity, but does not have plumbing. The overall quality of this cabin is fair, but it has been well maintained and is in relatively good condition.

Near the middle of the site is a 128 sf storage shed that is not heated or plumbed. At the corner of the driveway is a RV hookup.

Site Improvements: The subject site has a private well and septic system as well as a gravel driveway and landscaping around the property. The footprints of the building improvements cover 2,140 sf.

Condition:

The overall condition of the improvements is good.



Property Taxes:

The subject site currently owned by the State of Montana and is not subject to property taxes. The building improvements are owned by Jake and Margaret Van Seters and are taxed under assessor number 0154810. The 2013 taxes on the subject's improvements were \$987.37.

JAKE & MARGARET R VAN SETERS
BOX 1233
COALDALE AB T1M 1N1
CANADA

ASSESSOR NUMBER: 0154810
TAXBILL NUMBER: 201303882
SCHOOL DISTRICT: 04
GEO CODE: 07383605402090078

Property Location:
1666 LA BRANT RD
BIGFORK MT 59911
Property Description
05 27 19 IMP 78 ON STATE LEASE LOT AT ECHO LAKE LOT 21

Parties with ownership interest as of January 1, 2013
Owner of Record.....VAN SETERS, JAKE & MARGARET R

<u>type of property</u>	<u>taxable market value</u>	<u>taxable value</u>
Improvements	81,836	2,078.63
Totals	81,836	2,078.63

<u>Description</u>	<u>Percentage</u>	<u>Amount</u>
County Functions	39.32%	388.33
Education	56.66%	559.48
Other	4.02%	39.58

SUMMARY OF TAXES, LEVIES & FEES

COUNTY	.067330	139.96	COUNTY LIBRARY	.006200	12.89
SHERIFF	.036200	75.25	CO PERM MED LEVY	.005000	10.39
NOXIOUS WEEDS	.001650	3.43	COUNTYWIDE MOSQUITO	.000750	1.56
911 GENER OBLIG BOND	.002070	4.30	ROAD	.021340	44.36
COUNTY PLANNING	.001700	3.53	BOARD OF HEALTH	.005740	11.93
COUNTY LAND FILL		80.73			
SUBTOTAL - TAXES FOR COUNTY FUNCTIONS...		.147980			388.33
STATE - UNIVERSITY	.005000	12.47	GENERAL SCHOOLS	.106430	221.23
STATE - SCHOOL AID	.040000	83.14	FLAT VAL COM COLLEGE	.014200	29.52
BIGFORK HIGH SCHOOL	.029640	61.61	SHAN RIVER ELEM 04	.071280	148.16
FVCC PERMIS MED LEVY	.001600	3.33			
SUBTOTAL - TAXES FOR EDUCATION.....		.269150			559.46
BIGFORK FIRE	.015070	31.32	SOIL & WATER CONSERV	.001570	3.26
BLACKTAIL TV		5.00			
SUBTOTAL - OTHER TAXES AND FEES.....		.016640			39.58
Total Mills Levied	0.433770		Total Taxes and Fees . . .		987.37

HIGHEST AND BEST USE

Highest and best use is defined as, "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."

Implied in these definitions is that the determination of highest and best use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners. An additional implication is that the determination of highest and best use results from the appraiser's judgment and analytical skill - that is, that the use determined from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In the context of most probable selling price (market value), another appropriate and alternative term to reflect highest and best use, would be most profitable use.

The definitions of highest and best use indicate that there are two types of highest and best use. The first is highest and best use of land or a site as though vacant. The second is highest and best use of a property as improved. Each type requires a separate analysis. Moreover, in each case, the existing use may or may not be different from the site's highest and best use.

In the highest and best use analysis of both the land as vacant and the property as improved, a use must meet four criteria. The criteria are that the highest and best use must be (1) legally permissible, (2) physically possible, (3) financially feasible, and (4) maximally productive.

Highest and Best Use - As if Vacant:

Legally Permissible: The subject is zone for suburban agricultural use, which includes residential uses. According to the zoning, any new subdivision of land in this area requires a five-acre minimum lot size. Because the subject site is already split, this size limitation only applies to the extent that the subject cannot be further split.

Physically Possible: The net useable size of the subject is 1.067 acres which is large enough for the residential uses that are common in this area.

Financially Feasible: Current uses in the immediate area are nearly all residential, with a mix of year-around homes and summer recreational cabins. The subject does front on Echo Lake and there is a steady demand for homesites with water frontage. Based on the historic uses and demand in this area for residential waterfront homesites, it is my opinion that residential is financially feasible.

Maximally Productive: Given the overall demand in the area, it is my opinion that the highest and best use, as if vacant, is for residential use.

Highest and Best Use - As Improved:

Legally Permissible: The subject is zone for suburban agricultural use, which includes residential uses. The subject is a single-unit residential home that is legal under current zoning.

Physically Possible: The subject is a 1,216 sf single family house that was built in 2004. This house is typical of other homes in the area and is well suited for the tract of land that it sits on. There is enough

room on the site for an addition to the house as well as the construction of a garage. Overall, the current improvements are physically possible.

Financially Feasible: Current uses in the immediate area are nearly all residential, with a mix of year-around homes and summer recreational cabins that are generally similar to the subject. Currently there are eight waterfront homes that are on the market that front Echo Lake and in the last year, there were three that sold. Based on the historic uses and demand in this area for residential waterfront homes, it is my opinion that residential is financially feasible.

Maximally Productive: Given the overall demand in the area, it is my opinion that the highest and best use, as improved, is for residential use.

COST APPROACH

Definition of the Cost Approach:

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.

Cost Data:

The cost approach is based on figures supplied by the Marshall and Swift Valuation Service.

Marshall and Swift Valuation Service:

Deck(s):	491	Sq. Ft.	Porch(s):	284	Sq. Ft.
Floor Area - 1st:	864	Sq. Ft.	Basement:	0	Sq. Ft.
2nd:	352	Sq. Ft.	Finish:	0	Sq. Ft.
Gross Living Area:	1216	Sq. Ft.			
Basic Cost:	Floor Area X Cost=		1216	\$99.03	\$120,420
Roofing:			864	\$0.96	\$829
Heating:			1216	-\$0.37	-\$450
Energy Adjustment:			1216	\$1.82	\$2,213
Floor Covering:			1216	\$6.78	\$8,244
Built-ins:			1	\$5,900.00	\$5,900
Other: under Eve Storage			128	\$10.00	\$1,280
Fireplace(s):			1	\$5,000.00	\$5,000
Subtotal:					\$143,438
Porch(s):			284	\$10.00	\$2,840
Deck(s):			491	\$14.57	\$7,154
Subtotal:					\$153,431
Cabin			500	\$45.00	\$22,500
Shed			128	\$15.00	\$1,920
Rv Hookup			1	\$7,000.00	\$7,000
Driveway:			2500	\$2.65	\$6,625
Subtotal:					\$38,045
Total of Building and Improvements:					\$191,476
Current Cost Multiplier:			1.07		
Local Multiplier:			0.94		
Adjusted Cost of Buildings and Improvements:					\$192,587
Site Clearing and Preparation:				\$3,000	
Landscaping & Fences				\$25,000	
Water and Septic System:				\$6,500	
Total Cost New:					\$227,087

Depreciation:**Physical Depreciation:**

In this case, physical depreciation is broken into three separate categories. The first are those items needing immediate repair which are referred to as curable physical depreciation.

In this case, no curable physical depreciation is taken.

The second category is incurable short-lived items. Those short-lived items are as follows:

Items	Replacement Cost	Eff. Age	Est. Life	Ratio Applied		Incurable Depre.
HVAC	\$1,824	5	20	10/20	25.0%	\$456
Floor Covering	\$8,224	2	10	2/10	20.0%	\$1,645
Roof & Paint	\$2,592	3	20	3/20	15.0%	\$389
Site Improvements	\$31,500	2	30	2/30	6.7%	\$2,100

The final item of physical depreciation is the remaining structure which has an estimated effective age of five years and overall life of 75 years. Based on this, the long-lived portion of the subject is estimated to have physical depreciation of 5/75 or 6.7%.

Functional Obsolescence:

None is apparent.

External Obsolescence:

None is apparent.

Cost Reconciliation(Fee Simple Interest):

Estimated Cost New:					\$227,087
Physical Depreciation:				Depreciation	
Curable physical deterioration				\$0	
Incurable physical deterioration					
(Short-lived items):		Cost	% Depre.		
	HVAC	\$1,824	25.0%	\$456	
	Floor Covering	\$8,224	20.0%	\$1,645	
	Roof & Paint	\$2,592	15.0%	\$389	
	Site Improvements	\$31,500	6.7%	\$2,100	
Incurable physical deterioration					
(Long-lived items)		Remaining Cost			
	Improvements	\$182,947	6.7%	\$12,196	
Functional Depreciation:		\$210,301	0.0%	\$0	
External Obsolescence:		\$210,301	0.0%	\$0	
Total accrued depreciation =====				\$16,786	7.4%
Depreciated value improvements					\$210,301
Add: Land Value					\$460,000
Estimated Value by the Cost Approach(Improvements):					\$670,301
	Rounded to				\$670,000

Site Value: The market analysis to support the land value is on page 20 of this report.

Conclusions:

The estimated value by cost approach as of April 30th, 2014 is:

Value	Value
Fee Simple Interest	\$670,000

SALES COMPARISON APPROACH

This approach is defined as:

"An appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and current listings, the former fixing the lower limit of value in a static or advancing market (price wise) and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market. It is a process of analyzing sales of similar recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data, (b) the verification of the sales data, (c) the degree of comparability or extent of adjustments necessary for time differences, and (d) the absence of non-typical conditions affecting the sales price."

In essence, all approaches to value (particularly when the purpose of the appraisal is to establish market value) are market related approaches since the data inputs are presumably market derived.

Land Sales:

A distinct requirement of this approach is that sales of similar properties be available for comparison with the subject. In researching sales in the area, the following sales were found:

#	Address	Date	Price	Other S	Site S	Size (Acre)	Wtr. Frtg(ff)	S/ff
1	788 Abbot Village Dr.	03/27/13	\$240,000	\$0	\$240,000	1	140	\$1,714
2	1210 Echo Lake Road	07/01/13	\$280,000	\$0	\$280,000	0.64	100	\$2,800
3	500/508 W. Village Dr.	05/11/11	\$435,000	\$0	\$435,000	1.36	186	\$2,339
4	516/524 W. Village Dr.	05/18/11	\$370,000	\$0	\$370,000	1.25	191	\$1,937
5	1226 Echo Lake Road	08/16/13	\$180,000	\$0	\$180,000	0.46	100	\$1,800

Sale One: This is the sale of a similar sized lake front lot that is located one mile southwest of the subject on Abbot Lake, which is a smaller lake that is adjoined to Echo Lake by a narrow waterway. The location is somewhat inferior because during dry years, the waterway connection the two lakes can be so low that it is not passable by a boat. Although this site is only around 85 feet wide, it does have 140 feet of water frontage because the lake shore area has a point that protrudes out into the lake. If the shoreline were a straight 90 degrees to the lot with 85 feet of frontage, the price per front foot would be \$2,823 per front foot. Overall, this site is inferior to the subject.

Sale Two: This is a recent sale of a lake front lot on Echo Lake and it is located directly across the bay from the subject. It is smaller than the subject and only has 100 feet of lake frontage. The combination of this site being smaller than the subject and having much less water frontage, makes it far inferior to the subject.

Sale Three: this is the three-year-old sale of a 1.36-acre lot that is located 3/4 of a mile southwest of the subject, in a small bay in Echo Lake. The site is irregularly shaped. With 186 feet of water frontage the wraps around a portion of the bay.

Sale Four: This is a 1.25-acre waterfront site that adjoins the west side of sale three. It is also irregularly shaped, with an angled shoreline that has 191 feet of water frontage.

Sale Five: This is the most recent sale of a waterfront lot on Echo Lake. It is located across the bay from the subject and 100 feet north of sale one. It sold with a small cabin that did not have plumbing or a foundation and did not contribute to the overall value. Although this site is only 100 feet from sale two, it sold for \$100,000 less because it did not have a septic system and it was not clear whether a septic permit could be obtained. After the purchase, the buyer was told that a conventional septic system could only be obtained if he could obtain an easement to place part of it on the adjoining property. Without that easement, it would be possible to obtain a permit for a holding tank.



The sales grid on the following page makes a side-by-side comparison of how each of the comparables relates to the subject property.

Sales Grid:

Element	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Price		\$240,000	\$280,000	\$435,000	\$370,000	\$180,000
Size (Lake Frontage)	263.22	140	100	186	191	100
Property Rights	Fee	Fee	Fee	Fee	Fee	Fee
Terms		Cash	Cash	Cash	Cash	Cash
Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Price	\$0	\$240,000	\$280,000	\$435,000	\$370,000	\$180,000
Condit. of Sale	Market	Equal	Equal	Equal	Equal	Equal
Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Other		None	None	None	None	No Value
Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Price	\$0	\$240,000	\$280,000	\$435,000	\$370,000	\$180,000
Price per FF	\$0.00	\$1,714	\$2,800	\$2,339	\$1,937	\$1,800
Date of Sale		Mar-13	Jul-13	May-11	May-11	Aug-13
Adjustment		0.0%	0.0%	-7.7%	-7.5%	0.0%
Location	Echo Lake	Abbot Lake	Equal	Equal	Equal	Equal
Adjustment		10.0%	0.0%	0.0%	0.0%	0.0%
Access	Good	Equal	Equal	Equal	Equal	Equal
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%
Size (Lake Frontage)	263.22	140	100	186	191	100
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%
Aver. Depth per Ftg.	177	311	278	319	285	200
Adjustment		-10.0%	-10.0%	-10.0%	-10.0%	0.0%
Other	None	None	None	None	None	No Septic
Adjustment		0.0%	0.0%	0.0%	0.0%	40.0%
Zoning	SAG-5	SAG-5	SAG-5	SAG-5	SAG-5	SAG-5
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%
Net Adjustments		0.0%	-10.0%	-17.7%	-17.5%	40.0%
Indicated Value / FF		\$1,714	\$2,520	\$1,924	\$1,598	\$2,520

Adjustments:

Property Rights: All property rights transferred were fee simple and no adjustment is warranted.

Terms: All sales were cash or cash equivalent, so no adjustment is necessary.

Conditions of Sale: All sales were arms length and no adjustment is warranted.

Other: All are equal.

Date of Sale: Prior to 2007 property value had been increasing then when the recent recession started in December of 2007, property values went in a decline and finally leveled off around the end of 2011 and beginning of 2012. The following resale data of lakefront properties is considered in making this adjustment:

#	Property	Sale Date	Price	% Chg	Mo.	Annual %
1	855 Lakeside Blvd.	03/09/06	\$750,000			
	Resale	07/04/13	\$375,000	-50.0%	88.3	-6.8%
2	261 Woodyard Rd.	09/13/06	\$1,300,000			
	Resale	01/27/10	\$775,000	-40.4%	40.7	-11.9%
3	22640 Northernair Lane	01/09/07	\$1,262,000			
	Resale	11/02/12	\$800,000	-36.6%	70.1	-6.3%
4	46024 Meadowlark Lane	05/11/07	\$975,000			
	Resale	07/27/12	\$575,000	-41.0%	62.8	-7.8%
5	247 Beach Road	09/22/10	\$575,000			
	Resale	04/24/13	\$380,000	-33.9%	31.2	-13.0%
6	44097 A Street, Big Arm	08/15/06	\$546,500			
	Resale	05/31/12	\$290,000	-46.9%	69.8	-8.1%
7	602 6th St. W. Unit 3-C, Polson	06/18/07	\$1,131,673			
	Resale	04/11/11	\$615,000	-45.7%	46.0	-11.9%

No adjustment is made on sales that occurred after January 1st of 2012. Sales three and four occurred in May of 2011, when values were still declining. A negative adjustment of 1% per month is made on those two sales from their date of sale through the end of 2011.

Location: Sales two through five are all equal. Sale one is on a small lake that is connected to Echo Lake by a shallow waterway. This location is slightly inferior to site that are on Echo Lake.

Access: All are equal.

Size: Size will be addressed in the final the reconciliation.

Average Depth per Frontage: This shows the average depth of the lot as it relates to the water frontage. All comparables center around 300 feet of dept for every foot of water frontage. Because the subject's water frontage wraps around the east side and into a small bay on the south edge, it average depth is only 177 feet for every foot of frontage. To account for this difference, a -10% adjustment is made on sales one, two, three and four. Sale five is generally equal to the subject.

Other: Sales one through four are all equal to the subject. Sale five did not have a septic system and it was questionable as to whether a septic permit was obtainable. Except for the septic system, this property is very similar to sale two. An adjustment of 40% is made in order to make this sale equal to sale two, which did not have this problem.

Zoning: All are equal.

Physical Comparison Reconciliation:

The overall indicated value range of the five comparables addressed in the sales grid is between \$1,598 and \$2,520 per front foot of water frontage. No sales are exactly like the subject, but sales one, three and four are considered most similar because each of those three sales has irregular water frontage as it relates to the overall site. Based on these three sales, it is my opinion that the most probable value of the subject site is \$1,750 per front foot times 263 front feet for a rounded value of \$460,000.

Improvement Comparables:

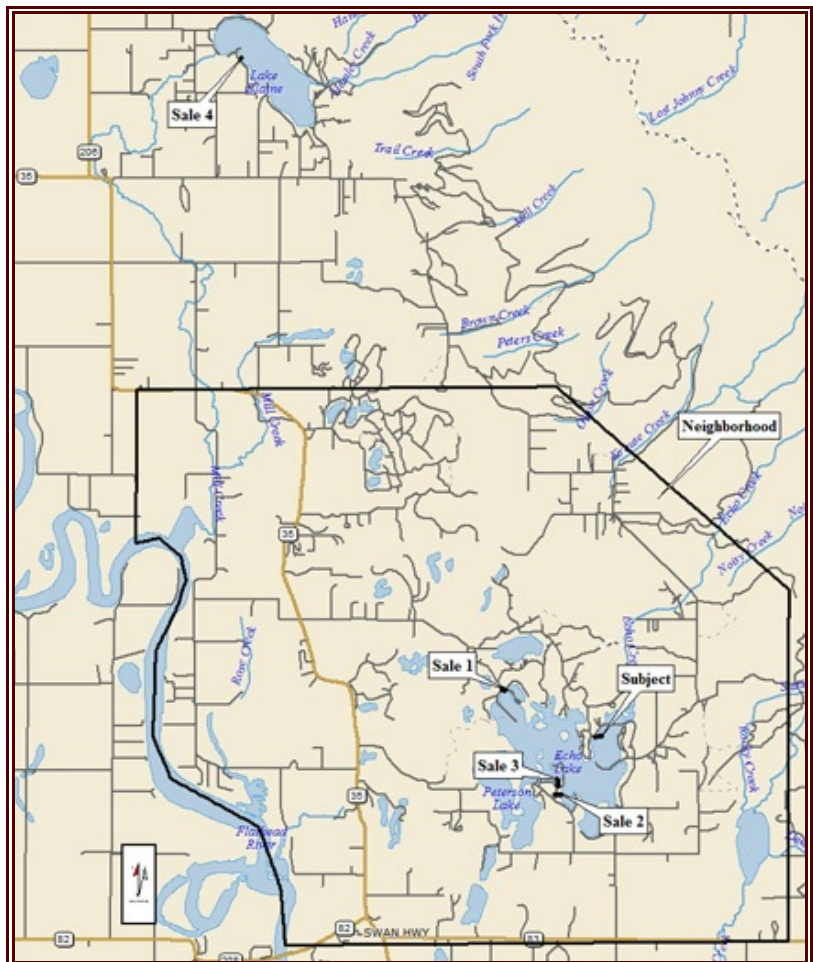
Analysis and Comments on Market Data Market Data Tabulation

#	Address	Date	Price	Improvements
1	1111 Blackies Bay, Bigfork	01/23/13	\$662,000	House (1,540 sf), G. House, Garage
2	397 E. Village Dr., Bigfork	08/24/13	\$720,000	House (1,563 sf) & Garage
3	452/454 E. Village Dr., Bigfork	05/18/11	\$790,000	House (1,188 sf) & Garage
4	770 Blaine View Lane, Kalispell	09/19/11	\$600,000	House (960 sf)

Sale One: This is the sale of a lakefront home that is located in Blackies Bay, 1.2 miles northwest of the subject. The house is larger than the subject's, but the quality is generally equal. The guest house on this property is far superior to the subject's guest cabin in design and quality as well as age and condition. The home sits on a lake front lot that is valued at around \$280,000, making it \$180,000 less valuable than the subject's site.

Sale Two: This is the sale of another lakefront home that is 3/4 of a mile southwest of the subject, on the south shore of Echo Lake. This house is also larger than the subject, but is similar in quality. It does have a two-car garage and a storage shed. This site is valued at around \$300,000, making it \$160,000 less valuable than the subject's site.

Sale Three: This is the three-year-



old sale of a small lakefront house that is just north of sale two. It is on a lot that adjoins land sales three and four. The house is similar in size, but inferior in quality and it does have a basement that is around 50% finished. This property also has a two-car garage. At the time of this sale, the site was valued at around \$540,000, making it \$80,000 more valuable than the subject's site.

Sale Four: This is a lakefront home that is on Lake Blaine, which is a similar small lake that is located nine miles northwest of Echo Lake. Lake Blaine is considered in the marketplace as generally equal to Echo Lake and appeals to similar buyers, but has historically had higher land values. This house is most simile to the subject house, in that it is a small, two story summer home that does not have a garage and is similar in age, quality and condition, plus it does not have a garage. The site is valued at around \$400,000, making is \$60,000 less valuable than the subject's site.

The sales grid on the following pages makes a side-by-side comparison of how each of the comparables relates to the subject property.

Sales Grid (Sales One and Two):

Item	Subject	Sale One	Adj.	Sale Two	Adj.
Sales Price			\$662,000		\$720,000
Data and/or		MLS #313906		MLS #319956	
Verification Source		Broker/PRC		Broker/PRC	
VALUE ADJ					
Sales or Financing		Cash	\$0	Cash	\$0
Concessions		None	\$0	None	\$0
Date of Sale/Time		01/23/13	\$0	08/24/13	\$0
Location	Average	Equal		Equal	
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple	
Site	1.07 Ac/263 ff	1.12 Ac./100 ff	\$180,000	.87 Ac./96 ff	\$160,000
View	Average	Equal		Equal	
Waterfront	Echo Lake	Echo Lake		Echo Lake	
Design and Appeal	Average	Equal		Equal	
Quality of Construction	Average	Equal		Equal	\$0
Age	10 Years	22 Years		14 Years	
Condition	Average	Inferior	\$15,000	Inferior	\$10,000
Above Grade	Rms Bdr. Bath	Rms Bdr. Bath		Rms Bdr. Bath	
Room Count	6 - 3 - 2	7 - 3 - 2	\$0	7 - 3 - 2	\$0
Gross Living Area	1,216	1,540	-\$32,000	1,563	-\$35,000
Basement (sf)	0	1,008	-\$12,000	1,563	-\$19,000
Basement Finish	None	Part Fin.	-\$20,000	100% Finished	-\$62,000
Functional Utility	Average	Equal		Equal	
Heating/Cooling	E.Cadet/Average	Equal		Equal	
Energy Efficient Items	Average	Equal		Equal	
Garage/Carport	None	3 Det. (840 sf)	-\$21,000	2 Att.(625 sf)	-\$15,600
Porch, Patio, Deck,	Deck	Decks	\$0	Decks	\$0
Fireplace(s), etc.	1 FP	FP	\$0	FP	\$0
Fence, Pool, etc.	Fence	None	\$2,000	None	\$2,000
Other	G.Cabin	G. House	-\$80,000	None	\$5,000
Other	RV Hookup,Shed	None	\$6,000	Shed(Sup.)	\$0
Net Adj. (total)			\$38,000		\$45,400
Adjusted Sales Price					
of Comparable			\$700,000		\$765,400

Sales Grid (Sale Three and Four):

Item	Subject	Sale Three	Adj.	Sale Four	Adj.
Sales Price			\$790,000		\$600,000
Data and/or		MLS #305471		MLS #315451	
Verification Source		Broker/PRC		Broker/PRC	
VALUE ADJ					
Sales or Financing		Cash	\$0	Cash	\$0
Concessions		None	\$0	None	\$0
Date of Sale/Time		05/18/11	-\$59,000	07/03/13	\$0
Location	Average	Equal		Equal	
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple	
Site	1.07 Ac/263 ff	1.17 Ac./357 ff	-\$80,000	.38 Ac./100 ff	\$160,000
View	Average	Equal		Equal	
Waterfront	Echo Lake	Echo Lake		Lake Blaine	-\$100,000
Design and Appeal	Average	Equal		Equal	
Quality of Construction	Average	Inferior@/\$20/sf	\$24,000	Equal	
Age	10 Years	12 Years		12 Years	
Condition	Average	Inferior	\$10,000	Inferior	\$10,000
Above Grade	Rms Bdr. Bath	Rms Bdr. Bath		Rms Bdr. Bath	
Room Count	6 - 3 - 2	6 - 2 - 1	\$3,000	5 - 2 - 2	\$0
Gross Living Area	1,216	1,188	\$3,000	960	\$26,000
Basement (sf)	0	1,188	-\$14,000	480	-\$6,000
Basement Finish	None	100% Finished	-\$30,000	Finished	-\$19,000
Functional Utility	Average	Equal		Equal	
Heating/Cooling	E.Cadet/Average	Equal		Equal	
Energy Efficient Items	Average	Equal		Equal	
Garage/Carport	None	2 Att. (672 sf)	-\$16,800	None	
Porch, Patio, Deck,	Deck	Decks	\$0	Decks/Sup.	-\$5,000
Fireplace(s), etc.	1 FP	FP	\$0	FP	\$0
Fence, Pool, etc.	Fence	None	\$2,000	None	\$2,000
Other	G.Cabin	None	\$5,000	None	\$5,000
Other	RV Hookup,Shed	None	\$6,000	Inferior	\$6,000
Net Adj. (total)			-\$146,800		\$79,000
Adjusted Sales Price					
of Comparable			\$643,200		\$679,000

Adjustments:

Sales or Financing: All are equal.

Concessions: There are no reported sales concessions on any of the sales.

Date of Sale/Time: Prior to 2007 property value had been increasing then when the recent recession started in December of 2007, property values went in a decline and finally leveled off around the end of 2011 and beginning of 2012. No adjustment is made on sales that occurred after January 1st of 2012. Sales three occurred in May of 2011, when values were still declining. A negative adjustment of 1% per month is made on those two sales from their date of sale through the end of 2011. (See supporting documentation in the land value section of this report.)

Location: All are generally equal.

Leasehold/Fee Simple: The subject and all comparables are fee simple. No adjustment is made.

Site: This adjustment accounts for a mix of site size, the amount of water frontage, the shape of the site and the general topography. All of these factors are considered in making the adjustments shown on the sales grids.

View: All are generally equal.

Waterfront: All on Echo Lake are considered equal. Sale four is on Lake Blaine, which is a similar small lake in the area, but the historic site sales in the area have been higher than those on Echo Lake. To account for this difference a \$100,000 location adjustment is made.

Design and Appeal: All are generally equal.

Quality of Construction: Sales one, two and four are generally equal. Sale three is inferior to the subject as well as the other three sales. An adjustment of \$20 per square foot is made to account for this difference.

Age: Age and condition are lumped together in the condition adjustment.

Condition: This is a reasonable estimate to account for the apparent differences.

Room Count: Sales one, two and four are all equal. A \$3,000 adjustment is made on sale three to account for the additional bathroom.

Gross Living Area: All are adjusted at \$100 per square foot for the differences in size.

Basement (sf): All are adjusted at \$12 per square foot for the basement shell size.

Basement Finish: An estimate of the contributory value of the basement finished area is made. Sales one two and four are adjusted at \$40 per square foot and sale three is adjusted at \$25 per square foot because it is inferior in quality to sales one, two and four.

Functional Utility: All are generally equal.

Heating/Cooling: All are generally equal.

Energy Efficient Items: All are generally equal.

Garage/Carport: The garages are adjusted at \$25 per square foot.

Porch, Patio, Deck: Most are generally equal to the subject.

Fireplace(s), etc.: All are generally equal.

Fence, Pool, etc. The subject is partly fenced.

Other: The difference in the contributory value of the features associated with the comparables are adjusted for the estimated value difference of the subject's cabin, RV hookup and shed.

Reconciliation:

Sales one and two are the only sales that have taken place on Echo Lake since the beginning of 2013 and they indicate a range of between \$700,000 and \$765,000. Sale three is a three-year-old sale of a more similar house, but as an old sale, it is not considered a reliable indicator of current values. Sale four is a relatively recent sale of a more similar house, but is not on Echo Lake and indicates a similar value of \$679,000. With no recent sales available of properties more similar to the subject, it is my opinion that sales one, two and three represent the best indicators of the subject's current value. Based on these three sales, it is my opinion that the most probable value of the subject is a middle figure of \$700,000.

Conclusion:

As noted in the scope of this appraisal, both the value of the State owned land and the privately owned improvements are to be addressed. In this case, the total value of the property is estimated to be \$700,000, of that \$460,000 is the value of the State owned land and the remaining \$240,000 in the value of the privately owned improvement.

In conclusion, the indicated value by the sales comparison approach, as of April 30th, 2014 is:

Property	Value
Fee Simple value of the Site	\$460,000
Fee Simple value of the overall property	\$700,000
Contributory value of the house and other improvements	\$240,000

FINAL RECONCILIATION

It is considered good practice among professional appraisers to use the three basic approaches to value when possible in valuing real estate. If each approach could be done exactly correct, each would give (theoretically) exactly the same answer. Since appraising is not an exact science, but rather, a matter of estimating value based upon available data, those in the appraisal business use the three approaches in order to best bracket value by using each as a check, one against the other.

The following is a recap of the results of the three approaches	Land Value	Improvements Value	Overall Value
Cost Approach	\$460,000	\$210,000	\$670,000
Income Approach	N/A	N/A	N/A
Sale Comparison	\$460,000	\$240,000	\$700,000

Cost Approach: The strength of the cost approach is that it approaches value based on what it would cost to replace the subject, less depreciation. In the Flathead market, there had been a lot of new construction prior to 2007.

The weakness is that cost does not always reflect value and the recent recession has resulted in the severe slowdown in new construction.

Income Approach: A single family residence is not typically purchased for its income potential, therefor the income approach is not considered.

Sale Comparison Approach: The strength of the sales comparison approach is that it makes a direct, physical comparison of similar competing properties and is reflective of what the market pays for this type of property.

The weakness is that there are few sales of similar properties, but this is still considered the strongest approach to value that is available.

Conclusion:

After considering both the cost approach and the sales comparison approach, it is my opinion that the sales comparison approach offers the best and most reliable support for the current market value

Based on all the analysis incorporated herein and subject to the statement of contingent and limiting conditions stated in this report, the final value of the subject property, as of April 30th, 2014 is estimated to be:

Property	Value
Fee Simple value of the Site	\$460,000
Fee Simple value of the overall property	\$700,000
Contributory value of the house and other improvements	\$240,000

Marketing Time:

The appraised value stated in this report assumes the definition of market value as is stated on page [7](#) of this report.

Northwest Montana MLS data on Waterfront Residential Sales	Number Sold	Average DOM
Current Waterfront Residential Listings in Flathead County	84	326
2014 Waterfront Residential Sales in Flathead County - To date	16	332
2013 Waterfront Residential Sales in Flathead County	47	375
2012 Waterfront Residential Sales in Flathead County	64	467
2011 Waterfront Residential Sales in Flathead County	39	319
2010 Waterfront Residential Sales in Flathead County	59	288
2009 Waterfront Residential Sales in Flathead County	45	235
2008 Waterfront Residential Sales in Flathead County	46	210

It is noted that there are currently 84 waterfront residential properties that are on the market in Flathead County, however most are substantially overpriced to the point that they are unlikely to sell at any time. Over the last six years, there has been an average of 50 properties sold each year in the County. It is also noted that the market is currently improving, therefore the marketing times will likely be decreasing. Based on this data, it is estimated that if the subject were offered for sale at a market price, the marketing time should be around six months.

CERTIFICATE OF APPRAISAL

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 analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of 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.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant real property appraisal assistance to the person signing this certification.

Based upon the information contained in this report, my general experience as an appraiser, and subject to the statement of contingent and limiting conditions stated on page [6](#) of this report, it is my opinion that the Market Value, as of the date of April 30th, 2014 is:

Property	Value
Fee Simple value of the Site	\$460,000
Fee Simple value of the overall property	\$700,000
Contributory value of the house and other improvements	\$240,000

James O. Kelley
General Certificate #REA-RAG-LIC-80
Expires 3/31/15

Date: May 20th, 2014

EXPERIENCE AND QUALIFICATIONS

of James O. Kelley

EDUCATION:

1975 - University of Montana - Bachelor of Arts in Business Administration specializing in Real Estate and Finance.

Appraisal Courses:

1976 - American Institute of Real Estate Appraisers - Residential Appraisal Course #8.

1985 - American Institute of Real Estate Appraisers - Capitalization Theory and Tech Part A and Part B.

1987 - American Institute of Real Estate Appraisers - Standards of Professional Practice.

1991 - Appraisal Institute - Case Studies in Real Estate Valuation.

1993 - Appraisal Institute - Standards of Professional Practice, Parts A and B.

1994 - Appraisal Institute - Report Writing and Valuation Analysis.

1995 - Appraisal Institute - Standards of Professional Practice, Parts A.

1999 - Appraisal Institute - Sales Comparison Valuation of Small Mixed-Use Properties.

2000 - Appraisal Institute - Standards of Professional Practice, Part C.

2002 - Appraisal Institute - Standards of Professional Practice, Part C.

2004- Appraisal Institute - Standards of Professional Practice.

2006- McKissock School - Standards of Professional Practice.

2007- Appraisal Institute - Standards of Professional Practice.

2009- Appraisal Institute - Standards of Professional Practice.

2011- McKissock School - Standards of Professional Practice.

2012- Appraisal Institute - Standards of Professional Practice.

2014- Appraisal Institute - Standards of Professional Practice.

Appraisal Seminars:

1984 - American Institute of Real Estate Appraisers - Conservation Easement appraisal seminar.

1985 - American Institute of Real Estate Appraisers - Real Estate Investment analysis seminar.

1985 - American Institute of Real Estate Appraisers - Seminar on Federal Home Loan Bank Board Regulation R41B.

1986 - American Institute of Real Estate Appraisers - Seminar on Evaluating Commercial Construction.

1987 - American Institute of Real Estate Appraisers - Seminar on Appraising Single Family Residences.

1988 - American Institute of Real Estate Appraisers - Seminar on Appraising for insurance purposes.

1988 - American Institute of Real Estate Appraisers - Seminar on Ranch Appraising.

1989 - American Institute of Real Estate Appraisers - Seminar on Rates, Ratios & Reasonableness

1989 - American Institute of Real Estate Appraisers - Seminar on Discounted Cash Flow Analysis.

1990 - American Institute of Real Estate Appraisers - Seminar on being a witness in litigation.

1990 - American Institute of Real Estate Appraisers - Seminar on Hazardous Waste Sites.

1991 - Appraisal Institute - Seminar on Small Residential Income Property Valuation.

1991 - Appraisal Institute - Preparation seminar for state licensing and certification of appraisers.

1992 - Appraisal Institute - Seminar of FIRREA requirements.

1992 - Appraisal Institute - Seminar on the legal environment of appraising.

1993 - Appraisal Institute - Seminar on the Americans With Disabilities Act.

- 1993 - Appraisal Institute - Seminar on Complex Residential Properties.
- 1994 - Appraisal Institute - Seminar on the new URAR appraisal form.
- 1994 - Appraisal Institute - Seminar on Understanding Limited Appraisals.
- 1995 - Appraisal Institute - Seminar on Discounted Cash-Flow Analysis.
- 1995 - Appraisal Institute - Seminar on Subdivision Analysis.
- 1996 - Appraisal Institute - Seminar on 30 Specialized Appraisal issues.
- 1996 - Appraisal Institute - Seminar on Fair Lending and the Appraiser.
- 1997 - Appraisal Institute - Seminar on Alternative Residential Report Forms.
- 1998 - Appraisal Institute - Seminar on Small Motel/Hotel Valuation, Missoula, MT
- 1999 - Appraisal Institute - Seminar on Data Confirmation and Verification Methods.
- 2001 - Appraisal Institute - Seminar on Partial Interest Valuation(Divided).
- 2002 - Appraisal Institute - Seminar on Partial Interest Valuation(Undivided).
- 2002 - Appraisal Institute - Commercial Appraisal Review.
- 2003 - Appraisal Institute - Seminar on Appraisal Data Technology and Digital Reports (Instructor).
- 2003 - Appraisal Institute - Separating Real and Personal Property from Intangible Business Assets.
- 2004- Appraisal Institute - Seminar on Special Purpose Properties - A Road Less Traveled
- 2004 - Appraisal Institute - Seminar on Evaluating Commercial Construction.
- 2005 - Appraisal Institute - Seminar on the new URAR appraisal form.
- 2006 - Appraisal Institute - Seminar on Subdivision Valuation.
- 2007- University of Guizhou, School of Finance and Economics, Guiyang, China, – Property Rights and Appraisal Methods in the United States (as the Instructor)
- 2007- Appraisal Institute - Analyzing Commercial Lease Clauses - Implications for Property Value and Marketability.
- 2008- Appraisal Institute - Seminar on Office Building Valuation.
- 2009- Appraisal Institute - Seminar on Appraisal Curriculum Overview
- 2010- Appraisal Institute - Discounted Cash Flow Models; Concepts, Issues and Apps.
- 2010- Appraisal Institute - Hotel Appraising - New Techniques for Today's Uncertain Times
- 2011- Attacking and Defending an Appraisal in Litigation.
- 2012 - NAR - Valuing in a Declining Market
- 2012 - NAR - Consulting and Scope of Work

LICENSES:

Certified by the State of Montana. Currently hold Certified General Real Estate Appraiser Certificate #REA-RAG-LIC-80

EXPERIENCE:

- 1975-77 First Bank Western Montana, Missoula - Appraiser and Construction Inspector.
- 1977-79 First Federal Savings Bank, Kalispell - Real Estate Appraiser and Loan Officer.
- 1979-81 Charter First Mortgage, Kalispell - Assistant Manager and Loan officer.
- 1981-83 Chuck Olson Real Estate, Kalispell - Real Estate Salesman.
- 1981-87 Flathead Valley Community College - Part-time instructor of Real Estate Principles, Practices, Finance and Real Estate Appraisal.
- 1983-Present Independent Real Estate Appraisals for real estate lenders, government agencies, relocation companies and various individuals.

PHOTOS OF THE SUBJECT



PHOTOS OF THE SUBJECT



Looking NW at the front



Looking west at the front

PHOTOS OF THE SUBJECT



Looking east at the rear



Looking East along the subject's south shoreline

PHOTOS OF THE SUBJECT



Looking north along the subject's west shoreline



LaBrant Road with the subject to the right

COMPARABLE LAND SALES

COMPARABLE LAND SALE #1

GRANTOR	Larry Satterthwaite and Nancy Gorman
GRANTEE	Scott and Shannon Rivenes
LEGAL DESCRIPTION	Tract 4Q, 8-27-19, Flathead County
ASSESSOR NUMBER	0563455
SALES PRICE	\$240,000 – DOM=56
LISTED PRICE	\$270,000 on 2/18/13
TERMS	Cash to the seller
VERIFIED BY	Broker - Cherie Hanson
DATE OF SALE	B/S=3/27/13, Closed=4/15/13
RECORDING DATA	201300008992

PROPERTY DESCRIPTION

LOCATION	788 Abbot Village Drive, Bigfork, Mt.
SITE	1.0 Acre with 140 feet of Lake Frontage
IMPROVEMENTS	Vacant
TOPOGRAPHY	A rolling hillside that goes down to Abbot Lake.
ACCESS	Good from Abbot Village Drive
ZONING	SAG-5
UTILITIES	Power and phone to the site.

ANALYSIS OF SALE

SITE	\$1,714 per front foot of water frontage
------	--



COMPARABLE LAND SALE #2

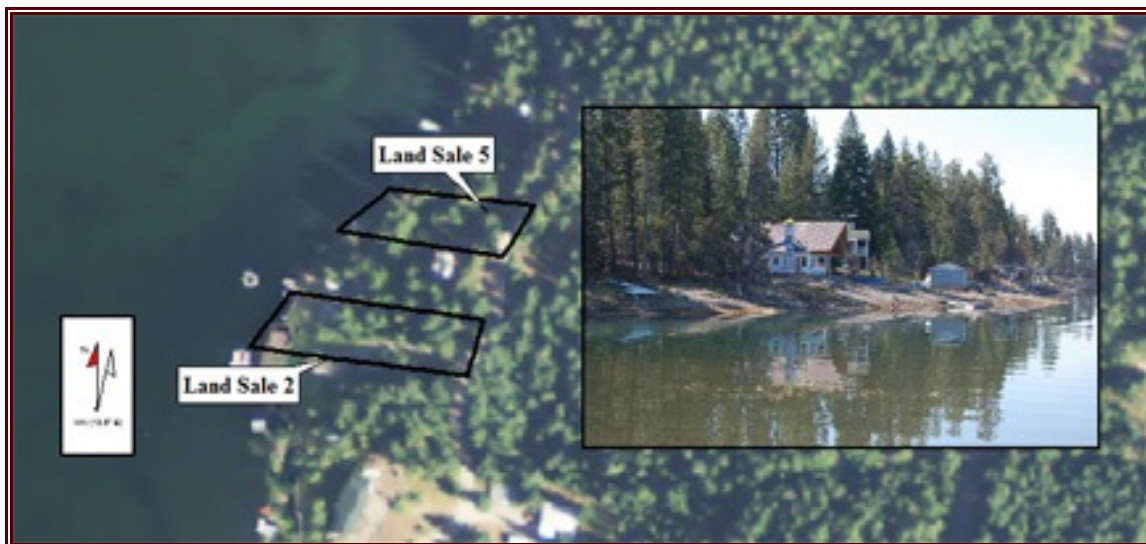
GRANTOR	Keith & Gail Strohschein
GRANTEE	Scott & Heather Bruner
LEGAL DESCRIPTION	Lot 65, Echo Acres, 4-27-19, Flathead County
ASSESSOR NUMBER	0839301
SALES PRICE	\$280,000 – DOM=398
LISTED PRICE	\$550,000 on 5/7/12, relisted 2/15/13 for \$349,000
TERMS	Cash to the seller, Conventional bank loan
VERIFIED BY	Broker - Jay Wolfe
DATE OF SALE	B/S=7/1/13, Closed=7/25/13
RECORDING DATA	201300018512

PROPERTY DESCRIPTION

LOCATION	1210 Echo Lake Road, Bigfork, Mt.
SITE	.64 Acre with 100 feet of Lake Frontage
IMPROVEMENTS	Vacant
TOPOGRAPHY	A moderate slope down to the lakeshore
ACCESS	Good from Echo Lake Road
ZONING	SAG-5
UTILITIES	Power and phone to the site.

ANALYSIS OF SALE SITE

\$2,800 per front foot of water frontage



COMPARABLE LAND SALE #3

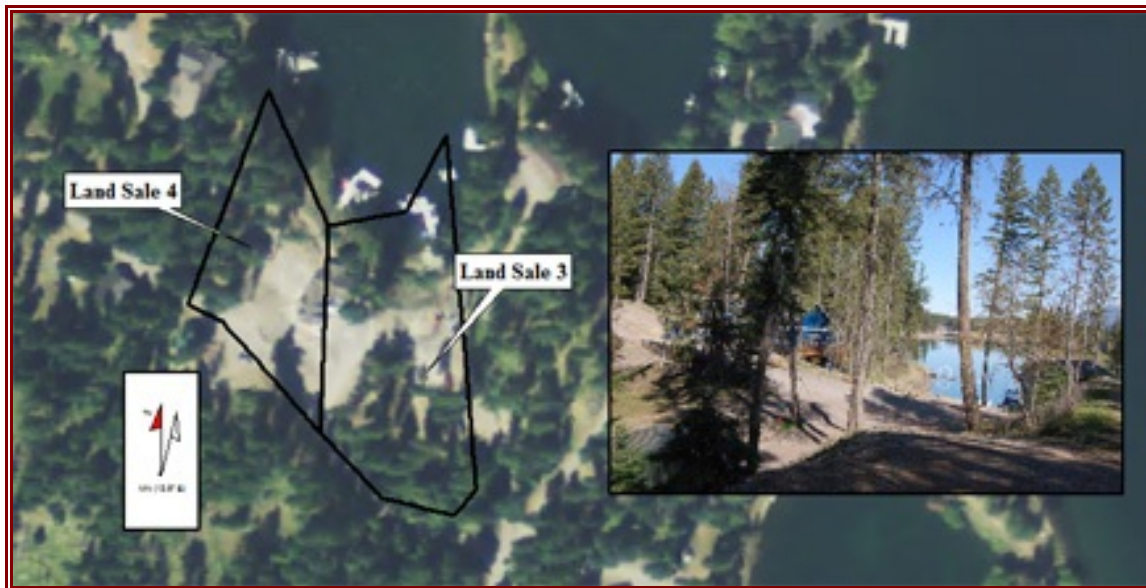
GRANTOR	Denton & Beverly Haynes
GRANTEE	Troy & Rebecca Bond
LEGAL DESCRIPTION	Lots 20 & 21 of West Village of Echo Chalet Village, 8-27-19, Flathead County
ASSESSOR NUMBER	0564253 & 0564254
SALES PRICE	\$435,000 – DOM=48
LISTED PRICE	\$450,000 on 5/3/11
TERMS	Cash to the seller, Conventional bank loan
VERIFIED BY	Broker - Cherie Hanson
DATE OF SALE	B/S=5/11/11, Closed=6/20/11
RECORDING DATA	201100012475

PROPERTY DESCRIPTION

LOCATION	500/508 West Village Drive, Bigfork, Mt.
SITE	1.36 Acre with 186 feet of Lake Frontage
IMPROVEMENTS	Vacant
TOPOGRAPHY	Level to slightly rolling
ACCESS	Good from West Village Drive
ZONING	SAG-5
UTILITIES	Power and phone to the site.

ANALYSIS OF SALE

SITE	\$2,339 per front foot of water frontage
------	--



COMPARABLE LAND SALE #4

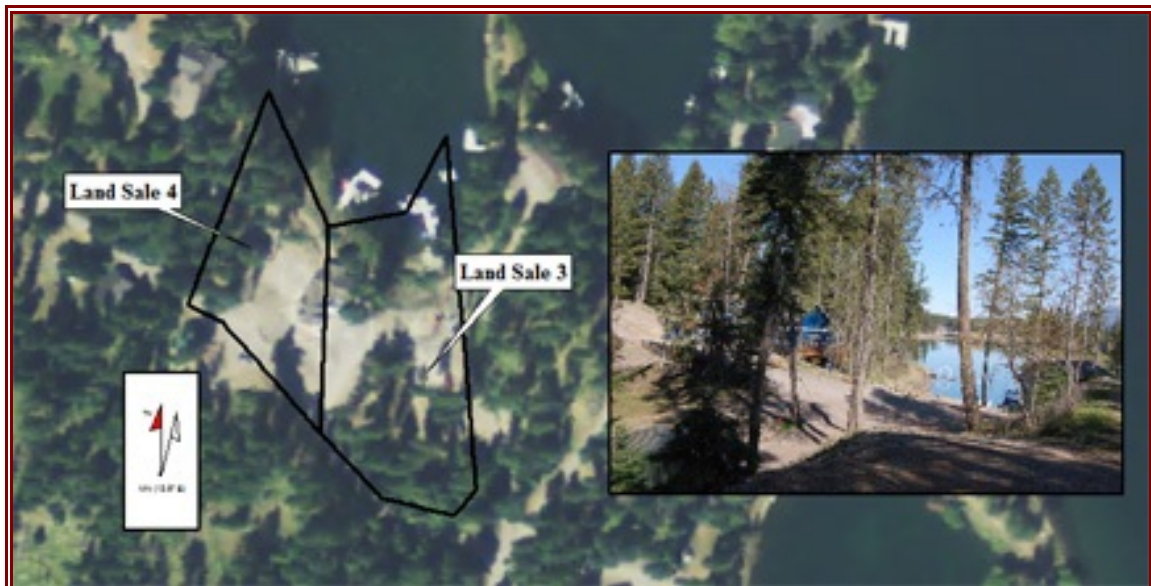
GRANTOR	Denton & Steven Haynes
GRANTEE	Dennis & Shawna Strong
LEGAL DESCRIPTION	Lots 18 & 19 of West Village of Echo Chalet Village, 8-27-19, Flathead County
ASSESSOR NUMBER	0564251 & 0564252
SALES PRICE	\$370,000 – DOM=111
LISTED PRICE	\$380,000 on 5/3/11
TERMS	Cash to the seller, Conventional bank loan
VERIFIED BY	Broker - Cherie Hanson
DATE OF SALE	B/S=5/18/11, Closed=8/22/11
RECORDING DATA	201100017025

PROPERTY DESCRIPTION

LOCATION	516/524 West Village Drive, Bigfork, Mt.
SITE	1.25 Acre with 191 feet of Lake Frontage
IMPROVEMENTS	Vacant
TOPOGRAPHY	Level to slightly rolling
ACCESS	Good from West Village Drive
ZONING	SAG-5
UTILITIES	Power and phone to the site.

ANALYSIS OF SALE

SITE	\$1,937 per front foot of water frontage
------	--



COMPARABLE LAND SALE #5

GRANTOR	Jesse Workman
GRANTEE	Conor & Brooke Hogan
LEGAL DESCRIPTION	Lot 67, Echo Acres, 4-27-19, Flathead County
ASSESSOR NUMBER	0887458
SALES PRICE	\$180,000 – DOM=67
LISTED PRICE	\$199,900 on 7/12/13
TERMS	Cash to the seller with bank financing
VERIFIED BY	Broker - Chris Hall
DATE OF SALE	B/S=8/16/13, Closed=9/17//13
RECORDING DATA	201300024104

PROPERTY DESCRIPTION

LOCATION SITE

1226 Echo Lake Road, Bigfork, Mt.
.46 Acre with 100 feet of Lake Frontage. The site is small and cannot have a conventional septic system. It was purchased knowing the risk that in my not qualify for a septic system.

IMPROVEMENTS

A 528 sf cabin that is not on a foundation and does not have plumbing. The buyer purchased the site for the construction of a new house and did not place value on the cabin.

TOPOGRAPHY ACCESS ZONING UTILITIES

A moderate slope down to the lakeshore
Good from Echo Lake Road
SAG-5
Power and phone to the site.

ANALYSIS OF SALE SITE

\$1,800 per front foot of water frontage



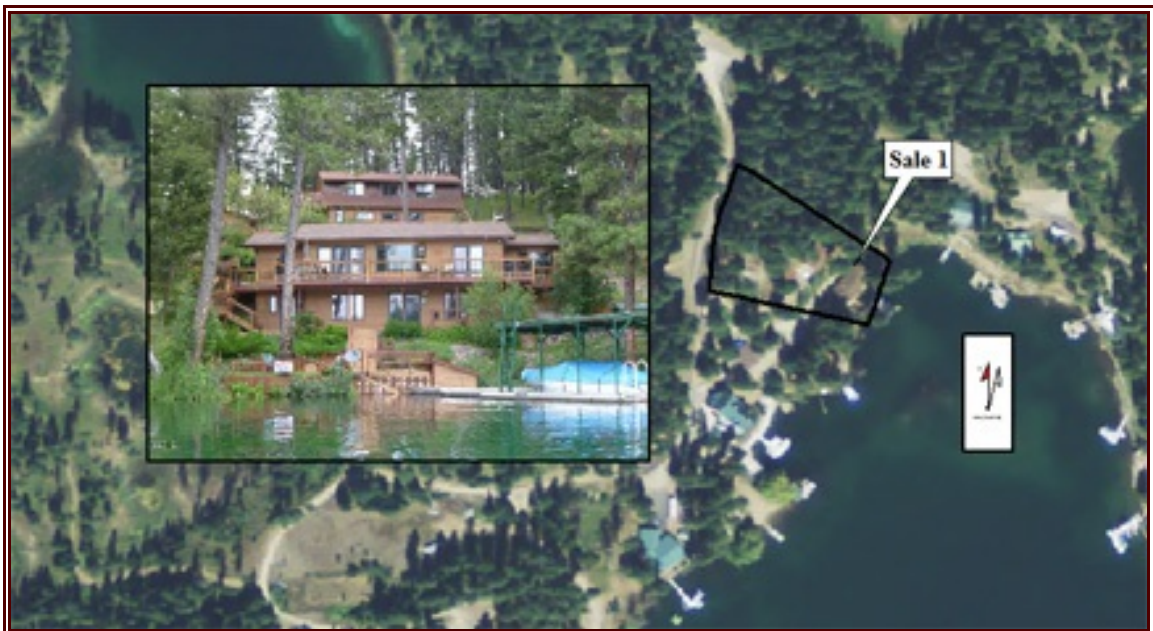
IMPROVED COMPARABLES

COMPARABLE SALE #1

GRANTOR	Roger & Paula Vanvoast
GRANTEE	Gary & Daneller Bell
LEGAL DESCRIPTION	Lot 12, Sunrise Bay, 6-27-19, Flathead County
ASSESSOR NUMBER	0975059
SALES PRICE	\$662,000 – DOM=238
LISTED PRICE	\$845,000 on 6/28/12 and later reduced to \$699,000
TERMS	Cash to the seller
VERIFIED BY	Broker - Bill Dakin
DATE OF SALE	B/S=1/23/13, Closed=2/21/13
RECORDING DATA	201300004406

PROPERTY DESCRIPTION

LOCATION	1111 Blackies Bay Road, Bigfork, Mt.
SITE	1.12 Acre with 100 feet of Lake Frontage
IMPROVEMENTS	There is a 1,540 sf house with a 1,008 sf basement that is partly finished. This is a good quality house that built in 1992. Near the rear of the site is a 624 sf, good quality guest house with a 934 sf basement that was also built in 1992. Next to the guest house is an 840 sf detached garage. All building improvements are of good quality. Both the main house and guest house have decks and there is a stairway the goes between the main house and the guest house.
TOPOGRAPHY	The site is on a moderate hillside that goes down to the lake.
ACCESS	Good from Blackies Bay Road
ZONING	SAG-5
UTILITIES	Power and phone to the site. There is a private well and onsite septic system.



COMPARABLE SALE #2

GRANTOR	Thomas & Charline Pane
GRANTEE	Lorraine Haller
LEGAL DESCRIPTION	Tract 4FE in 8-27-19, Flathead County
ASSESSOR NUMBER	0680361
SALES PRICE	\$720,000 – DOM=139
LISTED PRICE	\$780,000 on 5/21/13
TERMS	Cash to the seller with conventional bank loan
VERIFIED BY	Broker - Janeen Lemke
DATE OF SALE	B/S=8/24/13, Closed=10/7/13
RECORDING DATA	201300025889

PROPERTY DESCRIPTION

LOCATION	397 E. Village Drive, Bigfork, Mt.
SITE	.87 Acre with 86 feet of Lake Frontage
IMPROVEMENTS	There is a 1,563 sf house with a 1,563 sf basement that is fully finished. This is a good quality house that built in 2000. All building improvements are of good quality. There are 405 sf of decks around the house and a 140 sf storage shed on the driveway to the house. There is a two car attached garage that is 625 sf.
TOPOGRAPHY	The site is on a gentle hillside that goes down to the lake.
ACCESS	Good from the county road
ZONING	SAG-5
UTILITIES	Power and phone to the site. There is a private well and onsite septic system.



COMPARABLE SALE #3

GRANTOR	Denton & Beverly Haynes
GRANTEE	Vale Farms
LEGAL DESCRIPTION	Lots 22 & 23, Echo Chalet Village, 8-27-19, Flathead County
ASSESSOR NUMBER	0564256 & 0564255
SALES PRICE	\$790,000 – DOM=48
LISTED PRICE	\$885,000 on 5/3/11
TERMS	Cash to the seller
VERIFIED BY	Broker - Cherie Hansen
DATE OF SALE	B/S=5/18/11, Closed=6/20/11
RECORDING DATA	201100012540

PROPERTY DESCRIPTION

LOCATION	452/454 E. Village Drive, Bigfork, Mt.
SITE	1.17 Acre with 357 feet of Lake Frontage
IMPROVEMENTS	There is an 1,188 sf house with an 1,188 sf basement that is fully finished. This is an average quality house that built in 1999. There are 701 sf of decks around the house and a 672 sf, detached garage.
TOPOGRAPHY	The site is on a rolling site that has a peninsula that extends out into the lake.
ACCESS	Good from the county road
ZONING	SAG-5
UTILITIES	Power and phone to the site. There is a private well and onsite septic system.



COMPARABLE SALE #4

GRANTOR	Patrick Cheff
GRANTEE	Blaine Lee
LEGAL DESCRIPTION	Lot 12, Blaine View Lots, 26-29-20, Flathead County
ASSESSOR NUMBER	0011150
SALES PRICE	\$600,000 – DOM=349
LISTED PRICE	\$940,000 on 9/4*12
TERMS	Cash to the seller
VERIFIED BY	Broker - Dan Slezak
DATE OF SALE	B/S=7/3/13, Closed=8/19/13
RECORDING DATA	201300010653

PROPERTY DESCRIPTION

LOCATION	770 Blaine View Lane, Kalispell, Mt.
SITE	.38 Acre with 100 feet of Lake Frontage
IMPROVEMENTS	There is a 960 sf house with 480 sf on the ground level and 480 sf on a second story. There is also a 480 sf basement that is fully finished. This is a good quality house that built in 2001. There are 797 sf of decks around the house and no garage.
TOPOGRAPHY	The site is on a rolling site that has a peninsula that extends out into the lake.
ACCESS	Good from the county road
ZONING	None
UTILITIES	Power and phone to the site. There is a private well and onsite septic system.



ATTACHMENT "A"

ATTACHMENT A

Scope of Work for Appraisal of Potential Property Sale through the Cabin & Home Site Sale Program

CLIENT, INTENDED USERS, PURPOSE AND INTENDED USE:

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

DEFINITIONS:

Current fair market value. (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.

The legal descriptions and other characteristics of the Lessee's property that are known by the Lessee 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, 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 properties at a level that will allow the appraiser to render a credible opinion of value about the properties. 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.

Be valued with the actual or hypothetical condition that the cabin site or home site has legal access.

All appraisals are to describe the market value trends, and provide a rate of change, for the markets of the subject property. Comparables sales used should preferably be most recent sales available or be adjusted for market trends if appropriate. The comparable sales must be in reasonable proximity to the subject, preferably within the same county or a neighboring county. Use comparable sales of like properties.

The cabin site (land) should be valued under the hypothetical condition that it is vacant raw land, without any site improvements, utilities, or buildings.

The appraisal report must list all real property improvements that were considered when arriving at the appraised value for the improvements. Improvements means a home or residence, outbuildings and structures, sleeping cabins, utilities, water systems, septic systems, docks and landscaping.

The appraised value of state-owned land added to the allocated market value of the non-state-owned improvements value will not be greater than total market value of the property, with the hypothetical condition that land and improvements are in fee simple ownership, with one owner.

Appraised Values Required:

The appraisal for cabin and home sites must:

1. Include a total market value of the property, with the hypothetical condition that land and improvements are in fee simple ownership, with one owner.
2. Include a separate market value for the state-owned cabin or home site (land), under the hypothetical condition of it being vacant raw land exclusive of real property improvements.
3. Allocate a separate market value for the non-state-owned improvements, from the total market value derived in 1 above.
4. Valuation of the improvements must account for all forms of obsolescence.
5. The appraiser must also allocate what portion of the appraised value for the cabin or home site (land) would be attributable to the value of the access across other state land to the cabin or home site.

ATTACHMENT "B"

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 (Located in Flathead County):

Sale # 714, 1.331+ acres; Lot 21, Echo Lake Cabinsites; COS 18885, Section 5, T27N-R19W P.M.M., Flathead County Montana. See survey of the parcel below.

Access to field inspect the cabin site parcel and improvements should be coordinated with the Area Office contact listed below.

Area Office Contact Information:

Anne Moran, Kalispell Unit Planner
655 Timberwolf Parkway, Suite 1
Kalispell, MT 59901-1215
Phone: 406/751-2274
Fax: 406/751-2287
amoran@mt.gov

Lessees:

Jake & Margaret Rose VanSeters
PO Box 1233
Coaldale, Alberta, Canada T1M1N1
403/345-6042 home 403/634-0495 cell
jr@itb.ca

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

The appraisal report will be one document containing the parcel data and the analysis, opinions, and conclusions of value(s) 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.

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

The DNRC will provide access to the state parcel record, as maintained by the land office, including but not limited to aerial photos, land improvements, property issues, surveys (if any), and production history. The local land office will provide contact information to the appraiser, if necessary, in order for the appraiser to obtain access to the property.