

***AN APPRAISAL OF THE LAND AND IMPROVEMENTS AT
3588 BEAR CANYON ROAD, BOZEMAN, MONTANA***

DATE OF VALUATION

April 28, 2014

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

***ELKHORN APPRAISAL SERVICES
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6/10/2014

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

RE: An appraisal of the real property located at 3588 Bear Canyon Road, Bozeman, Gallatin County, Montana.

In accordance with the letter of engagement, I have made the necessary inspection and analysis to appraise the above referenced property. The attached report provides the essential data and detailed reasoning employed in estimating my final value estimates.

I have appraised the property as a whole and have also allocated a value for the site and improvements per the scope of work as indicated by the client.

I have appraised the property as a whole, owned in fee simple ownership. The State of Montana parcel is leased to Kenny and Christina Wood and the lessee's own the improvements. I assume no responsibility for matters that are legal in nature nor do I render any opinion as to title.

The property being appraised consists of:

- 2,983 SF single-unit dwelling with garage and shop.
- The parcel is 36,155 SF or .83 acres

In the body of the report is a description of the property.

The value reported is qualified by certain definitions, assumptions and limiting conditions, and certification which are set forth within the attached report. This appraisal report is intended to conform to the Uniform Standards of Professional Appraisal Practice, FIRREA, and State of Montana reporting requirements.

Based on my analysis, the market value of the subject property, as set forth, documented and qualified in the attached report under conditions prevailing on April 28, 2014 is:

Site	\$70,000
Dwelling	\$415,000
Total	\$485,000

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

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'G. A. Thornquist', with a stylized flourish at the end.

Gregory A. Thornquist
Montana State Certified
General Real Estate Appraiser REA-RAG-LIC-867
6/10/2014

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Addenda

- Scope of work
- Improvement Schematics
- Flood Map
- State of Montana Cadastral
- Appraisers Qualifications
- Appraisal License

SUBJECT PROPERTY PHOTOGRAPH



Subject dwelling

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

<i>PURPORTED OWNER:</i>	Site – State of Montana Improvements – Kenny and Christina Wood
<i>PROPERTY TYPE:</i>	Residential
<i>LOCATION OF PROPERTY:</i>	3588 Bear Canyon Road, Bozeman, Gallatin County, Montana.
<i>SITE:</i>	.83 acres or 36,155 SF.
<i>PROPERTY RIGHTS APPRAISED:</i>	Fee Simple
<i>ZONING:</i>	There is no underlying zoning
<i>PRESENT USE:</i>	Residential
<i>HIGHEST AND BEST USE:</i>	Residential
<i>DATE OF VALUATION:</i>	April 28, 2014
<i>VALUE:</i>	
<i>SITE:</i>	\$70,000
<i>IMPROVEMENT;</i>	\$415,000
<i>TOTAL</i>	\$485,000

ASSUMPTIONS AND LIMITING CONDITIONS

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

- No responsibility is assumed for matters that are legal in nature nor is any opinion rendered on title of property appraised.
- Unless otherwise noted, the property has been appraised as though free and clear of all encumbrances.
- All maps, areas, plans, specifications, and other data furnished your appraiser were assumed to be correct. No survey of the property was made by this firm. Furthermore, all numerical references to linear measurements, area, volume or angular measurements should be assumed to be "more or less" (+/-) and are accurate to a degree consistent with their use for valuation purposes.
- This appraisal considers only surface rights to the property with consideration of current zoning and land use controls. The estimate of **highest and best** use will form the basis for the value estimate. This appraisal does not consider mineral, gas, oil or other natural resource rights that may be inherent in the ownership of the property.
- In this appraisal assignment, any potentially hazardous material found on the land or used in the construction of the buildings, such as urea formaldehyde foam insulation, petroleum residue, asbestos and/or existence of toxic waste or gases, which may or may not be present on the property, has not been considered. The appraiser is not qualified to detect such substances. Any interested party is urged to retain an expert in this field if there is any question regarding such potentially hazardous material. If such material or substance is present it could adversely affect the value reported herein.
- The appraiser is not a seismologist. This appraisal should not be relied upon as to whether a seismic problem exists, or does not actually exist on the property. The property which is the subject of this appraisal is within a geographic area where earthquakes and other seismic disturbances have previously occurred and where they may occur again. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the appraiser concerning the geologic and/or seismic condition of the property. The appraiser assumes no responsibility for the possible effect on subject property on seismic activity and/or earthquakes. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed seismic requirements by the City or County. It is possible that a survey of the property could reveal that the property does not meet the required seismic requirements. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance requirements in estimating the value of the property.
- All data contained in this report and in the appraiser's files, as obtained from other sources, upon which to any degree the opinions and conclusions were based, are considered reliable and believed to be true and correct. However, the appraiser does not assume responsibility for the accuracy of such items that were obtained from other parties.
- There shall be no obligation to give testimony or attendance in court by reason of this appraisal with reference to the property in question unless arrangements have been previously made and at an additional fee.
- Neither all nor any part of the contents of this report, especially the conclusions to value, the identity of the appraiser or the firm with which he is connected shall be disseminated to the public through advertising media,

news media, public relations media, sales media, or any other public means of communication without the prior written consent of the appraiser.

- Gregory A. Thornquist does not authorize the out-of-context quoting from, or partial reprinting of this appraisal report.
- The liability of Gregory A. Thornquist is limited to the client and to the fee collected. Further, there is no accountability, obligations or liability to any third party. If this report is placed in the hands of anyone other than client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser assumes no responsibility for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, or of a legal nature.
- The fee for this appraisal report is for the service rendered and not for time spent on the physical report or for the physical report itself.
- This appraisal report is prepared for the State of Montana, Department of Natural Resources. The lessee, Ken and Christina Wood are also intended users. No third parties are authorized to rely upon this report without the expressed written consent of the appraiser.
- This Appraisal Report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. As such, it presents only summary discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analysis is contained in the appraiser's files.

HYPOTHETICAL ASSUMPTIONS

- The appraisal assumes the land or state-owned cabin site are in fee simple ownership.
- The value for the site is as though vacant or a raw site.
- Although the State owned parcel is leased, this appraisal assumes that the current lease does not exist. This is part of the scope of the assignment and is noted in the "Supplemental Appraisal Instructions".
- This appraisal assumed the property has legal access.

SCOPE OF THE APPRAISAL

I was retained by Montana DNRC Trust Land Management Division and I was retained to appraise the State owned cabin site and the Improvements. I was provided the following information:

- Scope of work for Appraisal of Potential Property Sale through the Cabin & Home Site Sale Program.
- Parcel descriptions
- Contact information for inspecting the subject property

On April 28, 2014 I met with Craig Campbell, Bozeman Unit Manager with the Department of Natural Resources and Conservation and the Lessee's, Ken and Christina Wood. Mr. Campbell provided me with information with respect to the Cabin & Home Site Sale Program and the geographical area of the subject. The lessee provided me with access to the improvement, specific information with respect to the subject and building schematics.

This appraisal is considered to be a "market value" appraisal and as such is based upon the highest and best use of the subject property. Fundamental within the highest and best use analysis is the consideration of the subject's use, timing of that use, and the most probable buyer and user. This is discussed further in the highest and best use section of this report.

There are five distinct buyer types in a given real estate market; each is identified below:

- Owner-User: Acquires real estate mostly for its use; vacancy and investment yield are not primary criteria. Property suitability is the major objective.
- Passive Investor: Seeks an established income stream; usually does not change the property in any meaningful way; generally prefers long-term ownership.
- Developer: Acquires real estate to physically or legally change it in some significant fashion; accepts substantial risk so expects major reward; short-to-medium holding period.
- Speculative Investor: Buys real estate solely as an investment with most of the reward at termination; property use is not a primary consideration; medium-to-long term holding period; usually buys during weak market conditions, so accepts huge risk. Mantra: Buy low, sell high.
- Pure Speculator: Buys real estate as an investment with most of the reward at termination; property use is usually not a major consideration; buys during conditions of rapidly appreciating prices; short-to-medium ownership period.

The subject is a single-unit dwelling; therefore the most applicable buyer type is an owner/user.

The purpose of the appraisal is for the potential acquisition of the site by Ken and Christina Wood.

The Scope of Work indicates the appraisal 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.*

It need be noted although #5 is included in the Scope of Work; DNRC is not requiring the appraiser to #5.

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

All of the comparable sales described in the body of the report are shown in detail on the summary sheets in a separate document. Therefore, this document contains limited data with respect to identifying the comparables for confidentially reasons. I did not physically inspect each of the comparable sales but did discuss the sales with someone with knowledge to the transactions.

Effective Date:

The effective date of this appraisal report is April 28, 2014. This is the date of valuation and was the date of inspection. This appraisal report was completed on June 10, 2014.

DEFINITION OF MARKET VALUE

Market value, as used in this report, is defined as follows:

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

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

INTENDED USE OF THE APPRAISAL AND CLIENT

It is understood the intended use of this appraisal report is to assist in collateral valuation, financing and subsequent loan monitoring decisions regarding the subject property by the client. The clients are the State of Montana, Montana Board of Land Commissioners and the Department of Natural Resources (DNRC), and users are the State of Montana, Montana Board of Land Commissioners, Department of Natural Resources (DNRC) and Ken and Christina Wood.

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.

This appraisal is made with the understanding and assumption that present ownership of the subject property includes all rights that may be lawfully owned, and is therefore, titled in fee simple as of April 28, 2014. A fee simple estate is subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

IDENTIFICATION OF PROPERTY AND LEGAL DESCRIPTION

The property which is the subject matter of this report consists of a 36,155 SF site with improvements located thereon. The legal description is as follows and copy of the plat is in the addenda:

Sale #710 – 0.83 acres; Located in the NE1/4 of Section 1, T3S-R6E and the NW1/4 of Section 6, T3S-R7R, P.M.M, Gallatin County Montana.

PURPORTED OWNER

The State of Montana owns the site whereas Ken and Christina Wood own the improvements.

SALES HISTORY OF THE PROPERTY

The State of Montana has owned the land for an extended period and Ken and Christina Wood have owned the improvements. Ken and Christina Wood are seeking to purchase the site from the State of Montana which is the premise of this appraisal.

EXPOSURE TIME/MARKETING TIME

The definition of market value includes a condition that a reasonable time is allowed in the open market. The length of time that a property is exposed in the market impacts the number of potential buyers for the property. Longer exposure typically results in more potential buyers, and shorter exposure to the market typically results in fewer potential buyers. Logically, the number of potential buyers who are aware of a property's availability can influence the sale price. If the subject were on the market it is reasonable to assume it would be locally through the Multiple Listing Service. In addition, there is the potential for marketing nationally as the property has the potential for someone wanting a second seasonal dwelling. The subject has recreational appeal as it is surrounded by State land.

I spoke with various real estate professionals in Bozeman and all indicated the residential real estate market has improved significantly in recent years. The following are 16 sales considered most similar to the subject, mainly as a result of location. The average days on the market are 75.

Property	List Price	Sale Price	Sale Date	Days On The Market
Pistol Rd.	\$550,000	Under Contract	Under Contract	22
Wildcreek Trail	\$295,000	\$295,000	7/30/2013	16
Kelly Canyon Rd.	\$665,000	\$617,000	6/20/2013	13
Bozeman Trail	\$699,000	\$680,000	5/22/2013	50
Kelly Canyon Rd.	\$447,000	\$434,000	5/17/2013	9
Bear Canyon Rd.	\$449,000	\$420,000	9/4/2012	101
Bear Canyon Rd.	\$839,000	\$810,000	8/30/2012	91
Quinn Creek Rd.	\$379,000	\$380,000	7/6/2012	26
Bear Canyon Rd.	\$575,000	\$557,000	6/13/2012	76
Quinn Creek Rd.	\$610,000	\$582,500	5/9/2012	34
Bear Canyon Rd.	\$450,000	\$450,000	1/17/2012	0
Bear Canyon Rd.	\$599,000	\$560,000	11/9/2011	137
Bear Canyon Rd.	\$249,900	\$250,000	2/14/2011	3
Moose Hollow	\$525,000	\$485,000	12/15/2010	138
Bear Canyon Rd.	\$595,000	\$555,000	10/15/2010	149
Claim Creek Rd.	\$659,000	\$550,000	4/22/2010	329
Average				75

Based upon the aforementioned data and discussions with various real estate professionals, it is my opinion a reasonable exposure and marketing time is less than six months.

REGIONAL MAP



REGIONAL ANALYSIS & NEIGHBORHOOD DATA/TRENDS

Gallatin County is the most populated county in southwest Montana. Bozeman is the fourth largest city in Montana, nestled in the Rocky Mountains. It is close to world-class downhill skiing, blue ribbon trout streams, Yellowstone National Park and other outdoor activities in the pristine nearby wilderness areas. Gallatin County covers over 2,500 square miles of mountain lands varying in topography and climate from temperate river valleys to snow-capped peaks and open ranch lands. Nearly half of all the land in Gallatin County is under public ownership by the Gallatin National Forest, State of Montana, Bureau of Land Management or the National Park Service. Gallatin County is large and diverse, featuring everything from the spectacular scenery of Yellowstone National Park to lush farmland, and a growing economy of high-tech industries. Gallatin County offers opportunities to outdoor enthusiasts, wildlife watchers, business owners, vacationers, ranchers, retirees, students and many others.

Forces Influencing Property Values

The value of real estate is influenced by the interaction of four major forces: Social, economic, government and environmental considerations. The four forces are discussed as follows:

Social Considerations

Social forces are exerted largely by population characteristics, including population growth, density, and age distribution. The 2013 estimated population data indicates:

Area	Population
Montana	1,015,15
Gallatin County	94,720
Bozeman	38,695
Belgrade	7,556

Gallatin County is Montana's fastest growing county:

County	2000	July 1, 2014 (estimated)	Percent Change
Gallatin	67,832	94,720	39.6%

The median income for a household in the city was \$32,156, and the median income for a family was \$41,723.

Bozeman and its surrounding communities, like much of Montana, have seen a large influx of people from the neighboring northwest states. Overcrowding in larger cities has influenced moving to areas that offer smaller and often safer communities. Like much of Montana, Bozeman and the surrounding communities offer a very attractive physical environment.

Vast public lands are also available within the region providing numerous opportunities for big game hunters, outfitters, hikers, backpackers, alpine skiers, and the use of snow machines. There are a number of ski hills that range from small, locally owned and operated, to Big Sky Resort near Bozeman which is one of the largest ski hills in this region.

Economic Considerations

Bozeman, like the rest of Montana had been experiencing growth of its economy for the past several years. In 2008 development slowed significantly. Based upon discussions with various real estate professionals Bozeman and surrounding areas are experiencing improved market activity, mainly in the residential sector. In the long run, the outlook for Bozeman and the vicinity is quite positive based on a number of factors:

- County seat for Gallatin County
- Central location
- Influx of population
- Wide range of skills in the labor force

- Montana State University
- Tourism

Unemployment rates as of November 2012 were reported to be 7.8% for the US and 5.8% for the State of Montana.

Residential and commercial development is slowed in 2007/2008 and is presently picking up pace.

Property values are currently of the rise which is a factor of increased demand. Commercial values although increasing is not at the same pace as residential land.

Montana State University is located in Bozeman which had an enrollment in the fall of 2013 of 15,294 up from 12,188 in 2011. It was reported enrollment increases are anticipated to continue.

Governmental Considerations

The City of Bozeman enjoys good quality police and fire protection. The city government has a mayor, four city commissioners, and a city manager. Adequate schools are available at all levels of education. There are eleven elementary and middle schools. Bozeman has one public high school and there are a variety of private schools. Montana State University is located in Bozeman.

Bozeman zoning ordinances and building codes are consistent with guidelines required for responsible construction quality and orderly growth in defined areas.

Property taxes are administered by the city, county, and school districts. There is no sales tax in Montana.

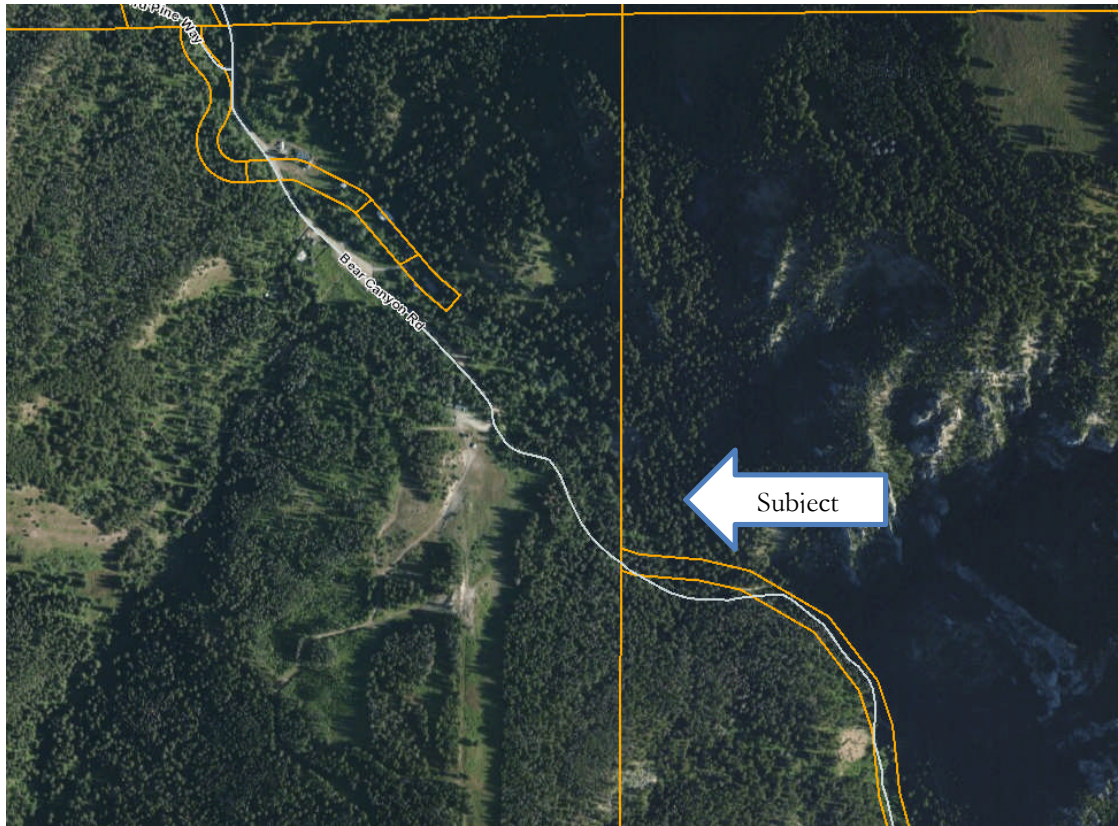
Environmental Considerations

Environmental and physical forces, both natural and man-made can influence property values. These forces include climatic conditions, topography and natural barriers, and transportation systems.

The climate near Bozeman can best be described as modified continental. Continental climate means the summers are dry and hot, and the winters are cold. The average summer temperatures in Bozeman are 70s and 80s with lows in the mid-40s to low 50s. The winter month's average temperatures in the 30s and 40s and the annual mean snowfall is 73.1 inches. A milder climate helps reduce operating costs for business, and furthermore it helps to extend the effective life for many buildings.

Bozeman is located along Interstate 90 and several commercial and charter airlines provide air service to the Bozeman. There are commercial and charter bus services, motor carriers, and two railroads.

NEIGHBORHOOD DATA AND TRENDS



The subject is located just off of Bear Canyon Road approximately 3.5 miles northeast of I-90 and 8 miles northeast of downtown Bozeman. Bear Canyon Road is a county maintained road and is paved for approximately the first 2 miles. The stretch of road which provides access to the subject is unimproved and narrows significantly. The day of my site visit there was considerable snow cover and what could be observed, this portion of the road is single-track.

There are a number of fee owned parcels along Bear Canyon Road and in close proximity to the subject there are a variety of cabins on State land.

The area is heavily timbered and the overall topography slopes towards the creek. The immediate area of the subject consists of single-family, cabin sites, vacant land and state owned lands.

The majority of the cabins on state land are relatively modest overall. The subject was extensively renovated and added onto in 2010/2011.

The subject is located outside Bozeman's city limits. There is a private well and septic system as well as a propane tank. Electricity is available and provided by Northwestern Energy.

REAL ESTATE TAXES

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

The improvement is owned by Ken and Christina Wood and the taxes are as follows and the current taxes are as follows:

Geo-code	Current real estate taxes
06-0699-01-1-01-27-4000	\$2,301.16

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Gallatin County
MONTANA

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Property/Parcel TaxID: RHI13692
Status: Delinquent
Receipt: 13692
2013 Owner(s): WOOD KENNY A & CHRISTINA W

Mailing Address:
3588 BEAR CANYON RD
BOZEMAN, MT 597156671

Levy District:
0367-41, 43 Lamotte-GP

2013 Value:		2013 Taxes:		2013 Payments:	
Market:	\$192,532	First Half:	\$1,153.88	First Half:	\$1,153.88
Taxable:	\$4,890	Second Half:	\$1,147.28	Second Half:	\$0.00
Vet Exempt:	\$0	Total:	\$2,301.16	Total:	\$1,153.88
Net Taxable:	\$4,890				

(May include penalty & interest)

[Detail](#) [Detail](#)

2013 Legal Records:
Geo Code: 06-0699-01-1-01-27-4000 **Instru#:** 2391216 **Date:** 06/22/2011
TRS: T03 S, R06 E, Sec. 01
Legal: S01, T03 S, R06 E, IMPS ONLY LOT 6

PROPERTY DESCRIPTION

Site

<i>Size:</i>	36,155 SF
<i>Shape:</i>	Irregularly shaped.
<i>Topography:</i>	The topography of the subject varies from generally level to steep hillside.
<i>Soil Conditions:</i>	Soil conditions are unknown. No soil tests were provided to your appraiser.
<i>Easements:</i>	No title policy was provided to your appraiser. A title policy should be used for the final determination of easements and encroachments.
<i>Access:</i>	Access to the subject sites is from Bear Canyon Road, an unimproved county road.
<i>Utilities:</i>	Electricity and propane. Well and septic systems are utilized in this area.
<i>Flood Plain:</i>	Information provided by FEMA indicates the subject is not located in a flood zone. A copy of the FEMA Panel is in the addenda.
<i>Nuisances or Hazards:</i>	None of the surrounding uses appear to adversely impact the subject.
<i>Site Improvements:</i>	Well & Septic Propane tank Landscaping – lawn, walk, rock work, etc. Gravel

<i>Improvement</i>	
<i>Type and Size:</i>	Single-family dwelling 2,983 SF Garage/shop 600 SF
<i>Age & Life Expectancy:</i>	Built 1958/2010/2011 / 60 years
<i>Effective Age:</i>	2005
<i>Quality of Construction:</i>	Above average
<i>Footings and Foundation:</i>	Concrete Slab
<i>Floor Structure:</i>	Concrete & wood
<i>Exterior Walls and Finish:</i>	Log and wood siding
<i>Roof Framing:</i>	Wood
<i>Roof Cover:</i>	Asphalt shingle
<i>Windows:</i>	Wood and vinyl
<i>Doors:</i>	Solid core wood
<i>Interior Finish</i>	
<i>Floor:</i>	Wood, carpet and ceramic tile
<i>Walls:</i>	Log Painted and textured drywall
<i>Ceiling:</i>	Painted and textured drywall
<i>Electrical & Phone:</i>	Adequate
<i>Heat:</i>	Gas forced air
<i>Insulation</i>	
<i>Walls:</i>	Presumed adequate
<i>Ceiling:</i>	Presumed adequate
<i>Plumbing:</i>	Four baths, hot water heater, kitchen, utility sink, washer/dryer hookup and irrigation.
<i>Rooms:</i>	Four bedrooms, family room, den/office kitchen, dining area, storage, etc.
<i>Fixtures:</i>	Built-in fixtures
<i>Condition:</i>	Good

SUBJECT PHOTOGRAPHS



Subject dwelling



Family room – original cabin

SUBJECT PHOTOGRAPHS



Family room – original cabin



Family room - original cabin

SUBJECT PHOTOGRAPHS



Kitchen – new addition



Master bedroom – new addition

SUBJECT PHOTOGRAPHS



Master bath – new addition



Master bath – new addition

SUBJECT PHOTOGRAPHS



Bedroom – new addition



Bedroom – new addition

SUBJECT PHOTOGRAPHS



Bedroom – new addition



Jack and Jill restroom – new addition

SUBJECT PHOTOGRAPHS



Main level bathroom – new addition



Upper level office and loft – new addition

SUBJECT PHOTOGRAPHS



Upper level bathroom – new addition



Garage – new addition

SUBJECT PHOTOGRAPHS



Garage – existing



Garage/shop - existing

SUBJECT PHOTOGRAPHS



Access road/driveway

ZONING

There is no underlying zoning.

HIGHEST AND BEST USE

“The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value. Alternatively, the probable use of land or improved property – specific with respect to user and timing of the use – that is adequately supported and results in the highest present value.”¹

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

¹ *The Dictionary of Real Estate Appraisal*, 5th Ed. (Chicago: Appraisal Institute, 2010), s.v. “highest and best use.”

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

Real estate will usually fall into certain definite development patterns, and their uses can be classified as: residential, agricultural, recreational, industrial, commercial or public use. In valuing the highest and best use of the land both as if vacant and improved, the following criteria must be met:

- 1) Legally permissible
- 2) Physically possible
- 3) Financially feasible
- 4) Maximally productive

HIGHEST AND BEST USE AS VACANT

Legally Permissible

There is no underlying zoning for the subject and the improved parcels are residential/single-family in nature.

Physically Possible

The topography of the subject is sloping to steep hillside. The immediate area is residential, recreational and agricultural. Based upon the size of the parcel the financially feasible use is single-family development.

Electricity is available in the area and propane is utilized. In addition, well and septic systems are used.

Financially Feasible

Parcels similar to the subject with respect to size support single-family dwellings. If the property were available for sale, single-family development is financially feasible.

Maximally Productive

The use that conforms to the requirements of the first three tests, and would provide the maximum productivity of the subject site, is for single-family development.

HIGHEST AND BEST USE AS IMPROVED

Legally Permissible

There is no underlying zoning for the subject parcel. There is no indication the well, septic and drain-field are not in compliance. There is considerable single-family development in the area, therefore, the property as improved is assumed to be legally permissible.

Physically Possible

The topography of the subject is sloping to a steep hillside. This topography is typical for the area. There appears to be sufficient land area to support the improvements and site improvements. Therefore, the property as improved is physically possible.

Financially Feasible

The subject was once a recreational cabin and with the additions has become a year around residence. The location is considered somewhat remote but is only approximately 8 miles from downtown Bozeman. In addition there is good access to the interstate and an elementary school.

The overall Bozeman residential real estate market has improved significantly in recent years which is evident by the amount of ongoing construction and sales activity.

Based upon the current pricing of the comparable properties identified in this analysis, the property as improved is financially feasible.

Maximally Productive

The use that conforms to the requirements of the first three tests, and would provide the maximum productivity of the subject as improved is for continued use as a single-family dwelling.

PROPERTY VALUATION

Methods and/or Techniques Employed:

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

DEFINITIONS

Sales Comparison Approach:

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments to the sales price of the comparable properties 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.²

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

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 plus any profit or incentive; deducting depreciation from the total cost; and adding the estimated land value. Other adjustments may be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.¹

This is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land or when relatively unique or specialized improvements are located on the site and for which there are no comparable properties in the market.

SITE VALUATION

In the following analysis I have estimated the site value by means of the Sales Comparison Approach recognizing vacant land sales and Market Extraction of improved sales.

I identified two vacant land sales, one vacant listing and seven improved sales. The first analysis discusses the vacant sales and listing followed by the market extraction method. Descriptive data of the sales and listing are in a separate document for confidentially reasons.

VACANT LAND SALE/LISTING ANALYSIS

²The Appraisal of Real Estate, 14th Edition, Page 47, 2013, sponsored by the Appraisal Institute.

¹The Appraisal of Real Estate, 12th Edition, Page 349, 2001, sponsored by the Appraisal Institute.

Adjustments

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

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

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

Property Rights

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

Financing:

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

Conditions of Sale:

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

Market Conditions:

The current market activity for property similar to the subject has not been overly active in recent years but this is in part due to the limited properties available. With the lack of paired sales data I was not able to extract an adjustment for market conditions, therefore, none was applied.

Remaining Adjustments:

The remaining adjustments will be explained in a qualitative analysis. Qualitative analysis is an effective technique that recognizes the inefficiencies of a real estate market and the difficulty in expressing the adjustments

with mathematical precision. The adjustments included in the qualitative analysis are location, size, topography and timber.

The land sales adjustment grid can be viewed on the following page.

VACANT LAND SALE/LISTING MAP



LAND SALES GRID - VACANT

	Subject	Sale #1	Sale #2	Listing #3
Location	Bear Canyon Rd., Gallatin Co.	Bear Canyon Rd., Gallatin Co.	Trail Creek Rd., Park Co.	Bear Canyon Rd., Gallatin Co.
Sale Date	NA	5/24/2012	10/14/2011	Active
List Price	NA	\$79,000	\$118,000	\$599,000
Sale Price	NA	\$65,000	\$105,000	NA
\$/Acre	NA	\$48,148	\$35,000	\$8,557
Physical Characteristics				
Size (Acres)	0.83	1.35	3.00	70.00
Comparison		Similar	Superior	Inferior
Location	Bear Canyon Rd., Gallatin Co.	Bear Canyon Rd., Gallatin Co.	Trail Creek Rd., Park Co.	Bear Canyon Rd., Gallatin Co.
Comparison		Similar	Inferior	Similar
Topography	Hillside	Hillside	Hillside	Hillside
Comparison		Similar	Similar	Similar
Timber	Yes	Minimal	Yes	Yes
Comparison		Inferior	Similar	Similar
Overall Comparison		Slightly Inferior	Inferior	Inferior
Marketing Data				
Days on the Market		180	70	600

Sales Analysis:

The subject is located approximately 8 miles southeast of downtown Bozeman and approximately 4 miles southeast of I-90. The subject is in Bear Canyon and is surrounded by State lands. The portion of road leading to the subject parcel is essentially a single lane road. The site is relatively heavily timbered but it is evident proper fuel management practices have been maintained.

I identified two vacant land sales and one listing. Sale No. 1 and the listing is each located in Bear Canyon and Sale No. 2 is located in Park County, southeast of the subject.

Sale No. 1 sold on 5/24/12 for 1.35 acres at \$65,000 or \$48,148/acre. This property is located along bear Canyon Road, west of the subject. This sale is considered similar to the subject with respect to location, size and topography, but inferior with respect to timber. Overall, this sale is slightly inferior to the subject.

Sale No. 2 sold on 10/14/11 for 3 acres at \$105,000 or \$35,000/acre. . This property is in Park County along Trail Creek Road. The property is located approximately 12 air miles from Bozeman and nine air miles from Livingston. This sale is superior to the subject with respect to size, similar with respect to timber and topography, but inferior with respect to location. Overall, this sale is inferior to the subject.

Listing No. 3 consists of 70 acres and is on the market for \$599,000 or \$8,557/acre. There are some old cabins on the site but due to the overall condition, contribute no value. The listing agent indicated there is the potential for the possibility of splitting the property into smaller sites, but to his knowledge it has not been researched. The property has been on the market at the current price for approximately 2 months with little interest. It was previously listed at \$799,000 for 1 ½ years with little activity. The site is heavily timbered and the fuel management practices have been minimal at best. Overall, this listing is inferior to the subject.

As a result of the limited sales of vacant comparable properties I have analyzed sales of improved properties in the Bear Canyon area. The extraction method is a valuation technique in which the land value is extracted from the sale price of an improved property by deducting the contributory value of the improvements. In doing so I estimated the value of the site as follows:

- Estimated the replacement cost new of the improvements
- Deducted for depreciation
- Added the contributory value of landscaping, well and septic
- Estimated the value of the replacement cost new less depreciation (RCNLD)
- Deducted the RCNLD from the sales price to arrive at an indication of value for the site.

The following pages are the calculations for seven improved parcels.

Sale #1	Size	S/SF	=	Value
Replacement Cost New - Dwelling	2,276	x	\$95.00	= \$216,220
Replacement Cost New - Other Improvements				\$15,000
Replacement Cost New				\$231,220
Less Depreciation	16%			(\$36,995)
Replacement Cost New Less Depreciation				\$194,225
Landscaping, well & septic				\$17,000
Total				\$211,225
Sales Price				\$295,000
Less RCNLD				\$211,225
Site Value				\$83,775

Sale #2	Size	S/SF	=	Value
Replacement Cost New - Dwelling	2,367	x \$120.00	=	\$284,040
Replacement Cost New - Other Improvements				\$15,000
Replacement Cost New				\$299,040
Less Depreciation	12%			(\$35,885)
Replacement Cost New Less Depreciation				\$263,155
Landscaping, well & septic				\$20,000
Total				\$283,155
Sales Price				\$420,000
Less RCNLD				\$283,155
Site Value				\$136,845

Sale #3	Size	S/SF	=	Value
Replacement Cost New - Dwelling	3,096	x \$150.00	=	\$464,400
Replacement Cost New - Other Improvements				\$25,000
Replacement Cost New				\$489,400
Less Depreciation	8%			(\$39,152)
Replacement Cost New Less Depreciation				\$450,248
Landscaping, well & septic				\$50,000
Total				\$500,248
Sales Price				\$810,000
Less RCNLD				\$500,248
Site Value				\$309,752

Sale #4	Size	S/SF	=	Value
Replacement Cost New - Dwelling	3,132	x \$120.00	=	\$375,840
Replacement Cost New - Other Improvements				\$25,000
Replacement Cost New				\$400,840
Less Depreciation	8%			(\$32,067)
Replacement Cost New Less Depreciation				\$368,773
Landscaping, well & septic				\$25,000
Total				\$393,773
Sales Price				\$557,000
Less RCNLD				\$393,773
Site Value				\$163,227

Sale #5	Size	S/SF	=	Value
Replacement Cost New - Dwelling	2,989	x \$120.00	=	\$358,680
Replacement Cost New - Other Improvements				\$15,000
Replacement Cost New				\$373,680
Less Depreciation	10%			(\$37,368)
Replacement Cost New Less Depreciation				\$336,312
Landscaping, well & septic				\$30,000
Total				\$366,312
Sales Price				\$450,000
Less RCNLD				\$366,312
Site Value				\$83,688

Sale #6	Size	S/SF	=	Value
Replacement Cost New - Dwelling	3,145	x \$130.00	=	\$408,850
Replacement Cost New - Other Improvements				\$25,000
Replacement Cost New				\$433,850
Less Depreciation	8%			(\$34,708)
Replacement Cost New Less Depreciation				\$399,142
Landscaping, well & septic				\$20,000
Total				\$419,142
Sales Price				\$560,000
Less RCNLD				\$419,142
Site Value				\$140,858

Sale #7	Size	S/SF	=	Value
Replacement Cost New - Dwelling	3,060	x \$120.00	=	\$367,200
Replacement Cost New - Other Improvements				\$20,000
Replacement Cost New				\$387,200
Less Depreciation	6%			(\$23,232)
Replacement Cost New Less Depreciation				\$363,968
Landscaping, well & septic				\$45,000
Total				\$408,968
Sales Price				\$555,000
Less RCNLD				\$408,968
Site Value				\$146,032

The following table illustrates the indications of site value for vacant parcels along with the improved parcels.

	<u>Land Value</u>	<u>Size - acres</u>
<u>Vacant</u>		
Sale 1	\$65,000	1.35
Sale 2	\$105,000	3
Listing 3	\$599,000	70
<u>Improved</u>		
Sale 1	\$83,775	1.622
Sale 2	\$136,845	10.24
Sale 3	\$309,752	8.69
Sale 4	\$163,227	7.593
Sale 5	\$83,688	1.39
Sale 6	\$140,858	6.3
Sale 7	\$146,032	9.49

Based upon the aforementioned sales and listing it is my opinion vacant land sale No. 1 and improved sales No. 1 and No. 5 are the most comparable. Each is located in Bear Canyon and based upon the overall size, each is considered a building site. The indications of value for improved sales No. 1 and No. 5 provide support, but greatest emphasis is given to vacant sale No. 1. Therefore, it is my opinion a reasonable estimate of value for the subject is \$70,000.

In the supplemental document are data sheets which further describe the sales.

COST APPROACH

The following is a replacement cost estimate based on the Marshall Valuation Service published by Marshall and Swift of Los Angeles, CA. as well as the reported construction costs.

The Marshall and Swift cost manual is considered to be a very reliable and accurate cost manual. It is used by most fee appraisers and by various governmental agencies including the Montana State Department of Revenue for taxation purposes.

New base costs are provided approximately every two years for various classes of construction and quality. Refinement to the base costs for typical variances such as fireplaces, garages, basements, etc. Still other adjustments, by multiplier, are included for variations in height, perimeter to floor area ratio, current cost and locality.

The costs as provided in the calculator section include average architect and engineer fees. These, in turn, include plans, plan check, building permits and survey to establish building lines and grades. Normal interest, on only the actual building funds during period of construction, and processing fee or service charge is also included. Normal site preparation including finish, grading and excavation for foundation and back fill, as well as utilities from the structure to the lot line, as figured for typical set back, is included. Contractor's overhead and profit, including job supervision, workman's compensation, fire, liability insurance, unemployment insurance, equipment, temporary facilities, security, are also all included. Not included in this replacement cost estimate is the cost of buying or assembling land, escrow fees, legal fees, property taxes, demolition, storm drains, rough grading or other land improvement costs. The cost of raw land, land planning, discounts or bonuses paid for financing, yard improvements including signs, landscaping, paving, walls, yard lighting, pools or other recreational facility, and any off-site costs are likewise not included.

On the following pages is the cost approach for the subject per Marshall Swift.

Physical and Functional Depreciation:

Buildings do not depreciate on a straight line basis, but rather on a less than a straight line basis in the early to middle years of a property's life and on a greater than straight line basis in the latter years. The depreciation tables in Section 97 of the Marshall Valuation Service recognize this and were in fact constructed from many sales of various aged properties. Depreciation was extracted from the market by first deducting land and personal property values from the sales price leaving the sales price of the building, and then secondly subtracting that number from the current replacement cost of the building.

The actual age of the buildings varies and the effective ages were based upon the condition as well as date of construction.

Reproduction cost new estimate via Marshall valuation

Date of survey/page #	3/2012 - Section 12, Page 30 3588 Bear Canyon Road, Bozeman, MT		
Subject property	Single-family residence		
Occupancy class	Log/Wood		
Building class	Good		
Building quality	9 years Good Condition		
Age/condition rating	2,983		
Size - SF	\$110.00		
Base square foot cost	<u>\$0.00</u>		
Other adjustments	\$110.00		
Subtotal			
Story height adjustment	1.10		
Floor area adjustment	<u>1.00</u>		
Refined s.f. costs	1.10		\$121.00
Cost New			\$360,943
Fireplace			\$10,000
Appliances			\$3,000
Decks			\$8,000
Garage			\$25,000
Shop/Garage			\$6,000
Landscaping/Well & Septic			<u>\$24,000</u>
Subtotal			\$436,943
Current cost adjustment	1.070		
Local cost adjustment	<u>0.970</u>		
Subtotal	1.0379		\$453,503
Add for			
Reproduction cost new estimate			\$453,503
Less Depreciation	10%		<u>\$45,350</u>
Cost New Less Depreciation			\$408,153
Site Value			<u>\$70,000</u>
Total			\$478,153
	Rounded		\$480,000

SALES COMPARISON APPROACH

In the Sales Comparison Approach the appraiser arrives at an indication of value by comparing the relative utility and desirability of the subject property with comparable properties recently sold. These sale properties should have approximately the same physical characteristics as does the subject, be in the same general neighborhood or a similar neighborhood, and be capable of housing the same or a similar use. Relatively minor differences can be adjusted for. Each sale should be an arm's length transaction.

Basic to this approach is the principle of substitution which states that "the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time". This principal implies that reliability of the Sales Comparison Approach is diminished if substitute properties are not available in the market.

The elements of comparison are the characteristics of properties and transactions that caused the price paid to vary. One must consider all differences between the comparable properties and the subject property that could affect their values.

In establishing a value I have identified sales of residential properties in the area and made adjustments to the comparable properties. In the sales grid which follows I have applied qualitative and quantitative adjustments. Photographs and data sheets for the sales are included in the supplemental document for confidentially purposes.

Property Rights Appraised

All comparable sales are fee simple ownership.

Financing

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

Conditions of Sale

No known conditions motivating the buyer or seller were involved in the remaining sales; therefore, no adjustments were applied.

Market Conditions

Truly matched paired sales that would indicate an approximate appreciation or depreciation for building improvements could not be identified. Sale/resale information is often very difficult to accurately track as the extent of renovation between transactions is often difficult to verify. Knowing there is no conclusive information in this market, an accurate building improvement appreciation or depreciation adjustment will not be used. The following table illustrates the sales and listing utilized in forming an opinion to value.

Location

It was not necessary to make an adjustment for location as each of the sales is located in Bear Canyon.

Site

I did estimate the value of the individual sites in the land valuation section. This was done to assist in establishing an indication of value for the subject and to account for the differences in land values as a result of size. In the following grid I deducted the indication of value of the site to arrive at an indication of value for the improvements. This improvement value is expressed as a price per square foot of living area.

	Subject	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6
Location	Bear Canyon Rd	Bear Canyon Rd.	Bear Canyon Rd	Bear Canyon Rd	Bear Canyon Rd	Bear Canyon Rd	Bear Canyon Rd
Sale Date	NA	9/4/2012	8/30/2012	6/13/2012	1/18/2012	11/10/2011	10/15/2010
Sale Price	NA	\$420,000	\$810,000	\$557,000	\$450,000	\$560,000	\$555,000
Less Land	NA	\$137,000	\$310,000	\$163,000	\$84,000	\$141,000	\$166,000
Indication of value for dwelling	NA	\$283,000	\$500,000	\$394,000	\$366,000	\$419,000	\$389,000
\$/SF of living area	NA	\$120	\$161	\$126	\$122	\$133	\$127
Lot Size -Acres	0.83	10.24	10.24	7.59	1.39	6.30	9.49
Effective Age	2005	1995	2005	1998	2005	1999	2004
Dwelling size (SF)	2,983	2,367	3,096	3,132	2,989	3,145	3,060
Construction type	Log/Wood	Log	Log	Wood	Log	Wood	Wood
Adjustment		\$0	\$0	\$40,000	\$0	\$40,000	\$40,000
Construction quality	Above average	Above average	Above average	Above average	Above average	Above Average	Above Average
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Condition	Above Average	Above average	Above Average	Above average	Above Average	Above Average	Above Average
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Living area SF	2,983	2,367	3,096	3,132	2,989	3,145	3,060
Adjustment		\$15,400	\$3,000	-\$3,700	\$0	-\$3,700	-\$1,600
Bedrooms	4	3	3	4	3	4	4
Adjustment		\$5,000	\$5,000	\$0	\$5,000	\$0	\$0
Bathrooms	4	2	2 3/4	2 3/4	3	4	4
Adjustment		\$8,000	\$4,000	\$4,000	\$4,000	\$0	\$0
Fireplace	1	1	1	1	1	1	1
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Garage/carport	Attached triple	Attached double	Attached double	Detached double	Detached double	Attached double	Detached double
Adjustment		\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Porch/Patio/Deck	Patio/Decks	Patio/Decks	Patio/Decks	Patio/Decks	Patio/Decks	Patio/Decks	Patio/Decks
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Net Adjustments		\$33,400	\$17,000	\$45,300	\$14,000	\$41,300	\$43,400
Adjusted Price SF		\$134	\$167	\$140	\$127	\$146	\$141
Average price SF - All sales and listing		\$143					
Average price SF - Without the high and low		\$140					

The following table is an array of the price per square foot of the sales:

Sale	\$/SF
No. 4	\$127/SF
No. 1	\$134/SF
No. 3	\$140/SF
No. 6	\$141/SF
No. 5	\$146/SF
No. 2	\$167/SF

Considering the adjusted sales prices on a square foot basis, it is my opinion a reasonable estimate of value for the subject improvements is \$140/SF or \$417,620. ($\$140/\text{SF} \times 2,983 \text{ SF}$). Adding the indication of value for the site suggests the total value for the subject.

Site:	\$70,000
Improvements (dwelling, garage, site improvements, etc.)	\$417,620
Total	\$487,620
Rounded	\$490,000

RECONCILIATION AND CONCLUSION

The indication of value for the site was established by analyzing vacant land sales and a listing. In researching the market there is little market data for vacant land comparable to the subject. Vacant land Sale No. 1 at \$65,000 is gleaned to be the most comparable. I identified seven improved sales, all along Bear Canyon Road. Six of the seven sales are situated on parcels with acreage which undoubtedly impacted the overall sales price. I employed an extraction method to ascertain an indication of value for the land. Two of seven sales provided adequate support for the final land value conclusion of **\$70,000**. Therefore, it is my opinion the market data and methods employed support my conclusion to value for the site.

The indication of value for the improvement was determined by analyzing six sales all along Bear Canyon Road. The indication of value for the land for each sale was deducted in order to analyze only the improvements. I applied qualitative and quantitative adjustments to account for differences between the sales and subject. The overall range on a price per square foot basis is considered reasonable which I concluded to a value of the improvements at **\$415,000**. Adding the indication of value for the site suggests a value of **\$485,000**.

VALUE ESTIMATE AND CERTIFICATION

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

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

Based upon all the facts set forth in this report, together with other facts, data and knowledge regarding the local real estate market, it is my opinion the market value of the subject property on April 28, 2014, was:

Site	\$70,000
Dwelling	\$415,000
Total	\$485,000



Gregory A. Thornquist
Montana State Certified
General Real Estate Appraiser REA-RAG-LIC-867
6/10/2014

ADDENDA

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 user's are State of Montana, the Montana Board of Land Commissioners, the Department of Natural Resources and Conservation (DNRC) and Kenny and Christina Wood. 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.

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 Gallatin County):

Sale # 710, 0.830± acres; Located in the NE1/4 of Section 1, T3S-R6E and the NW1/4 of Section 6, T3S-R7E P.M.M., Gallatin County Montana. See unfiled 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:

Craig Campbell, Bozeman Unit Manager
2273 Boot Hill Court, Suite 110
Bozeman, MT 59715
Phone: 406/556-4507
Fax: 406/587-9726

Lessees:

Kenny and Christina Wood
3588 Bear Canyon Road
Bozeman, MT 59715

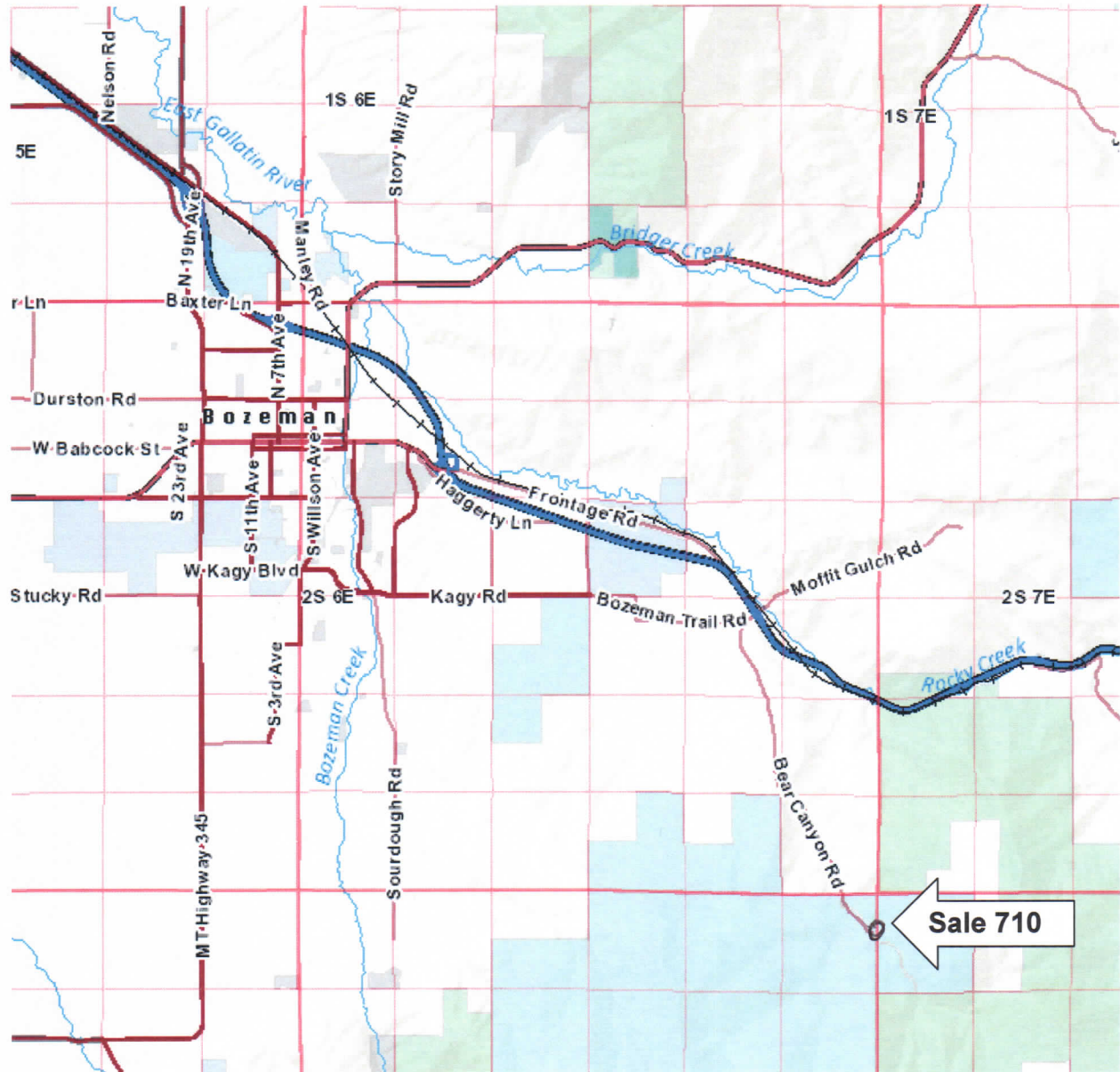
The following will be located in the body of the contract:

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.

Sale # 710 Location Map
(7 miles southeast of Bozeman)



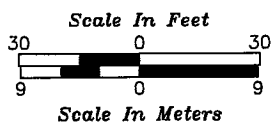
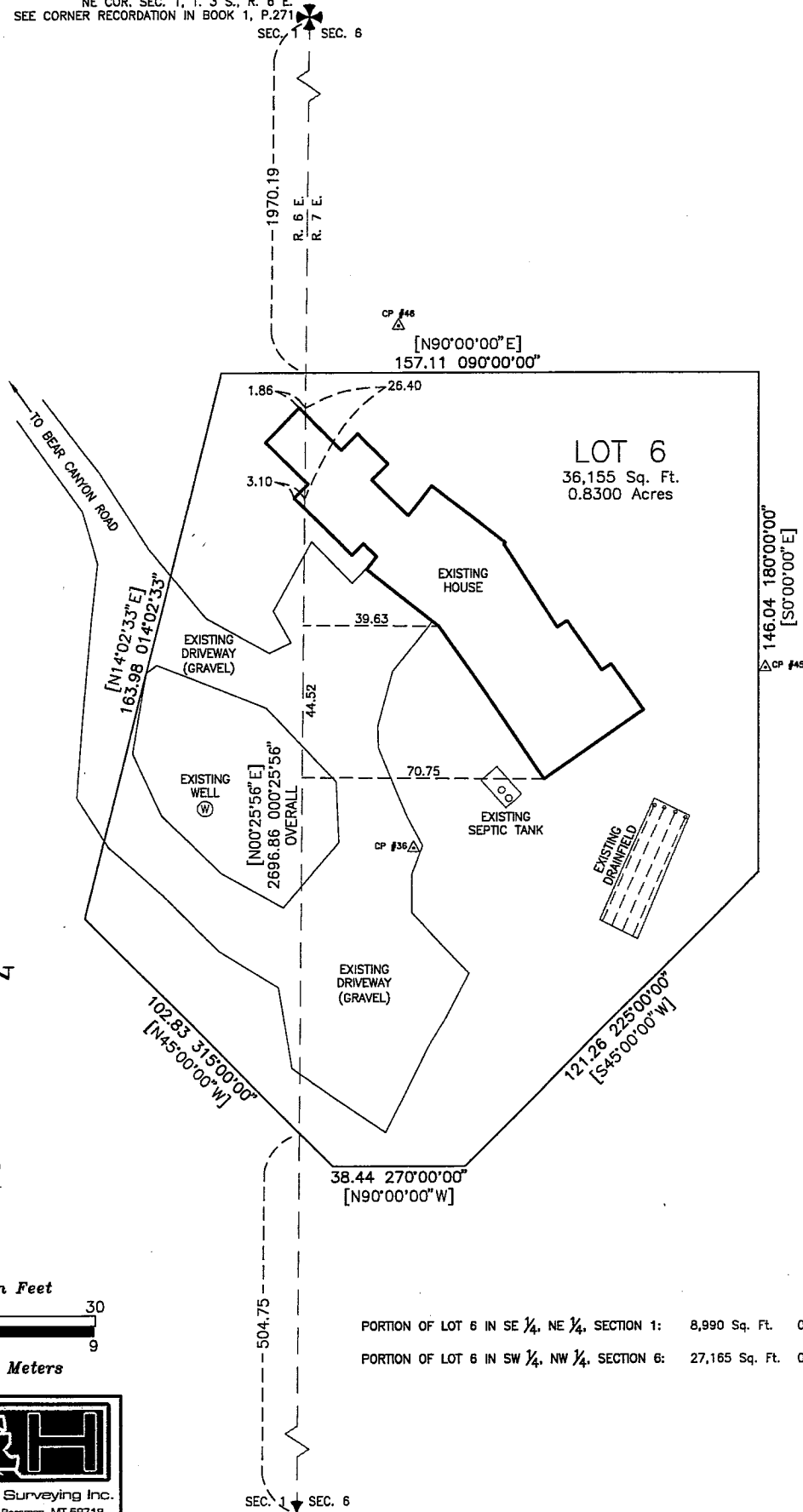
STATE LOOSE SITE PROPERTY BOUNDARY EXHIBIT

PREPARED FOR KEN WOOD

LOCATED IN THE NE 1/4, SECTION 1, T. 3 S., R. 6 E., AND THE NW 1/4, SECTION 6, T. 3 S., R. 7 E., OF P.M.M., GALLATIN COUNTY, MONTANA

FND 2" I.D. PIPE W/ 3" BRASS
CAP MARKED (US GLO SURVEY 1929)
NE COR. SEC. 1, T. 3 S., R. 6 E.
SEE CORNER RECORDATION IN BOOK 1, P.271

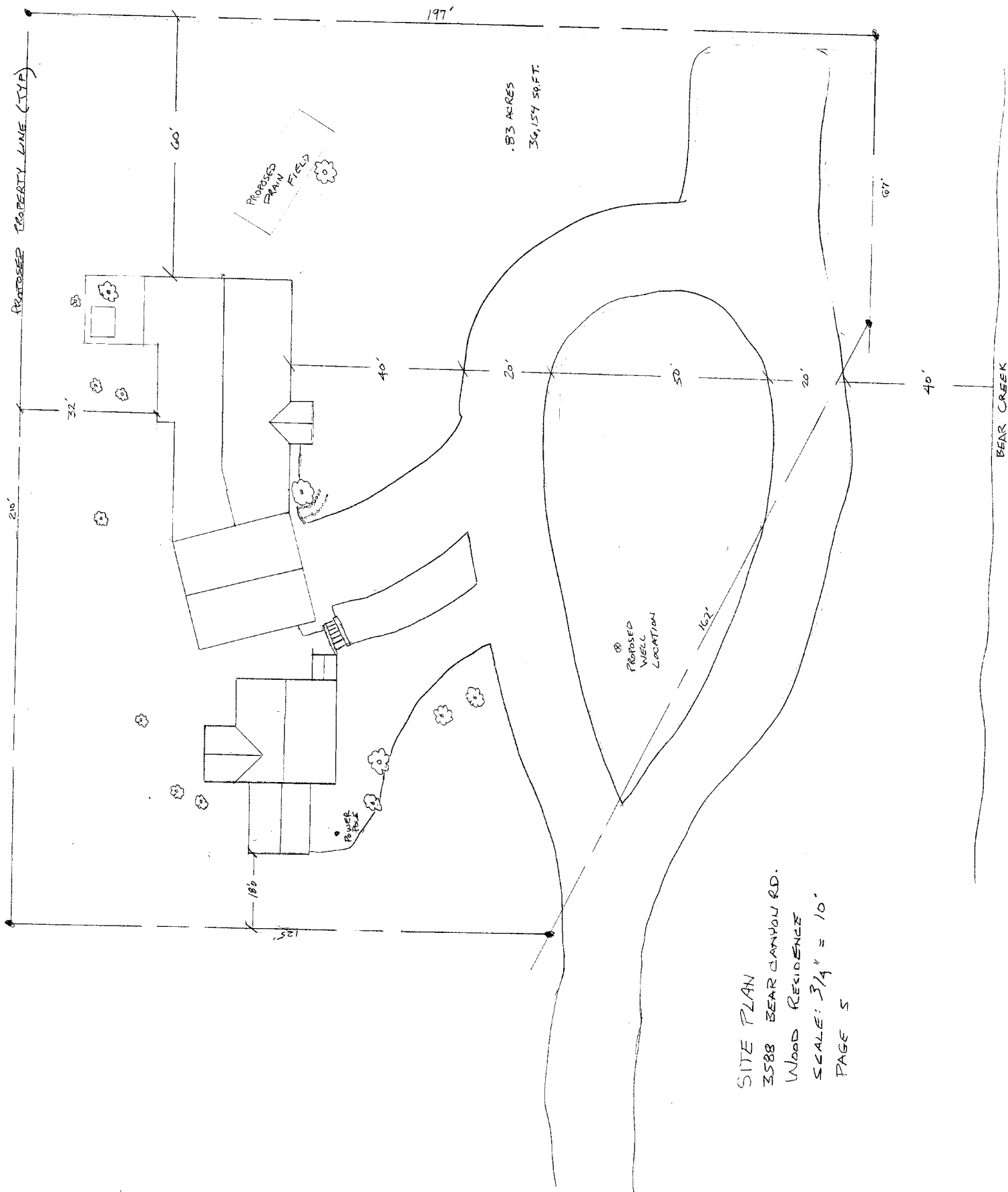
SEC. 1 SEC. 6



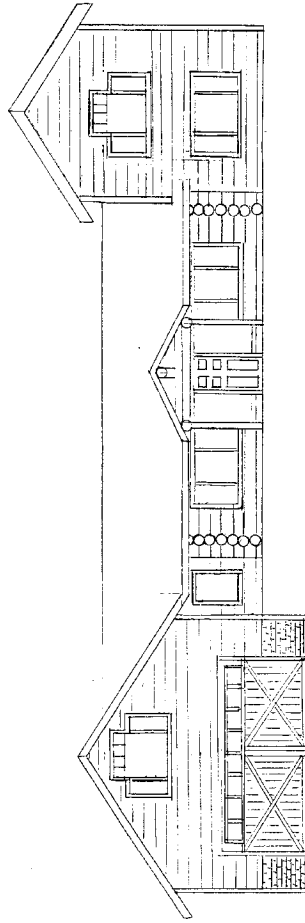
PORTION OF LOT 6 IN SE 1/4, NE 1/4, SECTION 1: 8,990 Sq. Ft. 0.2064 Acres
PORTION OF LOT 6 IN SW 1/4, NW 1/4, SECTION 6: 27,165 Sq. Ft. 0.6236 Acres



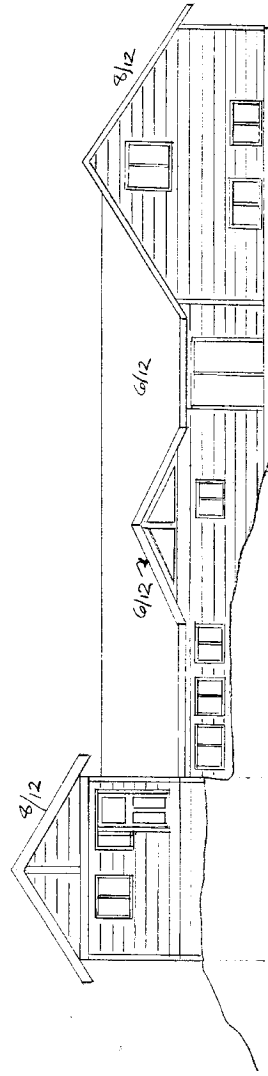
Engineering and Surveying Inc.
1081 Stoneridge Drive • Bozeman, MT 59718
Phone (406) 587-1115 • Fax (406) 587-9768
www.chengineers.com • info@chengineers.com



SITE PLAN
 3588 BEAR CANYON RD.
 WOOD RESIDENCE
 SCALE: 3/4" = 10'
 PAGE 5

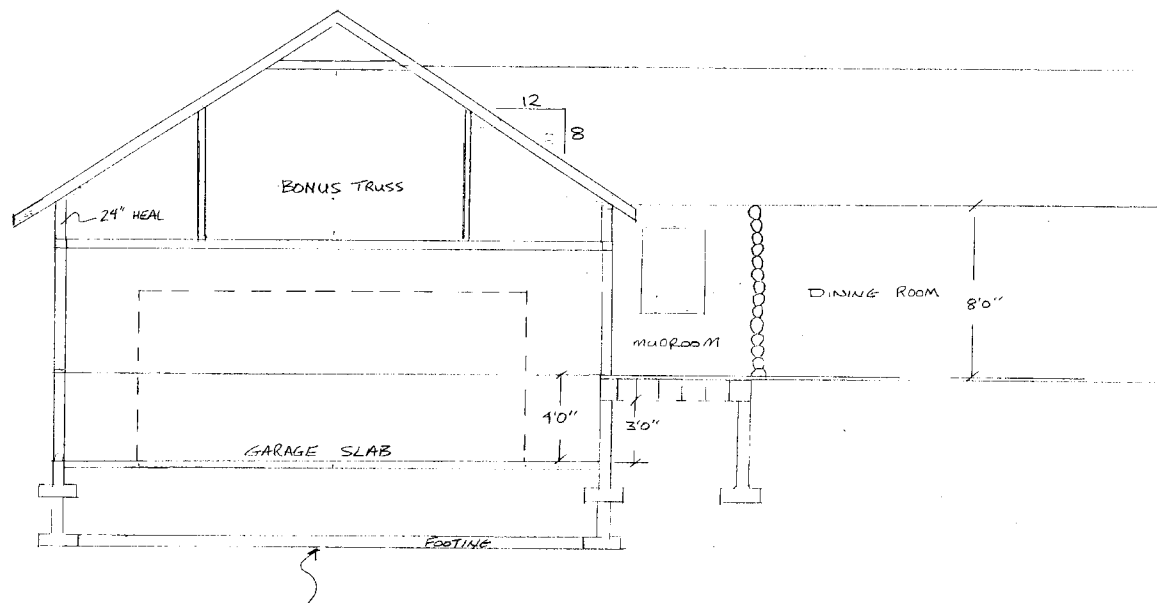


FRONT ELEVATION



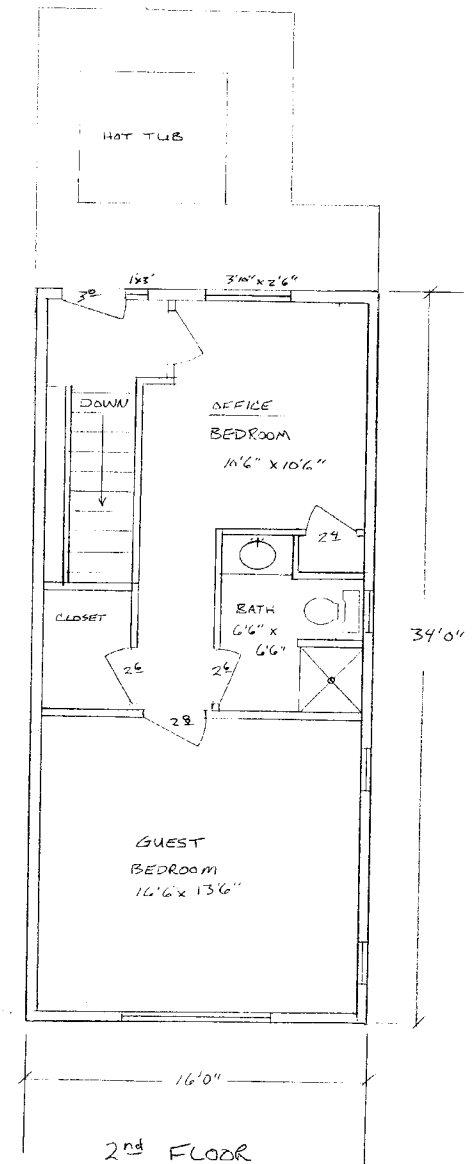
REAR ELEVATION

ELEVATIONS
 3588 BEAR CANYON RE
 WOOD RESIDENCE
 SCALE: 1/8" = 1'
 PAGE 2



FROST WALL
FRONT OF GARAGE

CROSS - SECTION



2nd FLOOR

CROSS-SECTION

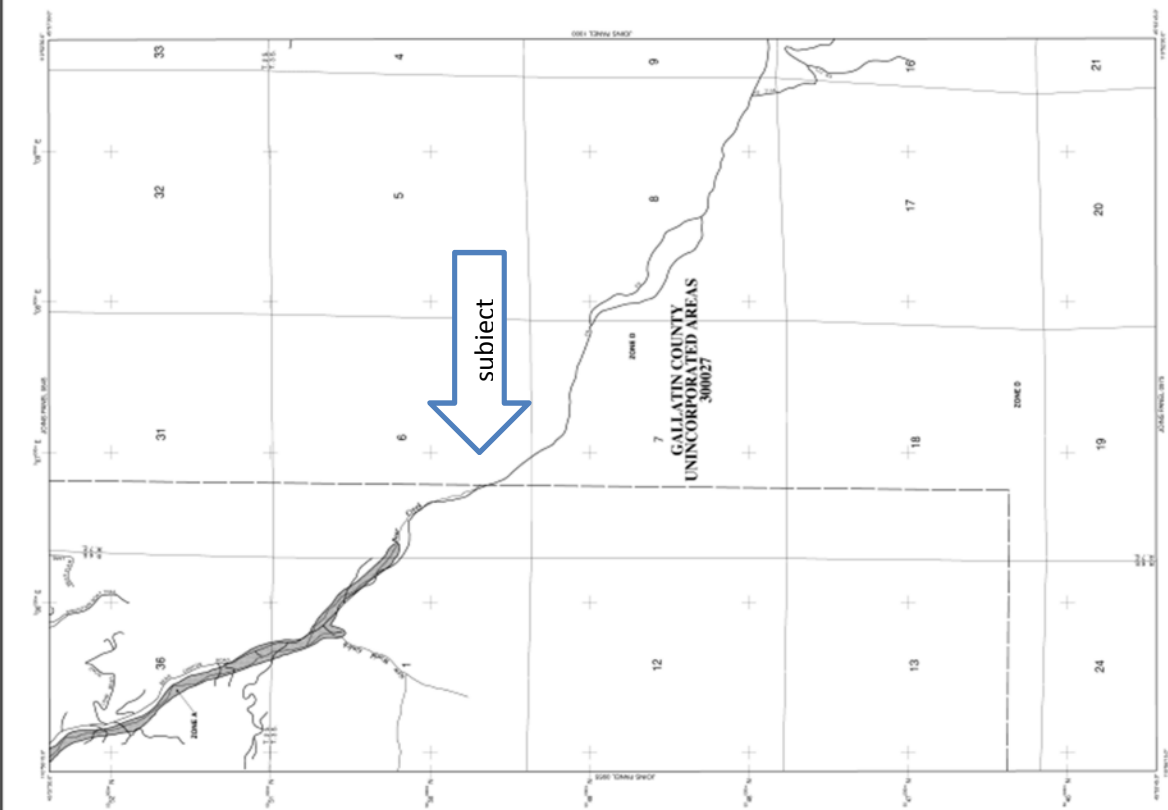
3588 BEAR CANYON RD

WOOD RESIDENCE

SCALE: 1/4" = 1'

PAGE 4

The aim is to be a supplement for National Food Intake Surveys. It is for the researcher, clarity of exact intake is lacking, particularly for foreign sources of food items. The researcher may subsequently proceed to identify the possible options for additional food source information.

[illegible][illegible][illegible][illegible][illegible]

☐ OTHER PLEURO ARTERIES
 Areas of 0.5% normal chest tissue, none of 1% normal chest tissue with average amount of less than 1 hour and no shrinkage even less than 1 hour, and 0.5% normal chest tissue less than 1% normal chest tissue.

☐ OTHER MEDS
 Areas determined to be suitable for 0.5% normal chest tissue. Areas in which chest tissue is administered, but patients.

☐ COASTAL, BARBER, MEDICALS SYSTEM (CMB) ARMS

[illegible]

1. **Abstracted in:** *Archives of Internal Medicine* (Vol. 158) (1998) 80
 2. **Keywords:** *Chronic obstructive pulmonary disease; Dyspnea; Exercise tolerance; Heart rate; Oxygen consumption; Pulmonary function tests; Quality of life; Smoking; Spirometry; Thoracic radiography; Tidal volume; Vital capacity*
 3. **Abstract:** *Background: The purpose of this study was to determine the effect of a 12-week supervised exercise program on the exercise tolerance and quality of life of patients with chronic obstructive pulmonary disease (COPD). Methods: Twenty-four patients with COPD (mean age 64 years, range 50-75 years) were recruited from a tertiary care hospital. All patients had a forced expiratory volume in 1 second (FEV1) of less than 1.5 L and a spirometric pattern consistent with COPD. The patients were randomized to either a supervised exercise program or a control group. The exercise program consisted of a 12-week supervised exercise program. The control group consisted of a 12-week supervised exercise program. Results: The exercise program significantly improved the exercise tolerance and quality of life of the patients with COPD. Conclusion: A 12-week supervised exercise program significantly improved the exercise tolerance and quality of life of patients with COPD.*

The accuracy, map section history and its geographic meaning will be the Geographic Map History data in the *Map History* table, which is the *Map History* table in the *Map History* table.

PANEL 0160D

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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FIRM

FLOOD INSURANCE RATE MAP
CALLAHAN COUNTY

GALLATIN COUNTY,
MONTANA

AND INCORPORATED AREAS

PANEL 302 OF 1735

[illegible]

COMMUNITY	NUMBER	USUAL DATES
LAKE CHARLES, LA.	10000	1000

1991

127

MAP NUMBER

101

RECEIVED DATE

20031020

SEPTEMBER 2, 2011

Office
Federal Emergency Management Agency

Property Record Card

Summary

Primary Information

Property Category: RP

Subcategory: Real Property

Geocode: 06-0699-01-1-01-27-4000

Assessment Code: 00RHI13692

Primary Owner:

Property Address:

WOOD KENNY A & CHRISTINA W

COS Parcel:

3588 BEAR CANYON RD

BOZEMAN, MT 59715-6671

NOTE: See the Owner tab for all owner information

Certificate of Survey:

Subdivision:

Legal Description:

S01, T03 S, R06 E, IMPS ONLY LOT 6

Last Modified: 3/29/2014 3:38:28 PM

General Property Information

Neighborhood: 003.E

Property Type: RR - Residential Rural

Living Units: 1

Levy District: 06-036741-43 41

Zoning:

Ownership %: 100

Linked Property:

No linked properties exist for this property

Exemptions:

No exemptions exist for this property

Condo Ownership:

General: 0

Limited: 0

Property Factors

Topography: 1

Fronting:

Utilities: 7, 8

Parking Type:

Access: 3

Parking Quantity:

Location: 0 - Rural Land

Parking Proximity:

Land Summary

<u>Land Type</u>	<u>Acres</u>	<u>Value</u>
Grazing	0.000	00.00
Fallow	0.000	00.00
Irrigated	0.000	00.00
Continuous Crop	0.000	00.00
Wild Hay	0.000	00.00
Farmsite	0.000	00.00
ROW	0.000	00.00
NonQual Land	0.000	00.00
Total Ag Land	0.000	00.00
Total Forest Land	0.000	00.00

Total Market Land

0.000

00.00

Deed Information

Deed Date	Book	Page	Recorded Date	Document Number	Document Type
6/22/2011			6/23/2011	2391216	Bill of Sale

Owners

Property

Default Information: WOOD KENNY A & CHRISTINA W
3588 BEAR CANYON RD

Ownership %: 100

Primary Owner: "Yes"

Interest Type: Conversion

Last Modified: 6/14/2012 12:17:30 PM

Other Names

Other Addresses

Name

Type

Appraisals

Appraisal History

Tax Year	Land Value	Building Value	Total Value	Assessment
2013	0	374085	374085	COST
2012	0	363305	363305	COST

Market Land

Market Land Info

No market land info exists for this parcel

Dwellings

Existing Dwellings

Dwelling Type	Style	Year Built
SFR	11 - Log	1946

Dwelling Information

Residential Type: SFR **Style:** 11 - Log

Year Built: 1946 **Roof Material:** 10 - Asphalt Shingle

Effective Year: 2000 **Roof Type:** 3 - Gable

Story Height: 2.0 **Attic Type:** 0

Grade: 5+ **Exterior Walls:** 4 - Log (not log over frame)

Class Code: 3301 **Exterior Wall Finish:** 6 - Wood Siding or Sheathing

Year Remodeled: 2011 **Degree Remodeled:** 6

Mobile Home Details

Manufacturer: **Serial #:** **Width:** 0

Model: **Length:** 0

Basement Information

Foundation: 2 - Concrete **Finished Area:** 0 **Daylight:**

Basement Type: 2 - Part **Quality:**

Heating/Cooling Information

Type: Central **System Type:** 5 - Forced Air
Fuel Type: 3 - Gas **Heated Area:** 0

Living Accommodations

Bedrooms: 4 **Full Baths:** 3 **Addl Fixtures:** 4
Family Rooms: 0 **Half Baths:** 1

Additional Information

Fireplaces: **Stacks:** 1 **Stories:** 1.0
 Openings: 1 **Prefab/Stove:** 1
Garage Capacity: 0 **Cost & Design:** 0 **Flat Add:** 0
% Complete: 0 **Description:** **Description:**

Dwelling Amenities

View: **Access:**

Area Used In Cost

Basement: 874 **Additional Floors:** 0 **Attic:** 0
First Floor: 2851 **Half Story:** 0 **Unfinished Area:** 0
Second Floor: 641 **SFLA:** 3492

Depreciation Information

CDU: Average (7) **Physical Condition:** **Utility:**
Desirability: **Property:**
 Location:

Depreciation Calculation

Age: 8 **Pct Good:** 0.9 **RCNLD:** 0

Additions - Other Features

Additions

Lower	First	Second	Third	Area	Yea.	Cost
		11 - Porch, Frame, Open		32	0	0
	21 - Porch, Masonry, Open			25	0	0
	11 - Porch, Frame, Open			48	0	0

Other Features

Quantity	Type	Value
2	GO - Garage Door Opener	0
1	B3 - Built-in Dishwasher, fan, disposal	0
1	BG2 - Basement Garage/2-car	0

Other Buildings/Improvements

Outbuilding/Yard Improvement #1

Type: Residential **Description:** RRG3 - Garage, frame, detached, unfinished
Quantity: 1 **Year Built:** 1973 **Grade:** 4
Condition: **Functional:** **Class Code:** 3301

Dimensions

Width/Diameter: **Length:** **Size/Area:** 847
Height: **Bushels:** **Circumference:**

Outbuilding/Yard Improvement #2

Type: Residential **Description:** RRS1 - Shed, Frame
Quantity: 1 **Year Built:** 1973 **Grade:** A

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

Appraisers Qualifications

EMPLOYMENT:	Present, Elkhorn Appraisal Services A real estate appraisal firm.	Helena, MT
	July 2006 to February 2008, Joki & Associates Real Estate Appraisers, Staff real estate appraiser.	Helena, MT
	July 1995 to July 2006, Montana State Tax Appeal Board, Board Member/Chairman	Helena, MT
	1993 - 1995, Rutherford & Associates Appraisals, Inc, Apprentice Appraiser	Billings, MT
	1987 - 1995, Thornquist Property Tax Consulting, Owner/ Tax Consultant	Billings, MT
EDUCATION:	Carroll College Business Studies	Helena, MT
	1984 - 1986 University of Northern Colorado Business Studies	Greeley, CO
	1983 Arapahoe Community College Business Studies	Littleton, CO
	Specialized Real Estate courses:	
	General Appraiser Market Analysis and Highest & Best Use Appraisal Institute, April 29-May 2, 2014	
	National USPAP Update Course Appraisal Institute Seminar, January 31, 2014	
	Business Practices and Ethics Appraisal Institute, September 13, 2013	
	National USPAP Update Course Appraisal Institute Seminar, January 27, 2012	
	The Discounted Cash Flow Model: Concepts, Issues, and Apps Appraisal Institute Seminar, October 5, 2010	
	Hotel Appraising – New Techniques for Today’s Uncertain Times Appraisal Institute Seminar, October 4, 2010	

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

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

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

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

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

Report Writing and Valuation Analysis
Appraisal Institute, June, 2007

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

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

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

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

Appraisal Procedures
Appraisal Institute, March, 2002

Partial Interest Valuation - Divided
Appraisal Institute, September, 2001

Litigation Skills for the Appraiser
Appraisal Institute, April, 2000

Residential Case Study
Appraisal Institute, June, 1999

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

General Applications
Appraisal Institute, December, 1997

Basic Income Capitalization
Appraisal Institute, June, 1997

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

Other Related Training

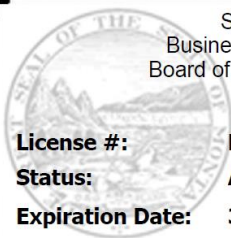
Administrative Law Fair Hearing
The National Judicial College, November, 1995

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

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

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

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



State of Montana
Business Standards Division
Board of Real Estate Appraisers

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

This certificate verifies licensure as:
CERTIFIED GENERAL APPRAISER

Endorsement: REAL ESTATE
APPRAISER MENTOR

GREGORY THORNQUIST
1522 CHOTEAU ST
HELENA, MT 59601



RENEW OR VERIFY YOUR LICENSE AT:
<https://ebiz.mt.gov/pol/>