

An Appraisal Report

of

635.51 acres

Burnt Fork Road

Stevensville, Ravalli County, Montana

for

Ms. Emily Cooper

State of Montana

Department of Natural Resources and Conservation

P.O. Box 201601

Helena, MT 59620-1601

as of

September 5, 2015

by

Thomas A. Faulkner

Certified General Appraiser

Creekstone Appraisal Services, Inc.

P.O. Box 9

Stevensville, MT 59870

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INTRODUCTION

September 7, 2015

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

Re: The appraisal of the proposed 635.51 acres of vacant land located north of Middle Burnt Fork Road, Stevensville, Ravalli County, Montana.

Dear Emily:

In accordance with your request for a Summary Appraisal Report setting forth the market value of the property under study, I am submitting the following report containing 49 pages plus Addenda.

The value opinion reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report. I particularly call your attention to the following extraordinary assumptions and hypothetical conditions:

extraordinary assumptions: this appraisal employs no extraordinary assumptions; and

hypothetical conditions: this appraisal employs the hypothetical conditions that the property has legal access from a public road.

Based on the information gathered, the property under study is described legally on page 7 of this report.

The property rights appraised are the unencumbered fee simple estate. I assume no responsibility for the marketability of the title.

Ms. Emily Cooper
September 7, 2015
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To the best of my knowledge, this report is in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP), the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), and the Montana Department of Natural Resources and Conservation General Requirements/Special Conditions and Instructions.

An environmental assessment of the property has not been provided and it is assumed there are no environmental concerns related to the subject. I am not qualified to detect hazardous materials or toxic waste. Any environmental risk discovered at a later date may or may not require a revised estimate of value, which may or may not simply be a reduction of the value by the estimated cost-to-cure of the environmental condition. Properties known to have environmental risk may carry a stigma in the marketplace which may or may not affect the value.

By reason of my investigations, studies, and analyses, an opinion has been formed that the market value of the subject property, as of September 5, 2015, assuming a reasonable marketing period of six to twelve months, is as follows:

Six Hundred Thirty-Six Thousand Dollars
(\$636,000)

Your attention is invited to the data and discussions that to follow which are the foundations of this conclusion. The information that is retained in my office files, which was used in conjunction with this Summary Appraisal Report, can be provided to you for an additional fee.

I, the undersigned project appraiser, Thomas A. Faulkner, am current in my Continuing Education, further; I am licensed by the State of Montana as a Certified General Real Estate Appraiser. My license number is 866, expires March 31, 2016, and has never been suspended, revoked, canceled, or restricted.

Ms. Emily Cooper
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I appreciate the opportunity to be of service to you. Please contact me if you have any questions or if I can be of further assistance.

Respectfully submitted,
Creekstone Appraisal Services, Inc.

A handwritten signature in black ink, appearing to read "T. A. Faulkner". The signature is fluid and cursive, with a large initial "T" and "F".

Thomas A. Faulkner, Project Appraiser
Montana Certified General Real Estate Appraiser No. 866

TAF/dlf

Summary of Salient Facts and Conclusions

Record Owner	:	The State of Montana
Location of Property	:	Burnt Fork Creek, Stevensville, Ravalli County, Montana.
Property Rights Appraised	:	Unencumbered fee simple estate.
Historical Use	:	Vacant agricultural grazing/recreational land.
Present Use	:	Vacant agricultural grazing/recreational land.
Highest and Best Use		
As Though Vacant	:	Vacant agricultural grazing/recreational land.
As Improved	:	Vacant agricultural grazing/recreational land.
Date of Value	:	September 5, 2015.
Date(s) of Inspection	:	September 5, 2015.
Date of Report	:	September 7, 2015.
Exposure Period (Retrospective)	:	The estimated reasonable exposure period of the subject property is approximately six to twelve months.
Marketing Period (Prospective)	:	Similar to the estimate of exposure period - approximately six to twelve months.
Site	:	The subject property consists of a large vacant agricultural grazing/timber land with a gross land area of ±635.51 acres.

The shape of the parcel is rectangular.

The property is currently un-zoned per the Ravalli County Planning Department.

The subject property is situated approximately ten miles east of the Town of Stevensville, Ravalli County, Montana.

The topography of the site is generally rolling and sloped from east to west with natural drainage.

Ground cover includes natural grasses and shrubs as well as some standing timber.

Currently, the property does not have access to utilities and is considered off the grid.

Site Improvements : The site is currently unimproved.

Structural Improvements : The subject site is void of any structural improvements.

The property description section of this report will go into more specific detail about what the property entails.

Estimated value by the Sales Comparison Approach: Middle Burnt Fork Road, Stevensville with \pm 635.51 acres. - \$636,000.

Final Conclusion of Market Value of Middle Burnt Fork Road, Stevensville, Ravalli County, Montana with \pm 635.51 acres - **\$636,000.**

Assumptions and Limiting Conditions

This is to certify that I, in submitting these statements and opinion of value, acted in accordance with and was bound by the following principles, limiting conditions, and assumptions:

- This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the USPAP. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop my opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in my file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. I am not responsible for the unauthorized use of this report.
- No responsibility is assumed for matters that are legal in nature nor is any opinion rendered on title of land appraised.
- Unless otherwise noted, the property has been appraised as though free and clear of all encumbrances.
- All maps, areas, and other data furnished to me have been assumed to be correct. I have not made, or commissioned, a survey of the property.
- Neither the employment to make this appraisal nor the compensation is contingent upon the amount of valuation reported.
- I, Thomas A. Faulkner, have made a personal inspection of the property that is the subject matter of this report.
- To the best of my knowledge and belief, the statements of fact contained in this appraisal report upon which the analysis, opinions, and conclusions expressed herein are based are true and correct. Furthermore, no important facts have knowingly been withheld or overlooked.

- 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 made previously.
- This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute and conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation.
- Disclosure of the contents of this appraisal report is governed by the bylaws and regulations of the Appraisal Institute.
- The liability of the appraisal firm of Creekstone Appraisal Services, Inc. and its employees is limited to the client and to the fee collected. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. I assume no responsibility for any cost incurred to discover or correct any deficiencies of any type present in the property: physically, financially, or legally.
- I have inspected as far as possible, by observation, the land. However, it was not possible to personally observe conditions beneath the soil. The appraisal is based on there being no hidden, unapparent, or apparent conditions of the property site, subsoil, or toxic materials which would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them.
- It is assumed that the property which is the subject of this report will be under prudent and competent ownership and management: neither inefficient nor super-efficient.

- Unless otherwise stated in this report, I have no knowledge concerning the presence or absence of toxic materials on the subject's site. If such are present the value of the property may be adversely affected and re-appraisal at additional cost may be necessary to estimate the effects of such.
- The appraisal is based on the premise that, there is full compliance with all applicable federal, state, and local environmental regulations, and laws unless otherwise stated in the report. Further, that all applicable zoning, building, building codes, use regulations, and restrictions of all types have been complied-with unless otherwise stated in the report. Further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal, and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
- I have performed no service, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the last three-year period immediately preceding acceptance of this assignment.

Neither all nor any part of the contents of this report (especially the conclusion as to the value, my identity, or the firm with which I am connected) shall be disseminated to the public through advertising media, sales media, news media, public relations media, or any other public means of communication without my prior written consent and approval.

Privacy Notice

Pursuant to the Gramm-Leach-Bliley Act of 1999, effective July 1, 2001, appraisers, along with all providers of personal financial services are now required by federal law to inform their clients of the policies of the firm with regard to the privacy of client nonpublic information. As a professional, I understand that privacy is very important and I am pleased to provide this information.

Types of Nonpublic Personal Information I Collect: In the course of performing appraisals, I may collect what is known as “nonpublic personal information.” This information is used to facilitate the services that I provide and may include the information provided to me.

Parties to Whom I Disclose Information: I do not disclose any nonpublic personal information obtained in the course of my engagement with my clients to non-affiliated third parties, except as necessary or as required by law. By way of example, a necessary disclosure would be to my employees, and in certain situations, to unrelated third party consultants who need to know that information to assist me in providing appraisal services. All of my employees and any third party consultants I employ are informed that any information they see as part of an appraisal assignment is to be maintained in strict confidence within the firm.

A disclosure required by law would be a disclosure by me that is ordered by a court of competent jurisdiction with regard to a legal action.

Confidentiality and Security: I will retain records relating to professional services that I have provided for a reasonable time so that I am better able to assist you. In order to protect nonpublic personal information from unauthorized access by third parties, I maintain physical, electronic, and procedural safeguards that comply with my professional standards to insure the security and integrity of information.

Please feel free to call me at any time if you have any questions about the confidentiality of the information that you provide.

Description, Analysis, and Conclusion

Owner of Record and Brief Property History

According to the Montana Department of Revenue and the Ravalli County Clerk and Recorder's Office, the subject property is owned by the State of Montana. It is important to note that the subject as defined by the Department of Natural Resources and Conservation (DNRC) and consists of ± 635.51 acres of land that has never been subdivided or platted except for the purposes of this appraisal. Consequently, the subject property has been in the same ownership for many years and has not sold or changed ownership.

Location of the Subject Property

The subject property is located approximately eight mile east of Stevensville in Ravalli County. More specifically, the subject is situated approximately one half mile north of Middle Burnt Fork Road in the Burnt Fork Drainage. The property is completely surrounded by private property, most of which is under a conservation easement. Consequently, access to the property is difficult without permission to use access roads across the private property along Middle Burnt Fork Road. The only other way to access the property is from forest service roadways to the northeast of the subject which still requires permission for access across private property. However, this appraisal employs the hypothetical condition that the property has legal access from a public road. It should be noted that winter access to the property is difficult regardless of which direction you approach from given the steep topography and the narrow mountain roadways to and through the property.

The location of the subject property is illustrated by a Subject Property General Area Map, a Subject Property Location and Neighborhood Map, and an aerial photograph, all in the Addenda of this report.

Legal Description

The subject property parcels are legally described as follow:

Lots 1 through 7, NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, Section 36, Township 9 North, Range 19 West.

A plat provided by the DNRC which further defines the subject property is included in the Addenda of this report.

Definition of an Appraisal

As recognized by the 13th Edition of the Appraisal Institute's The Appraisal of Real Estate, the following definition of an appraisal is hereby presented to aid the reader in understanding exactly what is meant by the term:

appraisal: *the act or process of developing an opinion of value.*

Intended User of the Appraisal Report

It is my understanding that the intended user of this product is my client, The Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).

Intended Use of the Appraisal Report

The intended use of this appraisal report is to aid my client in the decision making process concerning the potential sale of said subject property.

Scope of the Appraisal

General Information: The client in this assignment is the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation. Regardless of who pays for this appraisal, the intended user is the client(s) only. This appraisal may not be appropriate for other users. Therefore, this appraisal may not be used for or relied on by anyone other than the stated intended user(s), regardless of the means of possession of this report, without my express written consent. I, the firm of Creekstone Appraisal Services, Inc., and related parties assume no obligation, liability, or accountability to any third party without such written consent.

The intended use of this appraisal report is to aid my client in the decision making process concerning the potential sale of said subject property. This appraisal and report may be inappropriate for other uses.

I have diagnosed the intended user(s) problem and have generated the following primary appraiser information as a means of assisting in its solution: an opinion of market value, the related exposure time, and the highest and best use.

The property was identified by the client providing the name of the property owner, the property address, and the general location of the site. This information was used to access the State of Montana Department of Revenue property record card (PRC).

The opinion of market value is as of the last date of inspection, September 5, 2015.

The property rights appraised are the unencumbered fee simple estate.

This appraisal is intended to conform to the supplemental standards associated with an "appraisal" as defined by the Federal Banking Regulatory Agencies.

The Cost Approach is developed by estimating the replacement cost of the improvements less accrued depreciation, and then added to the land value.

An overall dollars per acre (\$/acre) technique is used in the Sales Comparison Approach.

A direct capitalization analysis is considered for the Income Capitalization Approach.

I am competent in terms of training and experience in the type of property and market area that is the subject of this appraisal, the analytical methods used, and the use(s) of the appraisal.

Much of the scope of work is discussed throughout the report (limiting conditions, general assumptions, final reconciliation, etc.).

This appraisal is intended to comply with the Uniform Standards of Professional Appraisal Practice, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and local State laws.

For appraisal purposes, an extraordinary assumption is defined in USPAP as follows:

extraordinary assumption: *an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.*

No extraordinary assumptions were utilized in this appraisal.

Per the same source, a hypothetical condition is defined as:

hypothetical condition: *that which is contrary to what exists but is supposed for the purpose of analysis.*

This appraisal employs the hypothetical conditions that the subject property has legal access from a public road.

Subject Property Data Gathering: The subject property's data was obtained from research, interviews, an on-site property inspection, and from plans and specifications (when available).

The State of Montana Department of Revenue supplied the property record card (PRC) for the subject property and the most recent transferring document was obtained from the Ravalli County Clerk and Recorder's Office. The zoning was obtained and checked from a map published by the Ravalli County Planning office, and is reportedly kept current. The flood zone information was supplied from Ravalli County Planning and confirmed with the FEMA website. The local multiple listing service (MLS) was searched for previous sales and listings of the subject property.

Market Data Gathering: The data was located through a search of the local MLS and a network of professional associates including real estate agents and brokers and other real estate appraisers. Generally speaking, the data researched is current within the past five years. This data is developed on individual data sheets and summarized in tabulations in the report.

The sales prices, dates of sale, and days on market information were found either on the MLS sheet or through the interview process. Recording documents show buyer and seller information as well as date of sale. As a non-disclosure state, actual sales price information is not available through either the State of Montana or local counties. PRC's, the local MLS

system, and office files were checked for the previous sales of the comparable sale properties.

The physical characteristics were gathered from the local MLS system, the PRC, as well as from a visual inspection taken from curbside of each comparable used in conjunction with this appraisal. In cases where the distance to the comparable sales did not allow for personal inspection, photographs were obtained through the MLS, Realtors, other real estate appraisers, and the internet. In some cases, office files are referenced if this firm has previously appraised on the properties being considered as a comparable in this report.

Most all of the second hand data was collaborated from at least two sources. Transfer documents, PRC's, and the local MLS were used to check completeness and consistency.

Sales Comparison Approach: Within the context of the Sales Comparison Approach, sales of similar properties were researched taking into consideration the size, shape, location, access, topography, utility and condition of the subject property and the limitations of the small market. The sales comparison analysis was based on local data and the unit of comparison that I considered was the overall dollars per acre (\$/acre).

The results of my research efforts culminated in seven closed sales that were considered to be the most relevant comparable sales in the subject neighborhood. Overall, the indication of market value by this approach was felt to be as reasonable as possible with the available market sales data.

The sale properties were analyzed and compared to the subject property, differences recognized, and adjustments made (to the extent needed and that the available data would allow).

The quality of the data available for the Sales Comparison Approach was felt to be adequate considering the overall condition of the current real estate market throughout the subject property market. Ultimately, the Sales Comparison Approach is felt to be a reasonable indication of current market value.

Cost Approach: The cost approach is not considered applicable for this assignment as the subject property parcel is bare land and does not involve any site or structural improvements.

Income Capitalization Approach: The Income Capitalization Approach is not developed for this assignment as the subject property not considered an income producing property.

Purpose of the Appraisal and Definition of Market Value

The purpose of this appraisal is to estimate the current market value of the subject property. In order to comply with Title IX of FIRREA, the federal financial institutions regulatory agencies (OCC, FRB, FDIC, OTS, and the NCUA) of the United States have adopted appraisal regulations and guidelines including the following definition of market value:

market value: *the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.*

Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

Source: 12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994.

Date of Valuation

All values are related in time to the date of the on-site property inspection, September 5, 2015.

Exposure Period

Exposure time is always presumed to precede the effective date of the appraisal. Exposure time is defined as follows in the 4th Edition of The Dictionary of Real Estate Appraisal as published by the Appraisal Institute:

***exposure time:** the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.*

The typical method of estimating exposure periods is to investigate exposure periods of comparable sales. The logic being that if the sales are current and comparable, the exposure period expectation for the subject property should be within the range indicated by the comparable sales. Assuming the subject property is actively marketed and competitively priced.

In this case, based on my sales research, which included not only those sales detailed in the Sales Comparison Approach but also numerous broker and agent interviews, recognizing the functional nature of the site and the local market for similar property in the area, I have concluded that a reasonable exposure period for the subject property would be approximately six to twelve months assuming that the property would be actively marketed at a reasonable and competitive price.

Marketing Period

Unlike exposure time, the marketing time estimate is prospective in nature. In other words, how long might the subject property be on the market if it were listed for sale as of the date of appraisal. Marketing time is defined as:

***marketing time:** an opinion of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of an appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions.*

This definition is also per the 4th Edition of The Dictionary of Real Estate Appraisal as published by the Appraisal Institute.

As I have no evidence to the contrary, my estimate of marketing time closely resembles the estimated exposure period or approximately six to twelve months. Again, assuming that the property would be actively marketed at a reasonable and competitive price.

Property Rights Appraised

The property rights being appraised are the unencumbered fee simple estate. According to the 13th Edition of the Appraisal Institute's The Appraisal of Real Estate:

***fee simple estate:** absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*

No responsibility for the marketability of the title of the subject property in this report is assumed.

Regional, City, and Neighborhood Data and Analysis

According to the 2010 census, the current population of Montana is 989,415, an increase of 9.7% from the 2000 census of 902,195, with most of the population increase taking place in Montana's larger cities. These cities include Billings, Great Falls, Bozeman, Helena, Kalispell and Missoula. The current population of Ravalli County is 40,212, which also has increased from the 2000 census of 36,070 or 11.5%.

The population of the City of Hamilton, which is the county seat of Ravalli County, reflects the documented increase of both the state and county population with a total population of approximately 4,350 within the city limits, and approximately 14,000 in the immediate Hamilton area.

Geographically speaking, Montana has a total land area of 147,042 square miles bordering Canada to the north, Idaho to the west, North and South Dakota to the east, and Wyoming to the south. Western Montana generally consists of forested mountains and river valleys. The eastern portion of the state consists of mainly prairie, making up roughly 60% of the state of Montana.

More specifically, Ravalli County contributes approximately 2,400 square miles to the total land area of Montana, and is located in the southwestern portion of the state, bordering the state of Idaho. Major geographic features of Ravalli County include the Bitterroot Mountains along the county's western boundary with Idaho, and the Bitterroot River which generally meanders south to north as it flows toward Missoula and runs into the Clark Fork River. The eastern portion of the county is dominated by the Sapphire Mountains that generally parallel the Bitterroot Range.

The prevailing weather pattern is from the west and southwest in the summer and from the west and northwest in the winter. Because the air passes over the mountains, most of the precipitation falls on the western slopes of Idaho leaving Missoula with an average of 12 to 15 inches of annual precipitation. Winter temperatures generally average in the 30s and according to the National Weather Service; this area receives an average of about 41 inches of snow each year. The continental divide usually protects this part of western Montana from the arctic air that sometimes makes its way from Canada, largely sparing the valley from the sub-zero temperatures that can sweep through the region. However, Ravalli County does occasionally experience such cold on the rare occasion when conditions are right for the arctic air to make its way into the area.

May and June are the counties wettest months after which the remaining summer months are dry with warm days and cool nights. Average summer temperatures are generally in the high 80s with occasional periods when temperatures spike into the 90s.

Major arterial roadways within the state of Montana include Interstates 90, 15, and 94, which generally provide major access to and from Montana for everything from everyday commuting to the major transport of goods and services produced by Montana's economy. Secondly, some of Montana's State Highways include Highway 2, 12, 83, 93 and 200 which provide more direct access to and from Montana's smaller population areas. In Ravalli County, there are two major arterials that provide for access and transportation. These are Highway 93, which generally runs from the Missoula County border all the way through the entire length of the county until it crosses the state line into Idaho at the far south end of the county. The other major roadway through the valley is the Eastside Highway. This road begins in Florence where it intersects with Highway 93, runs east across the Bitterroot River and then turns south. Historically, the Eastside Highway provides access to the towns on the east side of the Bitterroot River, and Highway 93 provides access to towns west of the river, running generally north and south until the two roads intersect in the City of Hamilton.

Missoula International Airport provides the closest access to major airlines in this part of the state. The city of Hamilton is serviced by a smaller municipal airport that is located approximately 1 ½ miles east of the city. The city of Stevensville also has a small municipal airport that is popular with local private aviators.

Economically speaking, agriculture still makes up the bulk of the Montana economy. In western Montana, the economic landscape is changing dramatically from our timber, mining and ranching past. As traditional industries have given way to pressure from environmental groups, western Montana's economy is relying more and more on tourism with the Bitterroot Valley offering ample opportunity for outdoor recreation through all four seasons. Since the 1980's, the valley has been an attractive place to live for the retirement community providing the valley with an expanding population. The expanding retirement population spurred the growth of real estate development and the residential building industry. Until the recent economic downturn, this industry provided much in the way of employment both in the Bitterroot, and throughout western Montana. As is often the case with an increase in the population, commercial development has also increased within the same time frame. This is especially true in Hamilton due mainly to the fact that Hamilton is the economic center of Ravalli County as well as the county seat.

The valley is also supported by various other employers such as GlaxoSmithKline, which is a pharmaceutical research and development company, and the Rocky Mountain Laboratory research facility. In addition, there are a multitude of other smaller businesses providing employment throughout the Bitterroot Valley in various other industries. As mentioned earlier, Hamilton is the economic center of Ravalli County and in turn, is where the bulk of commercial development in the county is located, with smaller pockets of commercial development scattered around the county near some of the smaller towns such as Florence, Stevensville, Corvallis and Darby. Until the recent market correction in our region, commercial development and opportunity was relatively strong in Hamilton. In the past two years, the market seems to have stabilized from some of the steep declines we saw immediately after the real estate bubble collapse. Most economic sources both nationally and locally believe that our market is slowly recovering and will continue to do so for the next two to three years.

Property Description

The following description of the subject property is based on my on-site property inspection, the information provided to me by the Department of Natural Resources and Conservation and my research of the records from Ravalli County and the Montana Department of Revenue.

Site Description



Location: The subject property site is located approximately eight miles east of the Town of Stevensville, just north of Middle Burnt Fork Road. The location of the subject property will be further illustrated by a subject property location map and an aerial photograph provided in the addenda of this report.



Access: Currently, the only access to the subject is through private property that surrounds the subject parcel. The property can be accessed from Middle Burnt Fork Road by crossing the Burnt Fork Ranch via a dirt/gravel service road that winds through the property. The property can also be accessed from the northeast via forest service roads and eventually by again crossing the Burnt Fork Ranch property. It should be noted that all of these access points would be mostly unavailable in the winter months for ordinary vehicle traffic. The property could be access by snow machine for winter recreation. All of the roads that traverse through the subject property and surrounding properties are narrow primitive service roads that are not accessible in the winter.



Size: The subject property parcel is rectangular in shape and consists of ± 635.51 acres of land which is essentially all of Section 36, Township 9 North, Range 19 West.



Topography: The topography of the site is generally rolling and sloped mountain side land. As discussed earlier, the topography makes access to the property difficult in the winter months and would require a snow machine through most of the winter months. The topography of the site also limits the utility of the property



Landscaping: The subject is a large mountain side property with a combination of open meadow and timber land. The vegetation consists of natural grasses, shrubs and trees. The property has never been developed for any type of residential or commercial use that would require traditional landscaping.



Utilities: The property does not have access to any utilities as it is an elevated mountain side parcel that is not in proximity to any type of commercial or residential development.

Adjacent Property: Again, the subject is entirely surrounded by private property, most of which is under a conservation easement.

Zoning: According to the Ravalli County Planning Department, the property is currently un-zoned.

According to the FEMA Flood Maps, the subject property is not in a designated flood zone.



On the issue of soil degradation, an Environmental Site Assessment Report has not been performed. It is assumed there are no environmental concerns related to the subject property. The project appraiser is not qualified to detect hazardous materials or toxic waste. Any environmental risk discovered at a later date may or may not require a revised estimate of value, which may or may not simply be a reduction of the value based on the estimated cost-to-cure of the environmental condition discovered. Properties known to have environmental risk may carry a stigma in the marketplace, which may or may not affect the value. For more specific environmental site information, it is recommended that, at minimum, a phase one audit be completed by a qualified soils engineer.

Site Improvements: The term site improvements generally refers to such things as landscaping, asphalt paved parking areas, fencing, etc.

As discussed above, the subject site has never been developed for any use that would require landscaping, paving or any other type of development. The site has historically been utilized as summer pasture for livestock and the only site improvements that were required are the existing primitive access roadways that also allow for some logging as needed to maintain the property.

Structural Improvements: The subject site is currently vacant land and void of any structural improvements.

The addenda of this report will include a General Area Map, a Subject Property Neighborhood Map, a FEMA flood map, and an aerial photograph to give the reader a much better idea of the size and scope of the subject property site.

Taxes and Assessments

The following tabulation details the property parcel numbers, geocodes, assessed values, and current property taxes.

<u>Tabulation of Subject Property Taxes and Assessments</u>						
Parcel No.	Geocode	Address	Land Area	Improvements	Assessed Value	2015 Property Taxes
425550	13-1765-36-1-01-01	None	± 635.51 acres	none	none	none

It should be noted that the subject property is a state owned parcel and as such, is exempt from taxation.

Highest and Best Use

The following definition of highest and best use is taken from the 13th Edition of the Appraisal Institute's The Appraisal of Real Estate:

highest and best use: *the reasonably probable and legal use of vacant land or an unimproved property that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value.*

Implied in this definition is the recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners.

Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e., 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 term to reflect highest and best use would be most "probable use." In the context of investment value, an alternative term would be most "profitable use."

Highest and Best Use of the Land as Though Vacant: In considering the highest and best use of the subject property, as though vacant and available to be developed to its highest and best use, I gave consideration to any and all uses to which the property is capable of being adapted, or developed, if vacant and unimproved.

The five categories of use recognized are residential, commercial, industrial, agricultural, and special-purpose.

The residential classification typically includes single family residences, duplexes, and four-plexes.

Commercial developments generally include such things as office buildings, retail centers, restaurants, hotels, motels and multi-family housing developments.

The industrial classification includes such uses as manufacturing parks, warehouses, etc.

Agricultural land uses include cropland, pastureland, timberland and orchards.

The special-purpose use refers to properties with unique design, or construction, which restricts their utility to the intended use for which they were built and generally includes such things as schools, churches, parks, museums, airports, etc.

Consideration must be given to these uses, recognizing the limitations imposed by the four generally-accepted criteria for highest and best use. These are physically possible, legally permissible, financially feasible and maximally productive.

To elaborate on these, physically possible recognizes such factors as size, shape, area, terrain and utilities available.

Legally permissible involves restrictions such as homeowners associations, zoning regulations, building codes, historic district controls and environmental regulations.

Financially feasible relates to all uses that are expected to produce a positive return.

Maximally productive relates to those uses which satisfy the other three criteria and produce the highest price or value consistent with the return expected by investors in the area.

Legally Permissible: This criteria relates to zoning designations or other governmental restrictions for the site, but also recognizes any declaration of covenants, conditions or restrictions. Conservation easements would be included here as legally limiting the potential development of a property.

Currently, the subject property is un-zoned. To the best of my knowledge, there are no other legal considerations that would limit the potential of the site, i.e., covenants, deed restrictions, easements (including conservation easements), etc.

Physically Possible: The physical features of a site which may affect the potential use(s) include, but are not limited to, location, frontage, size, shape, access, availability of utilities, easements, soils and subsoils, topography and designated flood hazard considerations.

The subject property involves \pm 635.51 ac. of land located approximately eight miles east of

Stevensville, north of Middle Burnt Fork Road. The property involves a combination of rolling, sloped and steep sloping topography with difficult seasonal access.

Overall, considering the size of the subject site, the location, the access and the availability of utilities, the subject property is felt to be limited to an agricultural or recreational use.

Financially Feasible and Maximally Productive: Financial feasibility relates to the investment in the land producing a positive return to the investor, or developer. A positive return to the investment suggests a financially feasible use of the property. This may be a cash return or a return as measured by the utility of the land to the owner.

The highest, or maximum, return on the investment indicates the maximum productivity of the property. This factor is more difficult to measure, as different investors may have differing return requirements. In the case of vacant land, this may be measured by the highest price the land will bring when exposed to the open market.

Given the location and the nature of the local area, as well as the market trends toward similar sites in the area, the subject sites appear to be best suited for a recreational use.

Conclusion: Recognizing the size of the subject parcel, the location in the Bitterroot Valley area, the topography, the difficult access and lack of utilities, as well as the demand for similar sites in the area, it is my opinion that the highest and best use of the property as if vacant would be for a recreational use.

Highest and Best Use of the Property as Improved: The highest and best use of property, as improved, is defined in the Dictionary of Real Estate Appraisal, 4th Edition, as:

***highest and best use, as improved:** the use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.*

Generally, the only time that the highest and best use of a property as improved will differ from that use for which the property is currently being used, is when the existing improvements no longer contribute to the overall value of the property.

In this case, the subject property site is vacant and undeveloped. Given the lack of available utilities it is unlikely the property would be improved in any significant way with the exception of perhaps a small cabin. With this in mind, I have concluded that the highest and best use of the subject property as improved is, in fact, as improved with a recreational use

Property Valuation

The appraisal process is a systematic process in which the problem is defined, the work necessary to solve the problem is planned, and the data involved is acquired, classified, analyzed, and interpreted into an estimate of value.

There are three traditional, or generally-accepted, techniques used in estimating the market value of real property. These are generally referred to as the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach.

The Cost Approach is an estimation of the value of the land, as if vacant and available to be developed to its highest and best use, by market comparisons to which the depreciated, or contributory, value of the improvements is added.

The Sales Comparison Approach is a technique that produces an indication of value by a direct comparison of similar property types that have recently sold, to the subject property; appropriate adjustments for differences are made when and where necessary.

The Income Capitalization Approach produces a value indication by capitalizing the net income, or earning power, of the property by a rate reflected by market transactions or behaviors.

The three approaches to value do not necessarily apply to all types of property. A decision must be made whether a particular approach is applicable in each instance. The key to this decision is whether or not the approach is reliable and therefore a relevant measure of value, or simply a theoretical application. These observations are particularly pertinent in the appraisal of properties in transition to a higher and better use, as well as special use properties where value-in-use is more applicable than market value.

In this case, recognizing the type of property under consideration in this appraisal assignment, I have concluded that the Sales Comparison Approach is the only approach that is pertinent to the process and will result in the most reliable indications of current market value.

Sales Comparison Approach

According to the 13th Edition of the Appraisal Institute's The Appraisal of Real Estate,

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

Inherent to the Sales Comparison Approach is the Principle of Substitution. According to the 13th Edition of the Appraisal Institute's The Appraisal of Real Estate,

principle of substitution: the appraisal principle that states that when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the Cost and Sales Comparison Approaches are based.

Last Sale of the Subject Property: At this point, before discussing the comparisons and analyses of the comparable land sales, I first discuss and analyze the most recent sale of the subject property. In this case, the subject property is a large state owned parcel that to my knowledge has never been offered for sale on the open market.

Overall \$/acre Analysis: I will now proceed with the land sales analysis. This process involves the comparison, and adjustment for differences, of sales of similar properties. There are several ways to analyze and adjust sales. The most common and preferred method is a matched-pairs analysis, comparing one sale to another to isolate a specific adjustment factor. The two sales compared should be similar in all regards with the exception of the factor for

which an adjustment is to be derived. When the sales are not truly comparable, but only similar, this analysis is often much less reliable. The more dissimilar the features between the properties, the less accurate or meaningful the analysis. With widely varying factors or properties, this comparative analysis is used to show general trends. A bracketing procedure or technique may then be used to derive an overall conclusion of value.

Contemporary appraisal texts recognize bracketing as a valuation technique. Overall, I am of the opinion that the bracketing technique recognizes the imperfect data found in the marketplace. The 13th Edition of the Appraisal Institute's The Appraisal of Real Estate defines bracketing as:

***bracketing:** a process in which an appraiser determines a probable range of values for a property by applying qualitative techniques of comparative analysis to a group of comparable sales. The array of comparables may be divided into three groups - those superior to the subject, those similar to the subject, and those inferior to the subject. The adjusted sale prices reflected by the sales requiring downward adjustment and those requiring upward adjustment refine the probable range of values for the subject and identify a value bracket in which the final value opinion will fall.*

Because of the many variables involved in comparing sale properties to the subject property, the importance of the appraiser's judgment and opinion becomes obvious. In other words, the sales themselves do not alone directly indicate a value for the subject property, but these sales, once totally analyzed and correlated with experience and judgment, do help me in my final value estimate.

Regarding the sales themselves and the adjustment process, it has been my experience that all sales differ somewhat from each other. To the extent possible, the differences should be recognized and adjusted for based on the data available. However, in the market it is often difficult, and sometimes impossible, to accurately isolate a given factor. In short, one very seldom finds sale properties which are identical in all respects but one, and subsequently able to prove conclusively the value, or lack of, for any one factor due to a difference in sale price. Often, there are positive and negative factors which offset each other. Nevertheless, the

differences in values are real and an attempt, based on as much fact as can be found, will be made to determine the value of these factors. Then, the appraiser may call upon his/her experience to make more subjective judgments. The following generalities are cited to acquaint the reader with a background for my reasoning and judgment to follow:

1. value increases per unit of comparison as the size of the parcel decreases;
2. value tends to decrease as distance from an urban center increases (an exception to this generalization might be certain recreational properties);
3. value tends to decrease as the topography becomes steeper, more rocky, more barren, more arid, etc.;
4. value tends to decrease as access becomes more difficult;
5. value tends to increase with amenities such as creek or lake frontage, or a good view;
and
6. value tends to increase when zoning allows greater density and/or a more optimum use of the land.

Obviously, the opposite may be said of each of these statements.

Moving on to the land sales, the unit of comparison that I have employed in this analysis is the overall dollars per acre (overall \$/acre), which is the product of the following calculation:

Confirmed sales price

_____ = overall \$/acre indication

Number of acres

The following is a tabulation of the land sales being considered in this analysis and for each of the sales I have calculated the overall \$/acre indication. The sales are arranged on the tabulation chronologically with the most recent sale being Land Sale No. 1.

Tabulation of Comparable Land Sales

Sale No.	Location	Sale Date	Sale Price	Land Area	\$/acre Indication
LS 1.	Walker Gulch Drummond	3/15	\$304,000	800 ac.	\$380/ac.
LS 2.	Tucker Lane Missoula	2/15	\$844,800	704 ac.	\$1,200/ac.
LS 3.	McIntyre Road Stevensville	10/14	\$1,230,000	820 ac.	\$1,500/ac.
LS 4.	Ambrose Creek Road Stevensville	6/14	\$650,000	415.79 ac.	\$1,563/ac.
LS 5.	West Fork Butte Lolo	9/13	\$532,950	646 ac.	\$825/ac.
LS 6.	Douglas Creek Hall	8/13	\$351,000	520 ac.	\$675/ac.
LS 7.	Corral Gulch Philipsburg	2/12	\$640,000	640 ac.	\$1,000/ac.
Low Indication			\$304,000	520 ac.	\$380/ac.
High Indication			\$1,230,000	820 ac.	\$1,563/ac.
Mathematical Mean			\$650,393	649 ac.	\$1,020/ac.
Mathematical Median			\$767,000	670 ac.	\$972/ac.

Several other sales and current listings have also been considered. However, those included in the tabulation were felt to be the most comparable to the subject property.

On the overall \$/acre basis, the seven properties in the data set indicated an unadjusted range from ± \$380/ac. to ± \$1,563/ac. with the mean and median indications of ± \$1,020/ac. and ±\$972/ac., respectively.

The above sales were not adjusted for market conditions (time) based mainly on the fact that

the necessary market data needed to accurately calculate a specific adjustment factor is not currently available with the very limited number of closed sales.

The comparable sales were not adjusted for the differences in land area or location, again based on the fact that the necessary data needed to calculate an accurate adjustment factor does not exist in the current market. Obviously, any adjustment factor derived from the very limited number of market sales would provide a misleading indication.

The research and analysis of the comparable sales suggests that proximity to a large population center such as Missoula, access to available utilities, and the access and utility of the property seems to have the greatest impact on value.

The following is a brief description and discussion of each of the comparable sales and how they relate to the subject property.

Land Sale No. 1



Grantor: Stimson Lumber Company

Grantee: Booth

Date of Sale: 3/17/2015

Recording Data: Corp. Deed Doc. #66031

Sale Price: \$304,000.

Terms: Cash **Parcel No.:** 1490597

Location: Walker Gulch, Drummond, Granite County, MT.

Legal Description: Section 33, T12N, R13W, P.M.M., Granite County, MT.

Property Description

Area (acres): 800 acres.

Frontage: Forest service.

Topography: Sloped.

Access: Forest Service road, primitive, dirt/gravel, seasonal access.

Utilities: No utilities available.

Zoning: Un-zoned.

Improvements, if any: None.

Improvements Value, if any: None.

Sale Analysis

\$/acre: $\$304,000 \div 800 \text{ acres} = \$380/\text{ac.}$

Comments: The property is located in the Drummond area north of Interstate 90. The area is over an hours drive from Missoula and involves more difficult access than the subject. It should also be noted that this parcel has what I considered to be an inferior view as compared to the subject and is more steeply sloped in terms of topography which limits the utility of the site.

Overall this sale indication is felt to be inferior to the subject based on the access, topography and location.

Marketing Period: 350 days.

This parcel is located behind locked gates. Consequently I was not able to personally inspect this property and the photograph included in this description was taken from the multiple listing service.

Land Sale No. 2



Grantor: Ruana Family, LLC

Grantee: Robbins

Date of Sale: 2/3/2015

Recording Data: Warranty Deed Doc. #201502211
Warranty Deed Doc. #201502210

Sale Price: \$844,800.

Terms: Cash **Parcel No.:** 1905705

Location: Tucker Lane, Missoula, Missoula County, MT.

Legal Description: Summarized legal-704 acres located in Sections 14, 15 and 16, T14N, Range 16 West.

Property Description

Area (acres): 704 acres.

Frontage: Private access road from Tucker Lane.

Topography: Rolling to sloped.

Access: Dirt/gravel private access road running north from Tucker Lane.

Utilities: All available utilities.

Zoning: Un-zoned, comprehensive plan calls for 1 dwelling unit per 5 acres.

Improvements, if any: None.

Improvements Value, if any: None.

Sale Analysis

\$/acre: $\$844,800 \div 704 \text{ acres} = \$1,200/\text{ac.}$

Comments: This property is situated east of Highway 93 north of Interstate 90, west of Missoula. The property is obviously much closer to Missoula but has what I felt to be an inferior view as compared to the subject. This parcel does have more potential for an agricultural use in terms of grazing cattle. The topography and access to this site is far superior to the subject and this property could be developed for some type of commercial or residential use in the future if demand for development land returns to the Missoula area.

Overall this sale indication is considered to be superior to the subject based primarily on the utility, topography and location of the site.

Marketing Period: 252 days.

Land Sale No. 3



Grantor: R J Ranch and Land

Grantee: Dier Family Trust

Date of Sale: 10/16/2014

Recording Data: Warranty Deed Doc. #681872

Sale Price: \$1,230,000(adjusted).

Terms: Cash **Parcel No.:** 345300

Location: McIntyre Road, Stevensville, Ravalli County, MT

Legal Description: Summarize Legal- 820 acres located in Sections 28, 29, 32 and 33, T8N. R19W.

Property Description

Area (acres): 820 acres.

Frontage: McIntyre Road.

Topography: Rolling to sloped.

Access: Dirt/gravel.

Utilities: All available utilities to site.

Zoning: Un-zoned.

Improvements, if any: House, shop, roads, wells, fencing.

Improvements Value, if any: \$300,000.

Sale Analysis

\$/acre: $\$1,230,000 \div 820 \text{ acres} = \$1,500/\text{acre}.$

Comments: This property is located in fairly close proximity to the subject but is situated at a lower elevation with superior year round access with more gently sloped topography providing for much better utility. It is worth noting that this transfer represents a private sale and was not listed in the multiple listing service. It was quietly marketed among some agents that typically handle large acreage sales.

Overall this sale indication is considered to be superior to the subject based on the access, topography and utility.

Marketing Period: Unknown number days.

Land Sale No. 4



Grantor: Brown

Grantee: Orr

Date of Sale: 6/12/2014

Recording Data: Trustee's Deed Doc. #678457

Sale Price: \$650,000.

Terms: Cash

Parcel No.: 1257320,
1257340, 1257350, 1257360

Location: Ambrose Creek Road, Stevensville, Ravalli County, MT.

Legal Description: Summarized Legal- Tract 1, C.O.S No. 645251-R, Tract 3, C.O.S. No. 645251-R, Tract 4, C.O.S. No. 645251-R, Tract 5, C.O.S. No. 645251-R.

Property Description

Area (acres): 415.79 acres.

Frontage: Ambrose Creek Road.

Topography: Rolling to sloped.

Access: Dirt/gravel access Ambrose Creek Road.

Utilities: All available utilities to the site.

Zoning: Un-zoned.

Improvements, if any: None.

Improvements Value, if any: None.

Sale Analysis

\$/acre: $\$650,000 \div 415.79 = \$1,563/\text{acre}.$

Comments: This site is also located in close proximity to the subject, but like Sale 3 this property involves more gently sloping topography with year round access providing for superior utility. It should be noted that this property actually consists of four separate but contiguous parcels.

Overall this sale indication is considered to be superior to the subject based on the access, topography and utility of the site.

Marketing Period: 107 days.

Land Sale No. 5



Grantor: Plumb Creek Timberlands, L.P.

Grantee: Cascio

Date of Sale: 9/27/2013

Recording Data: Grant Deed Doc. #201319348

Sale Price: \$532,950.

Terms: Cash **Parcel No.:** 7001353.

Location: West Fork Butte, Lolo, Missoula County, MT.

Legal Description: Township 12 North, Range 22 West, P.M.M., All of Section 33.

Property Description

Area (acres): 646 acres.

Frontage: Private access service road.

Topography: Rolling to sloped.

Access: Dirt/gravel road, primitive service roads.

Utilities: No utilities available.

Zoning: Un-zoned.

Improvements, if any: None.

Improvements Value, if any: None.

Sale Analysis

\$/acre: $\$532,950 \div 646 \text{ acres} = \$825/\text{acre}.$

Comments: This sale is located approximately nine miles west of Lolo and south of Highway 12. This parcel is a fairly remote property with seasonal access. The property had been logged prior to sale and the topography and access are considered to be inferior to the subject.

Overall this sale indication is considered to be inferior to the subject based primarily on the access and topography.

Marketing Period: 206 days.

This parcel is located behind locked gates. Consequently I was not able to personally inspect this property and the photograph included in this description was taken from the multiple listing service.

Land Sale No. 6



Grantor: Morrison

Grantee: Wight

Date of Sale: 8/16/2013

Recording Data: Warranty Deed Doc. #64014.

Sale Price: \$351,000.

Terms: Cash **Parcel No.:** 1451296

Location: Douglas Creek Road, Hall, Granite County, MT.

Legal Description: Summarized Legal- Land Lying in Township 9 North, Range 13 West, P.M.M., Granite County, Montana.

Section 13: S $\frac{1}{2}$ S $\frac{1}{2}$.

Section 14: that portion of the S $\frac{1}{2}$ as described in Book 39 of Deeds, Page 283.

Section 24: N $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$.

Property Description

Area (acres): 520 acres.

Frontage: Douglas Creek Road.

Topography: Sloped to rolling.

Access: Dirt/gravel road.

Utilities: No utilities available.

Zoning: Un-zoned.

Improvements, if any: None.

Improvements Value, if any: None.

Sale Analysis

\$/acre: $\$351,000 \div 520 \text{ acres} = \$675/\text{acre}.$

Comments: This property is located north of Philipsburg in the Hall area. The property is mostly steep open mountain side with a small amount of trees in the creek bottom land. The property does include a small creek which would provide for some stock water. It should be noted that this parcel is a considerable distance from Missoula which makes it less appealing to buyers looking for recreational land near a major airport, with some access to city amenities.

Overall this sale indication is considered to be inferior to the subject based primarily on the location and topography.

Marketing Period: 76 days.

This parcel could not be access on the day of inspection due to construction on the bridge of Flint Creek. Consequently I was not able to personally inspect this property and the photograph included in this description was taken from the multiple listing service.

Land Sale No. 7



Grantor: Mackay Trust

Grantee: Running J Ranch, LLC.

Date of Sale: 2/6/2012

Recording Data: Warranty Deed Doc. #61946

Sale Price: \$640,000.

Terms: Cash **Parcel No.:** 1450147

Location: Corral Gulch, Philipsburg, Granite County, MT.

Legal Description: Lands in Township 5 North, Range 15 West, P.M.M., Granite County, Montana.

All of Section 10.

Property Description

Area (acres): 640 acres.

Frontage: Private access road.

Topography: Rolling to sloped.

Access: Dirt/gravel primitive access road.

Utilities: No utilities available.

Zoning: Un-zoned.

Improvements, if any: None.

Improvements Value, if any: None.

Sale Analysis

\$/acre: $\$640,000 \div 640 \text{ acres} = \$1,000/\text{acre}.$

Comments: This parcel is located southwest of Philipsburg and north of Highway 38. The property is accessed by a private road easement and the topography of the site is rolling to sloped with very few trees. This parcel does have two small year round creeks flowing through it and is adjacent to a large parcel under conservation easement along the western boundary. The listing agent indicated that this property has been leased in the past to hunter which suggest this parcel has some added appeal in the market for recreation and hunting.

This sale indication is considered to be most similar to the subject recognizing that it is more remote, but probably has more appeal to a recreational buyer.

Marketing Period: 697 days.

Correlation and Conclusion of the Sales Comparison Approach: I have taken into consideration the tabulation and discussion of the above sales data, especially as it relates to site size, location, access, topography, availability of utilities, and the overall utility of the comparable sales as compared to the subject property. Next I considered the aforementioned bracketing technique and where I felt the subject property site would best compare in terms of value based on the tabulation of sales and the subsequent discussion. Considering the various attributes of the subject as compared to the sales in the tabulation, this analysis is felt to provide a reasonable indication of market value for the subject property site.

Final estimation of value by the Sales Comparison Approach;

Burnt Fork Road, Stevensville with ± 635.51 acres X \$1,000/acre = \$635,510

rounded to **\$636,000.**

Reconciliation and Final Estimate of Value

Sales Comparison Approach: The sales utilized in this approach are felt to provide a fairly reasonable measure of value for the subject property site based on the fact that the seven tabulated sales were similar, to varying degrees, in terms of size, location, availability of utilities, access, topography, and overall utility. As discussed in the previous analysis, Sale 7 was considered most like the subject having what I consider to be very similar topography, access and ultimately utility of the site. One must also recognize that Sale 3 probably has slightly better market appeal based on the perceived quality of the recreational opportunities associated with this parcel, i.e. superior hunting opportunities and the fact that sale three has two creeks flowing through. However, one must also recognize that the subject is much better located within proximity to a larger population center and the amenities associated with the city.

Sales 2, 3 and 4 were all considered to be superior to the subject based primarily on better access and more moderate topography, both of which provide for superior utility of the site. It is worth noting that all three of these sales also had utilities available and to the site.

Sales 1, 5 and 6 were considered to be inferior to the subject based on inferior topography, location and access, all of which limit the overall utility of these properties.

The tabulated sales provided for a fairly good range of value from which I could then apply the aforementioned bracketing technique. After applying the bracketing technique and analyzing the sales that were determined to be superior to the subject, similar to the subject, and the sales that I deemed inferior to the subject, I felt that applying a \$/acre value of \$1,000/ac. seemed most reasonable.

Reconciliation: After weighing the strengths and weaknesses of the data that was analyzed and presented in this report, as well as the above discussion, this analysis is felt to provide the most reasonable estimation of market value of the subject property, considering a fee simple estate, with a date of value of September 5, 2015, and a marketing period of approximately six to twelve months is estimated to be:

Burnt Fork Road, Stevensville, Ravalli County, Montana- **\$636,000.**

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

- the statements of fact contained in this report are true and correct;
- the reported 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 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 predetermined results;
- my compensation for completing this assignment is not contingent upon the developing 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 the appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
- I have made a personal inspection of the property that is the subject of this report;
- 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; and

By reason of my investigations, studies, and analyses, an opinion has been formed that the market value of the subject property as of September 5, 2015, assuming a reasonable marketing period of approximately six to twelve months, is as follows:

Burnt Fork Road, Stevensville, Ravalli County, Montana

Six Hundred Thirty-Six Thousand Dollars

(\$636,000)



Thomas A. Faulkner, Project Appraiser

Montana Certified General Real Estate Appraiser No. 866

Creekstone Appraisal Services, Inc.

ADDENDA

Subject Property Photographs



View of subject property looking generally north from the southwest portion of the property.



View of the subject property looking generally east from the southwest portion of the property.



View of the subject property looking generally west from the southwest portion of the property.

Subject Property Photographs



View of the subject property looking generally south from the southwest portion of the property.



View of the subject property looking generally north from the southwest portion of the property.



View of the subject property looking generally north from the southwest portion of the property.

Subject Property Photographs



View of the subject property looking generally southwest from near the middle of the property.



View of the subject property looking generally west from the middle portion of the property.



View of the subject property looking generally west from the middle portion of the property.

Subject Property Photographs



View of the subject property looking generally west from the middle portion of the property.



View of the subject property looking generally north along an access road from the middle portion of the property.



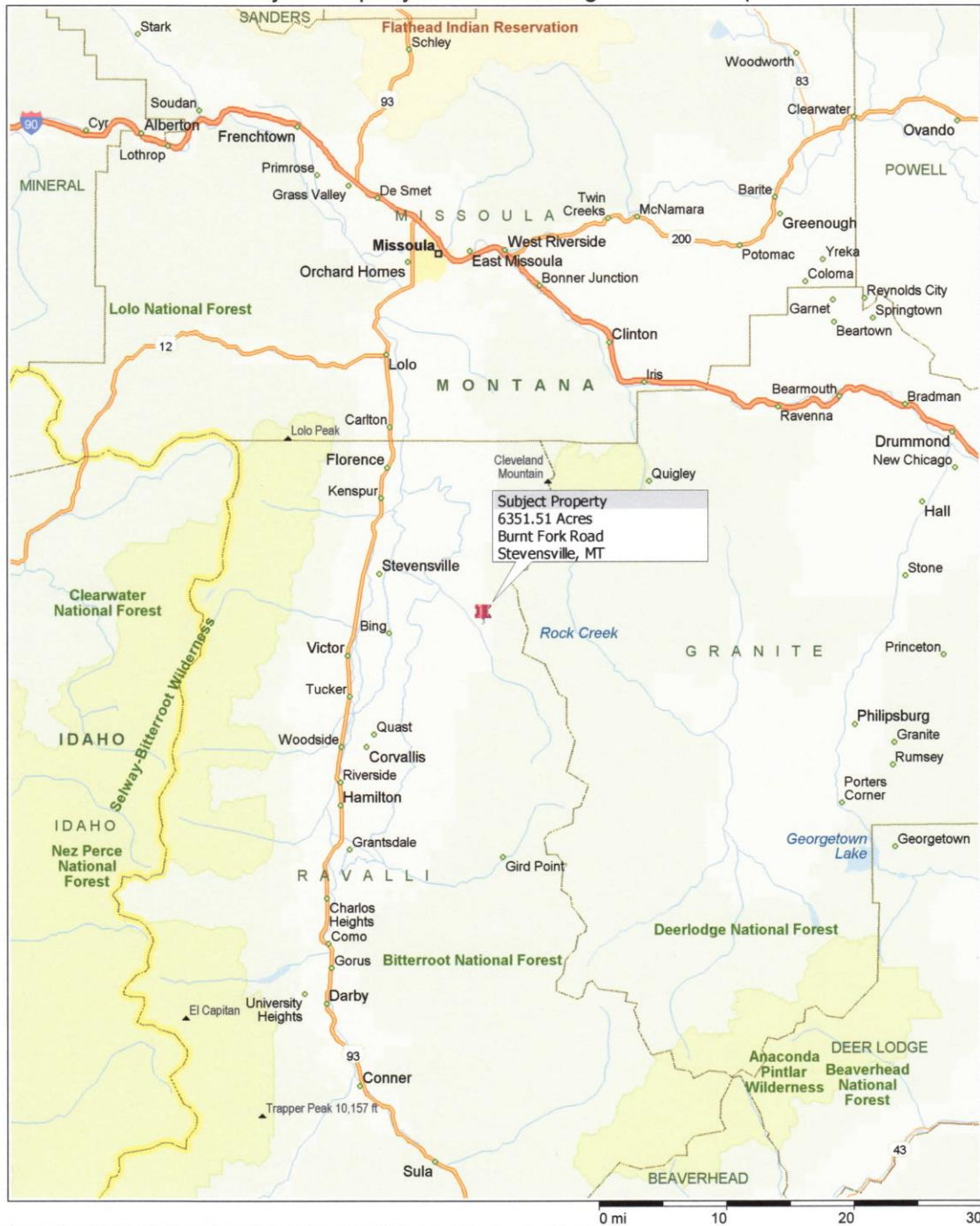
View of the subject property looking generally west from the northeast corner of the property.

Subject Property General Area Map-Comparable Land Sale Map



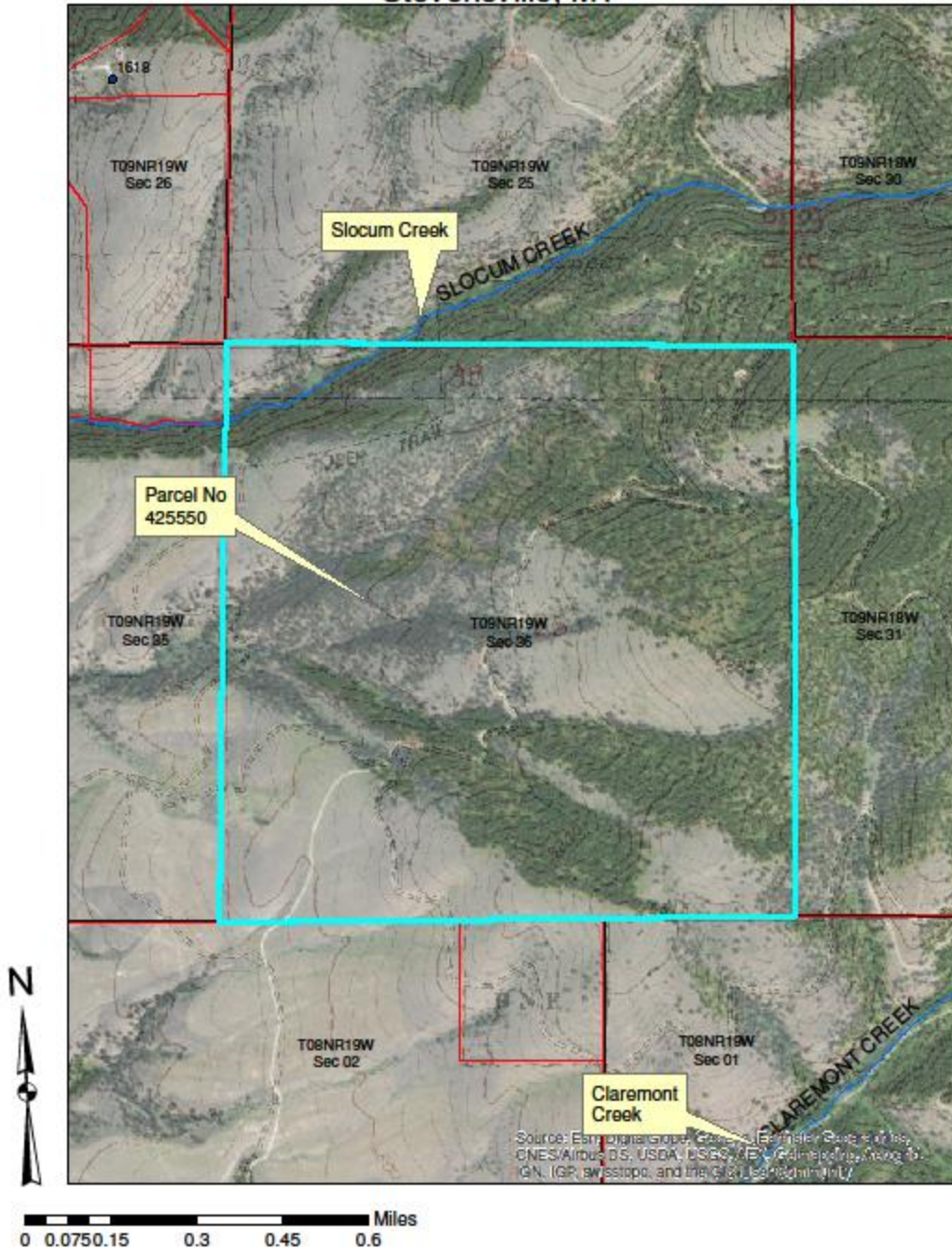
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Subject Property Location & Neighborhood Map



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Property Exhibit
Parcel # 425550
Stevensville, MT



FOR DNRC USE ONLY			<div style="border: 1px solid black; padding: 5px;"> <p>Approved</p> <p>No. <u>165024</u></p> <p>Division <u>J. Gr.</u></p> <p>Legal <u>JHB</u></p> <p>F.S.O. <u>GR</u></p>  </div>
Amount under this Agreement: <u>\$ 1,800.00</u>			
<u>Source of Funds</u>			
<u>Fund Name</u> Land Banking Private Closing Costs	<u>Fund No.</u> 02031		
<u>Subclass</u> 555HA	<u>Org. No.</u> 6043-59	<u>Percent</u> 100%	

TRUST LAND MANAGEMENT DIVISION
APPRAISAL OF POTENTIAL LAND BANKING SALE PROPERTY IN RAVALLI COUNTY

THIS CONTRACT is entered into by and between the State of Montana, Department of Natural Resources and Conservation, (hereinafter referred to as "the State"), whose address and phone number are P.O. Box 201601, 1625 11th Avenue, Helena, MT 59620-1601, (406) 444-2074 and Tom Faulkner, Creekstone Appraisal Services, Inc., whose address and phone number are P.O. Box 9 Stevensville, MT 59870 and 406-544-2186.

1. EFFECTIVE DATE, DURATION, AND RENEWAL

1.1 Contract Term. The contract's initial term is upon contract execution, through October 31, 2015, unless terminated earlier as provided in this contract. In no event is this contract binding on the State unless the State's authorized representative has executed it in Section 29. The appraisal report is to be completed and forwarded to DNRC, Emily Cooper, P.O. Box 201601, Helena, MT 59620-1601 by September 8, 2015.

2. SERVICES AND/OR SUPPLIES

Contractor shall provide the State the following: the contractor shall be responsible for providing a credible appraisal, for the parcel in Ravalli County, as described in Attachment B, Montana DNRC Trust Land Management Division Supplemental Appraisal Instructions. The appraisal will be an Appraisal Report, conducted and prepared in compliance with the Uniform Standards of Professional Appraisal Practice that will describe adequately, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions.

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

- 1) The appraisal report will be one document containing the property data and analysis, opinions, and conclusions of value for the property. If deemed necessary by the contractor rather than including the specific market data in the appraisal report, a separate addendum may be submitted containing the specific market data as a stand-alone document, which must be reviewed and accepted along with the appraisal, and will be returned to the appraiser for retention in his/her files. The appraiser must submit an electronic copy as well as a printed copy of the appraisal report.
- 2) Each sale parcel listed in Attachment B, Montana DNRC Trust Land Management Division Supplemental Appraisal Instructions must be assigned separate values.
- 3) The definition of market value is that as defined in 70-30-313, M.C.A.

3. WARRANTIES

3.1 Warranty of Services.

Contractor warrants that the services provided conform to the contract requirements, including all descriptions, specifications and attachments made a part of this contract. The State's acceptance of services provided by Contractor shall not relieve Contractor from its obligations under this warranty. In addition to its other remedies under this contract, at law, or in equity, the State may, at Contractor's expense, require prompt correction of any services failing to meet Contractor's warranty herein. Services corrected by Contractor shall be subject to all the provisions of this contract in the manner and to the same extent as services originally furnished.

4. CONSIDERATION/PAYMENT

4.1 Payment Schedule. In consideration of the contractor's successful submission of the appraisal report to be provided as described herein above in Section 2 of this agreement, the State shall pay Contractor \$1,800.00. Upon the successful completion of all tasks and services described herein above, the Contractor shall submit an invoice with the submission of the final appraisal report to the DNRC for payment for services rendered. The contractor shall, at no additional expense to the State, correct unsatisfactory work before payment is made.

In no case shall the State's total cumulative payment under this contract exceed One Thousand Eight Hundred Dollars and No/100 (\$1,800.00).

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

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

5. ACCESS AND RETENTION OF RECORDS

5.1 Access to Records. Contractor shall provide the State, Legislative Auditor, or their authorized agents access to any records necessary to determine contract compliance. The State may terminate this contract under section 15, without incurring liability, for the Contractor's refusal to allow access as required by this section. (18-1-118, MCA)

5.2 Retention Period. Contractor shall create and retain all records documenting the appraisal report for a period of eight years after either the completion date of this contract or termination of the contract.

6. ASSIGNMENT, TRANSFER, AND SUBCONTRACTING

Contractor may not assign, transfer, or subcontract any portion of this contract without the State's prior written consent (18-4-141, MCA). Contractor is responsible to the State for the acts and omissions of all subcontractors or agents and of persons directly or indirectly employed by such subcontractors, and for the acts and omissions of persons employed directly by Contractor. No contractual relationships exist between any subcontractor and the State under this contract. Contractor is responsible to ensure that any assignee, transferee or subcontractor is subject to all of the terms and conditions of this Contract as fully set forth. Consent of the State to assign, transfer or subcontract any portion of this Contract does not relieve the Contractor in any manner of its responsibilities under this Contract.

7. HOLD HARMLESS/INDEMNIFICATION

7.1 Claims under this provision also include any claim arising out of or in any way connected with Contractor's breach of this contract, including any claims asserting that any of the Contractor's employees are actually employees of the state or common law employees of the state or any of its agencies or political subdivisions, including but not limited to excise taxes or penalties imposed on the State under Internal Revenue Code §§ 4980H, 6055 or 6056 and any subsequent amendments or additions to these Sections. Contractor shall be responsible for implementation of all aspects of the Affordable Care Act as this Act may apply to Contractor and shall be responsible for any violations including any sanction, penalty, fee or tax and shall indemnify the State and hold harmless and defend the State for any omission or failure of Contractor to meet its obligations under Sections 9 and 10.

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

8. REQUIRED INSURANCE

8.1 General Requirements. Contractor shall maintain for the duration of this contract, at its cost and expense, insurance against claims for injuries to persons or damages to property, including contractual liability, which may arise from or in connection with the performance of the work by

Contractor, agents, employees, representatives, assigns, or subcontractors. This insurance shall cover such claims as may be caused by any negligent act or omission.

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

8.3 Specific Requirements for Automobile Liability. Contractor shall purchase and maintain coverage with split limits of \$500,000 per person (personal injury), \$1,000,000 per accident occurrence (personal injury), and \$100,000 per accident occurrence (property damage), OR combined single limits of \$1,000,000 per occurrence to cover such claims as may be caused by any act, omission, or negligence of Contractor or its officers, agents, representatives, assigns, or subcontractors.

The State, its officers, officials, employees, and volunteers are to be covered and listed as additional insureds for automobiles leased, hired, or borrowed by Contractor.

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

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

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

9. COMPLIANCE WITH WORKERS' COMPENSATION ACT

Contractor shall comply with the provisions of the Montana Workers' Compensation Act while performing work for the State of Montana in accordance with 39-71-401, 39-71-405, and 39-71-417, MCA. Proof of compliance must be in the form of workers' compensation insurance, an independent contractor's exemption, or documentation of corporate officer status. Neither Contractor nor its employees are State employees. This insurance/exemption must be valid for the entire contract term

and any renewal. Upon expiration, a renewal document must be sent to the State, PO Box 201601, Helena, MT 59620-1601.

10. COMPLIANCE WITH LAWS

10.1 Federal, State, or Local laws, Rules, and Regulations. Contractor shall, in performance of work under this contract, fully comply with all applicable federal, state, or local laws, rules, and regulations, including but not limited to, the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. The State may audit or request from Contractor at any time a statement that it is fully compliant with all requirements of this Section.

10.2 Contractor as Employer under the Patient Protection and Affordable Care Act and this Contract. The Contractor is the employer for the purpose of providing healthcare benefits and paying any applicable penalties, fees and taxes under the Patient Protection and Affordable Care Act [P.L. 111-148, 124 Stat. 119]. Contractor represents and warrants that all individuals who perform services for an agency of the State for Contractor under this Contract are without exception Contractor's common law employees at all times and that Contractor acknowledges that Contractor has the responsibility and retains the obligation to direct and control its employees providing services under this Contract for the term of this Contract. Contractor is responsible for providing healthcare benefits for its employees under the Patient Protection and Affordable Care Act.

10.2.1 State Benefits Plans. Contractor acknowledges and agrees that it, its agents or employees are not employees of the State and that its agents or employees have no nexus with the State to participate in any of the State's benefits plans or programs that the State offers its employees and maintains for its employees.

10.2.2 Contractor Provided Health Care Coverage. Contractor shall, if required by the Patient Protection and Affordable Care Act, offer to all its agents or employees who perform services for the State under this contract for 30 or more hours a week and for employee's or agent's dependents under age 26 health care coverage under its health care plans. Such coverage must provide minimum essential coverage and minimum value, and be affordable for purposes of the employer responsibility provisions under Section 4980H of the Code and otherwise satisfy the requirements of Code 4980H if provided by the State. It shall be contractor's sole responsibility to determine applicability and compliance requirements that may apply to Contractor under the Patient Protection and Affordable Care Act.

10.2.3 Contractor Reporting Requirements. Contractor acknowledges that if it is subject to any reporting requirements under Code §§ 6055 and 6066 that Contractor will fully comply with any required reporting with respect to individuals who perform services for the State.

10.3 Any partial or whole assignment, transfer or subletting or subcontracting by Contractor subjects subcontractors to the same provisions of this Section and it is the responsibility of the Contractor to ensure any agreement to assign, transfer, sublet or subcontract binds any successor to this Contract in whole or in part or binds any subcontractor to all the terms and conditions of this Contract as if a party to the Contract from inception..

10.4 In accordance with 49-3-207, MCA, Contractor agrees that the hiring of persons to perform this contract will be made on the basis of merit and qualifications and there will be no

discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin of the persons performing this contract.

11. DISABILITY ACCOMMODATIONS

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

12. REGISTRATION WITH THE SECRETARY OF STATE

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

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

13. INTELLECTUAL PROPERTY/OWNERSHIP

13.1 Mutual Use. Contractor shall make available to the State, on a royalty-free, non-exclusive basis, all patent and other legal rights in or to inventions first conceived and reduced to practice, or created in whole or in part under this contract, if such availability is necessary for the State to receive the benefits of this contract. Unless otherwise specified in a statement of work, both parties shall have a royalty-free, nonexclusive, and irrevocable right to reproduce, publish, or otherwise use copyrightable property created under this contract. This mutual right includes (i) all deliverables and other materials, products, modifications that Contractor has developed or prepared for the State under this contract; (ii) any program code, or site- related program code that Contractor has created, developed, or prepared under or primarily in support of the performance of its specific obligations under this contract; and (iii) manuals, training materials, and documentation. All information described in (i), (ii), and (iii) is collectively called the "Work Product".

13.2 Title and Ownership Rights. The State retains title to and all ownership rights in all data and content, including but not limited to multimedia or images (graphics, audio, and video), text, and the like provided by the State (the "Content"), but grants Contractor the right to access and use Content for the purpose of complying with its obligations under this contract and any applicable statement of work.

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

14.4 Copy of Work Product. Contractor shall, at no cost to the State, deliver to the State, upon the State's request during the term of this contract or at its expiration or termination, a current

copy of all Work Product in the form and on the media in use as of the date of the State's request, or such expiration or termination.

14.5 Ownership of Contractor Pre-Existing Materials. Contractor retains ownership of all literary or other works of authorship (such as software programs and code, documentation, reports, and similar works), information, data, intellectual property, techniques, subroutines, algorithms, methods or related rights and derivatives that Contractor owns at the time this contract is executed or otherwise developed or acquired independent of this contract and employed by Contractor in connection with the services provided to the State (the "Contractor Pre-existing Materials"). Contractor Pre-existing Materials are not Work Product. Contractor shall provide full disclosure of any Contractor Pre-Existing Materials to the State before its use and to prove its ownership. If, however, Contractor fails to disclose to the State such Contractor Pre-Existing Materials, Contractor shall grant the State a nonexclusive, worldwide, paid-up license to use any Contractor Pre-Existing Materials embedded in the Work Product to the extent such Contractor Pre-Existing Materials are necessary for the State to receive the intended benefit under this contract. Such license shall remain in effect for so long as such Pre-Existing Materials remain embedded in the Work Product. Except as otherwise provided for in **Section 13.3** or as may be expressly agreed in any statement of work, Contractor shall retain title to and ownership of any hardware it provides under this contract.

15. CONTRACT TERMINATION

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

15.2 Termination for Cause with Notice to Cure Requirement. Contractor may terminate this contract for the State's failure to perform any of its duties under this contract after giving the State written notice of the failure. The written notice must demand performance of the stated failure within a specified period of time of not less than 14 days. If the demanded performance is not completed within the specified period, the termination is effective at the end of the specified period.

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

16. EVENT OF BREACH – REMEDIES

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

- products or services furnished fail to conform to any requirement;
- failure to submit any report required by this contract;
- failure to perform any of the other terms and conditions of this contract, including but not limited to beginning work under this contract without prior State approval and breaching Section 22 obligations; or
- voluntary or involuntary bankruptcy or receivership.

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

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

- terminate this contract under section 16; or
- treat this contract as materially breached and pursue any of its remedies under this contract, at law, or in equity.

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

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

17. WAIVER OF BREACH

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

18. FORCE MAJEURE

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

19. CONFORMANCE WITH CONTRACT

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

20. LIAISONS AND SERVICE OF NOTICES

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

Emily Cooper, Lands Section Supervisor is the State's liaison.

(Address): P.O. Box 201601

(City, State, ZIP): Helena, MT 59620-1601

Telephone: (406) 444-4165

Fax: (406) 444-2684

E-mail: ecooper@mt.gov

Tom Faulker is Contractor's liaison.

(Address): P.O. Box 9

(City, State, ZIP): Stevensville, MT 59870

Telephone: 406-544-2186

E-mail: talanfalkner@gmail.com

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

21. MEETINGS

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

22. TRANSITION ASSISTANCE

If this contract is not renewed at the end of this term, if the contract is otherwise terminated before project completion, or if particular work on a project is terminated for any reason, Contractor shall provide transition assistance for a reasonable, mutually agreed period of time after the expiration or termination of this contract or particular work under this contract. The purpose of this assistance is to allow for the expired or terminated portion of the services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such services to the State or its designees. The parties agree that such transition assistance is governed by the terms and conditions of this contract, except for those terms or conditions that do not reasonably apply to such transition assistance. The State shall pay Contractor for any resources utilized in performing such transition assistance at the most current contract rates. If the State terminates a project or this contract for cause, then the State may offset the cost of paying Contractor for the additional resources Contractor utilized in providing transition assistance with any damages the State may have sustained as a result of Contractor's breach.

23. CHOICE OF LAW AND VENUE

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

24. TAX EXEMPTION

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

25. AUTHORITY

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

26. SEVERABILITY CLAUSE

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

27. SCOPE, ENTIRE AGREEMENT, AND AMENDMENT

27.1 Contract. This contract consists of 11 numbered pages, Attachment A – Scope of Work and Attachment B – Supplemental Appraisal Instructions, pages 12-15. In the event of a dispute or ambiguity arising between or among the documents, the order of precedence of document interpretation is the same order as this contract.

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

28. WAIVER

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

29. EXECUTION

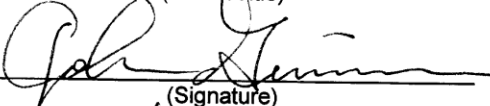
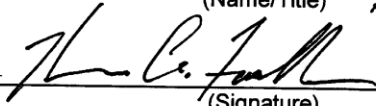
The parties through their authorized agents have executed this contract on the dates set out below.

STATE OF MONTANA

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

**Tom Faulker
Creekstone Appraisal Services, Inc.
P.O. Box 9
Stevensville, MT 59870**

FEDERAL ID #: 27-4342955

BY: <u>JOHN GREMM, BUREAU CHIEF</u>	BY: <u>THOMAS A. FAULKNER, CERTIFIED GENERAL APPRAISER</u>
(Name/Title)	(Name/Title)
	
(Signature)	(Signature)
DATE: <u>8/24/15</u>	DATE: <u>8-19-2015</u>

Attachment A

Scope of Work for Appraisal of Potential Property Sale through the Land Banking Program

CLIENT, INTENDED USERS, PURPOSE AND INTENDED USE:

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

DEFINITIONS:

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

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

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

PROPERTY RIGHTS APPRAISED:

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

EFFECTIVE DATE OF VALUATION AND DATE OF INSPECTION:

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

SUBJECT PROPERTY DESCRIPTION & CHARACTERISTICS:

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

ASSIGNMENT CONDITIONS:

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

The appraiser will consider the highest and best use of the subject property. (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 data. 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.

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

Legally accessible state lands are appraised as accessible only.

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

Attachment B

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

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

Subject Property (Located in Ravalli County):

Sale #	Acres ±	Legal Description
757	635.51 ±	Lots 1-7, NW¼_W½NE¼_NW¼SE¼_N½SW¼, Section 36, T9N-R19W

<u>Area Office Contact Information:</u> Liz Mullins – Land Use Planner DNRC Southwest Land Office 1401 27 th Ave Missoula, MT 59804-4733 Phone: (406) 542-4345 lmullins@mt.gov	<u>Lessee:</u> Burnt Fork Ranch Attn: Randolph & Kay Creech P.O. Box 29 Stevensville, MT 59870 P: (406) 777-1670
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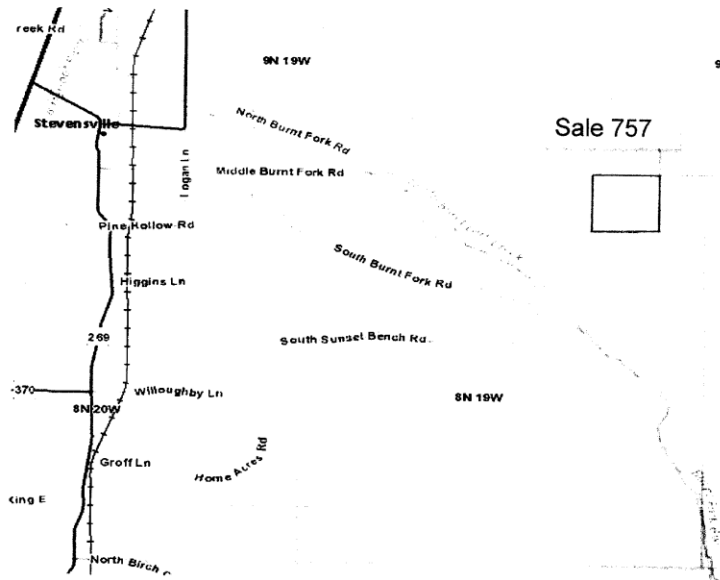
The following will be located in the body of the contract:

The appraisal report will be one document containing the parcel's data and the analysis, opinions, and conclusions of value(s) for the parcel(s). 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 may be returned to the appraiser for retention in his/her files upon request. The appraiser must submit an electronic copy as well as a printed copy of the appraisal report.

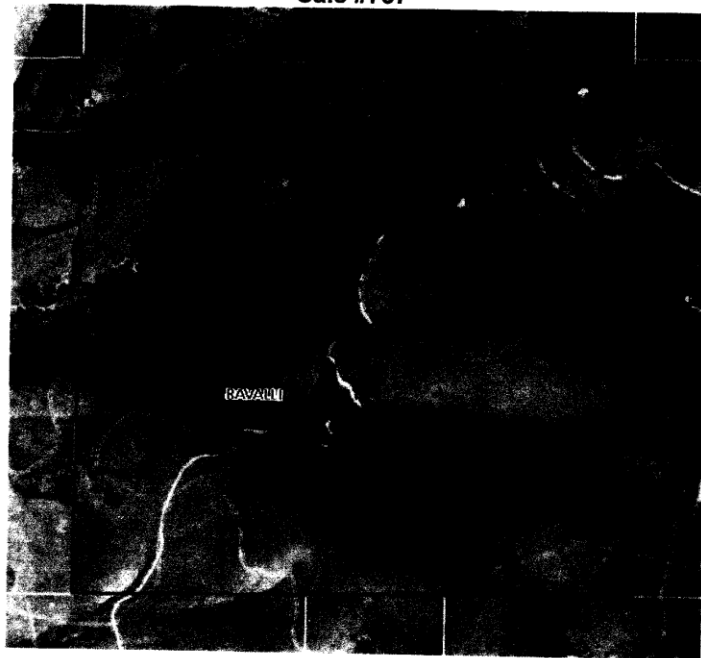
The definition of market value is that as defined in 70-30-313, MCA.

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

Location Map of Sale Parcel



Land Banking Sale Parcel Map Sale #757



Appraisers' Qualifications-Thomas A. Faulkner

Experience:

January 2011 to present – President of Creekstone Appraisal Services, Inc., providing real estate valuation and consulting services for various clients including lending institutions, attorneys, government entities, the business community and the general public. These services include the valuation of a multitude of real estate property types including: commercial, agricultural, timberland and residential property.

November 2002 to December 2010 – staff appraiser at Kembel, Kosena & Co., Missoula, MT
Project appraiser responsible for developing appraisal assignments for the following types of real estate: commercial, litigation, eminent domain, ranch, timberland, agricultural land and residential property. The development of these projects included all subject property research and inspections, determination of the specific valuation problem to be solved, collection of all necessary sale, income and cost data required to analyze, adjust and ultimately value the subject property. The various appraisal assignments were located throughout Montana and Eastern Idaho.

July 1996 to present – Realtor

Licensed Real Estate Agent within the states of Pennsylvania (July 1996-Dec. 2000) and Montana (Jan. 2001-present). During this time I was assisting clients by providing real estate services including the listing and selling of property as well as working as a Buyer's Agent. Real estate companies included: Colleen Christy Better Homes and Gardens in Warren, PA, Clark Fork Realty Better Homes and Gardens in Missoula, MT, The Dwelling Place Real Estate in Missoula, MT and Coldwell Banker Western States in Hamilton, MT.

Education:

The following is a summary of Real Estate Appraisal Education that I have attended:

AI Course 100GR Basic Appraisal Principles

AI Course 101GR Basic Appraisal Procedures

AI Course 400G General Market Analysis and Highest and Best Use

AI Course 401G General Appraiser Sales Comparison Approach

AI Course 402G General Appraiser Site Valuations and Cost Approach

AI Course 1310 Basic Income Capitalization

AI Course 1320 General Applications
AI Course 1410 National USPAP Course
AI Course National USPAP Update Course
AI Course Evaluating Commercial Construction
AI Course Advanced Spreadsheet Modeling for Valuation Applications
AI Course Effective Appraisal Writing
AI Course Valuation of Green Properties
AI Course Income Capitalization Approach for Multi-Unit Residential Properties
Attacking and Defending an Appraisal in Litigation
BVBOR Montana Water Rights

Complete listing of all appraisal and real estate continuing education courses available upon request.

Community Involvement:

Former Volunteer, Salvation Army, Warren, Pennsylvania
Former Member, Tidioute Business Association
Former Volunteer, Tidioute Library Fund Committee
Former Volunteer, Warren County Board of Realtor Community Service Committees
Former Member, Stevensville Main Street Association
Volunteer, Habitat for Humanity, Missoula Montana