

**An Appraisal Report**

**of**

**20520 Six Mile Road  
Huson, Missoula County, MT 59834**

**for**

**Ms. Emily Cooper, Lands Section Supervisor  
Department of Natural Resources and Conservation  
State of Montana  
P.O. Box 201601  
Helena, MT 59620-1601**

**as of**

**September 22, 2015 (Date of Observation)**

**October 9, 2015 (Date of Report)**

**by**

**Kraig P. Kosena, MAI**

***Kembel, Kosena & Company, Inc.***

**West Spruce Commons, 432 West Spruce Street, Suite 101**

**P.O. Box 16653**

**Missoula, MT 59808-6653**

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**KEMBEL, KOSENA & COMPANY, INC.**

**REAL ESTATE APPRAISERS & CONSULTANTS**

October 9, 2015

Ms. Emily Cooper, Lands Section Supervisor  
Department of Natural Resources and Conservation (DNRC)  
State of Montana  
P.O. Box 201601  
Helena, MT 59620-1601

Re: The appraisal of 20520 Six Mile Road, Huson, Missoula County, Montana.  
DNRC File No.: 165022  
Sale No.: 783

Dear Emily:

In accordance with our contract for an Appraisal Report setting forth the **market value** estimate of the property under study, I am submitting the following report containing 59 numbered pages.

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 condition that the subject property land and improvements are in unencumbered fee simple ownership, with one owner, including a separate **market value** estimate for the State-owned land, as if vacant, as well as a separate **market value** estimate for the non-State-

Ms. Emily Cooper

October 9, 2015

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owned improvements.

Based on the data provided, the property under study is described legally on page 10 of this report.

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

To the best of my knowledge, this report is in conformance with the 2014-2015 Edition of the *Uniform Standards of Professional Appraisal Practice (USPAP)* which is effective through December 31, 2015 and the DNRC contract, Appraisal of Potential Cabin/Home Site Sale Property in Missoula County. A complete copy of the aforementioned contract is included in the Addenda of this report.

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, in its entirety, as of September 22, 2015, assuming a reasonable marketing time of approximately one year, is as follows:

**One Hundred Ninety-One Thousand Five Hundred Dollars**  
**(\$191,500)**

A segregation of this value estimate, land assumed to be vacant and improvements contributory value, can be found in the body of this report.

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

I, the undersigned project appraiser, Kraig P. Kosena, hold the MAI designation and am current in the Continuing Education Program of the Appraisal Institute. My member number is 10,933.

I am also licensed as a Certified General Real Estate Appraiser in the State of Montana. My State of Montana license number is 225 and expires March 31, 2016. This license has never been suspended, revoked, canceled, or restricted.

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 service.

Respectfully submitted,

***Kembel, Kosena & Company, Inc.***

A handwritten signature in black ink, appearing to read 'Kraig P. Kosena', with a stylized flourish at the end.

Kraig P. Kosena, MAI, Project Appraiser

REA-RAG-LIC-225

KPK/mk



### **Summary of Salient Facts and Conclusions**

Record Owner	:	The subject property site is owned by the State of Montana and is administered by the Department of Natural Resources and Conservation. Title is actually held as DNRC School Trust Land.  The subject property leasehold improvements are owned by Robynn J. McKinley.
Location of Property	:	20520 Six Mile Road, Huson, Missoula County, Montana.
Property Rights Appraised	:	Unencumbered fee simple estate by hypothetical condition.
Historical Use	:	Rural residential.
Present Use	:	Rural residential.
Highest and Best Use		
As Though Vacant	:	Rural residential.
As Improved	:	Rural residential.
Date of Value	:	September 22, 2015.
Date(s) of Observation	:	September 22, 2015.
Date of Report	:	October 9, 2015.
Exposure Time	:	The estimated reasonable exposure time of the subject property is approximately six months to one year.

Marketing Time	:	Similar to the estimate of exposure time - approximately six months to one year.
Site	:	Per the survey completed in October of 2008 by Montana Norwest Company, the total land area is $\pm 1.31$ acres. It is worth noting that the State of Montana Department of Revenue (DOR) erroneously indicates a subject property site size of $\pm 1.84$ acres.

As a rural property, the site is unzoned.

The property is wholly surrounded by State of Montana ownership. Access is assumed to be adequate and legal from Six Mile Road.

The topography is moderate and very conducive for development in accordance with the as vacant highest and best use conclusion.

Utilities available and to the site include electricity and communications. In this area, water is provided by private systems which typically involve a well and a submersible pump while sanitary disposal is by private septic systems which generally involve a pre-cast concrete septic tank and PVC drain field lines extending from the tank. Propane and garbage service are available in the area by private contract carriers.

Site Improvements	:	The subject property site improvements are typical of a property of this type and relate
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mainly to a dirt/gravel driveway, a lawn with automated irrigation, a small, man-made pond, and some fencing.

#### Structural Improvements

: The site is improved with one primary improvement, the residence, and two secondary, shed-type, structures.

The residence involves both log and frame construction with original construction dating back to c. 1915 with subsequent additions and updates. After thorough inspection, I have estimated the effective age to be between 15 and 20 years.

According to the DOR, the building involves an above grade building area of  $\pm 1,932$  sf allocated as  $\pm 1,380$  sf on the main floor and  $\pm 552$  sf in the finished attic level.

More specifically, the main floor involves  $\pm 1,380$  sf comprised of a living room with large stone fireplace, an open concept kitchen and dining area, an den/family room, one bedroom, and one bathroom. The main floor floor plan is unique and less than ideal in that access to the bedroom is off of the kitchen either through a walk-in closet or through the laundry area and bathroom.

The attic level includes a sitting area (presently used as a bedroom) and a bedroom.

Outdoor living spaces include  $\pm$  484 sf of open wood deck off and a poured concrete patio including a covered "tiki bar" area of  $\pm$  120 sf.

Secondary improvements include two, shed-type buildings to the northwest of the residence, a  $\pm$  144 sf root-cellar and a  $\pm$  234 sf storage shed.

The condition of the property is considered to be good with no significant deferred maintenance noted during the property inspection.

Included in the Addenda of this report are numerous subject property photographs as of the date of observation, September 22, 2015.

**Market Value** Estimate by the Cost Approach - \$190,000.

**Market Value** Estimate by the Sales Comparison Approach - \$193,000.

**Final Conclusion of Market Value - \$191,500.**

### **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 an Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of *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 office work 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.
- Unless otherwise noted, all maps, areas, and other data furnished to me have been assumed to be correct. I have not made a survey of the property.
- Neither the employment to make this appraisal nor the compensation is contingent upon the amount of valuation reported.
- I made a personal observation 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 *USPAP* regulations as 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 ***Kembel, Kosena & Company, 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 maybe 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.

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) or any reference to the MAI designation and/or the Appraisal Institute 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 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.

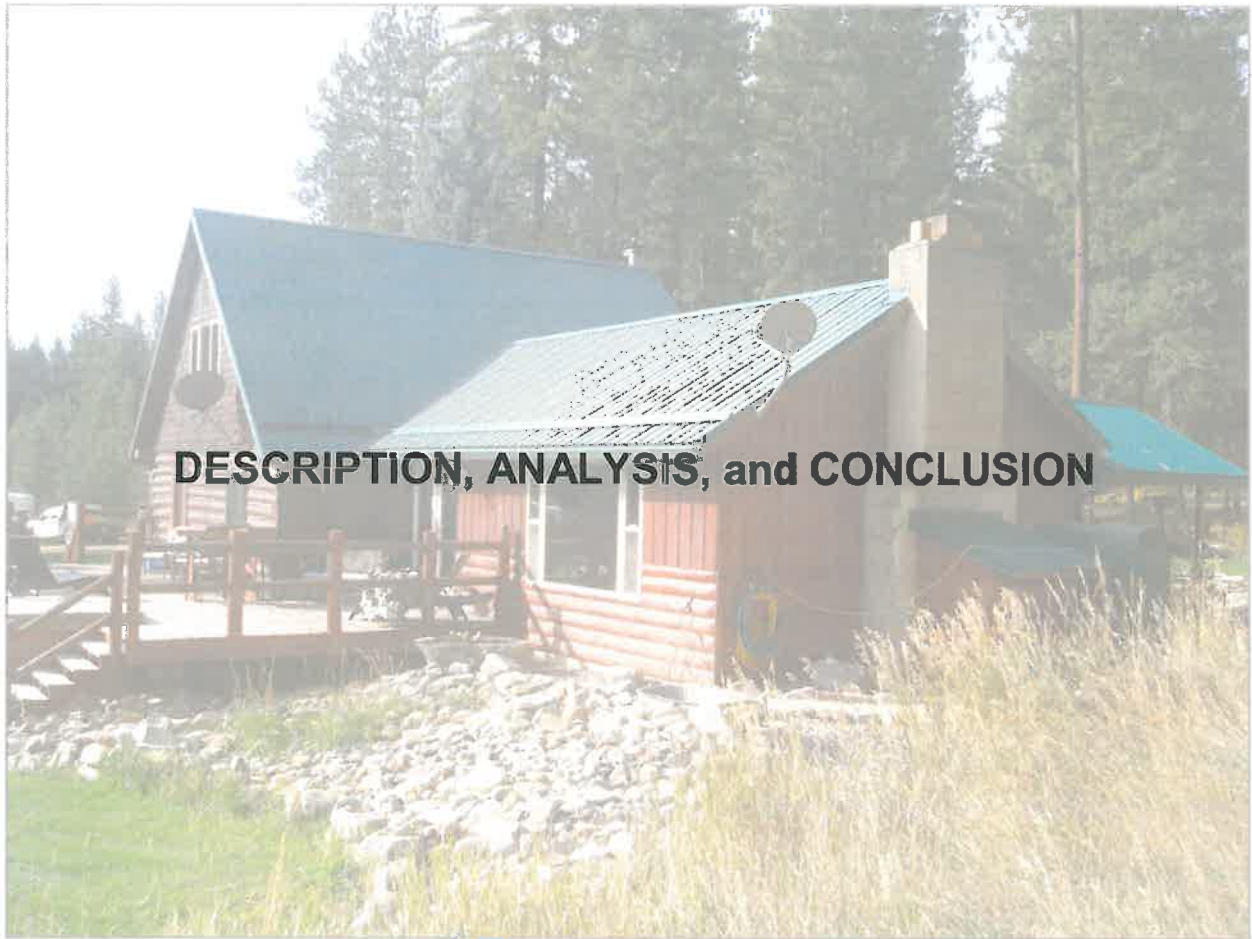
**Parties to Whom I Disclose Information:** I do not disclose any nonpublic personal information obtained in the course of my engagement with my clients to non-affiliated third parties, except as necessary or as required by law. By way of example, a necessary disclosure would be to my employees, and 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.





### **Record Owner and Brief Property History**

According to the Missoula County Clerk and Recorder's Office, the subject property site is owned by the State of Montana and is administered by the Department of Natural Resources and Conservation. Title is actually held as DNRC School Trust Land. This ownership dates back many years.

With regard to the improvements, these are owned by Robynn J. McKinley. The property has been held in this ownership since March 9, 2006 when it was transferred from Robynn J. Rock and David L. Levesque via a Warranty Deed recorded as Document No. 200605269. Obviously, this was not an arm's-length transaction. Prior to this, the property was acquired from Sharon D. Johnson on August 30, 1994 via a Bill of Sale recorded in Book 423 at Page 739. While now over 20 years old, I do believe this 1994 sale was representative of an arm's-length transaction.

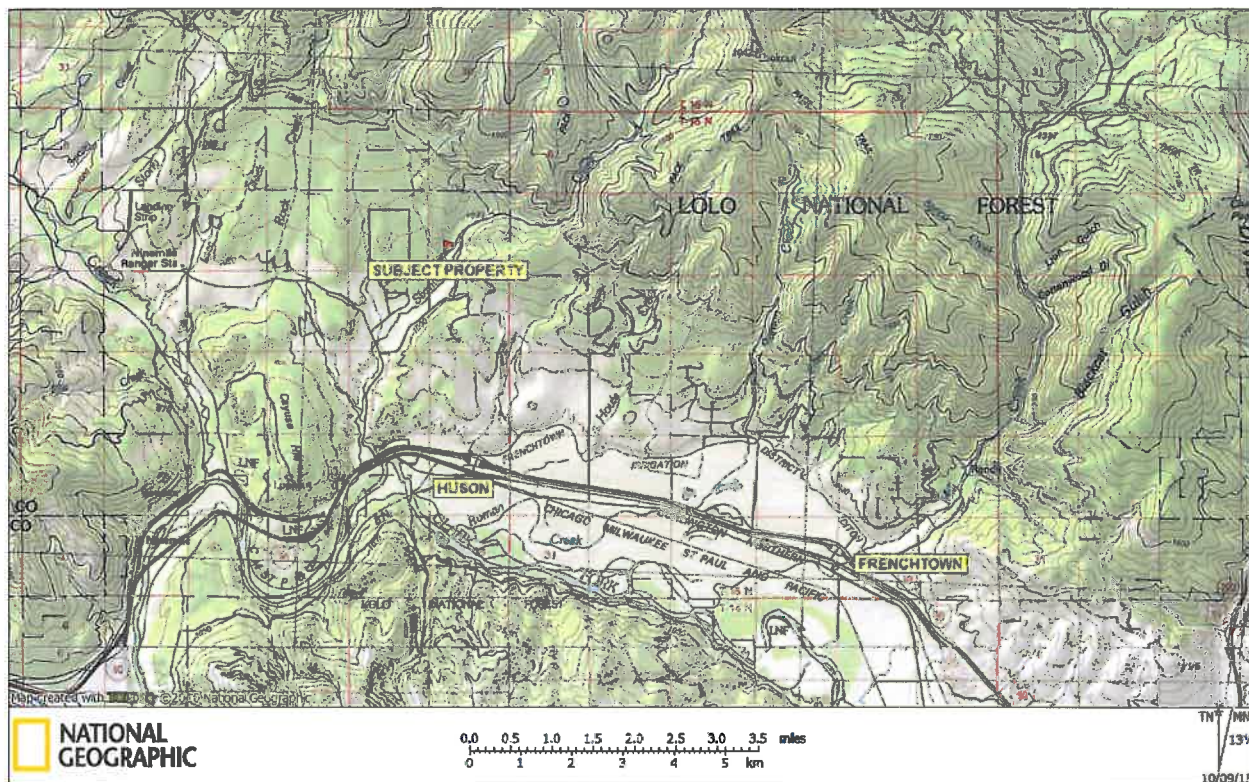
Regarding the history of the property, the DOR records indicate original construction c. 1915. I have no knowledge of the property prior to this but believe it safe to assume that the site was likely vacant or potentially improved with a teepee.

As of the date of this report, the property functions as an owner-occupied residence on leased land from the State of Montana.

### **Location of the Property**

The subject property is located north of community of Huson in the Six Mile Creek drainage, west of Missoula in Missoula County, Montana. More specifically, the actual subject property street address is 20520 Six Mile Road, Huson, Missoula County, Montana. The subject property zip code is 59846.

A map showing the general location relative to Huson and Frenchtown follows.



**SUBJECT PROPERTY LOCATION MAP**

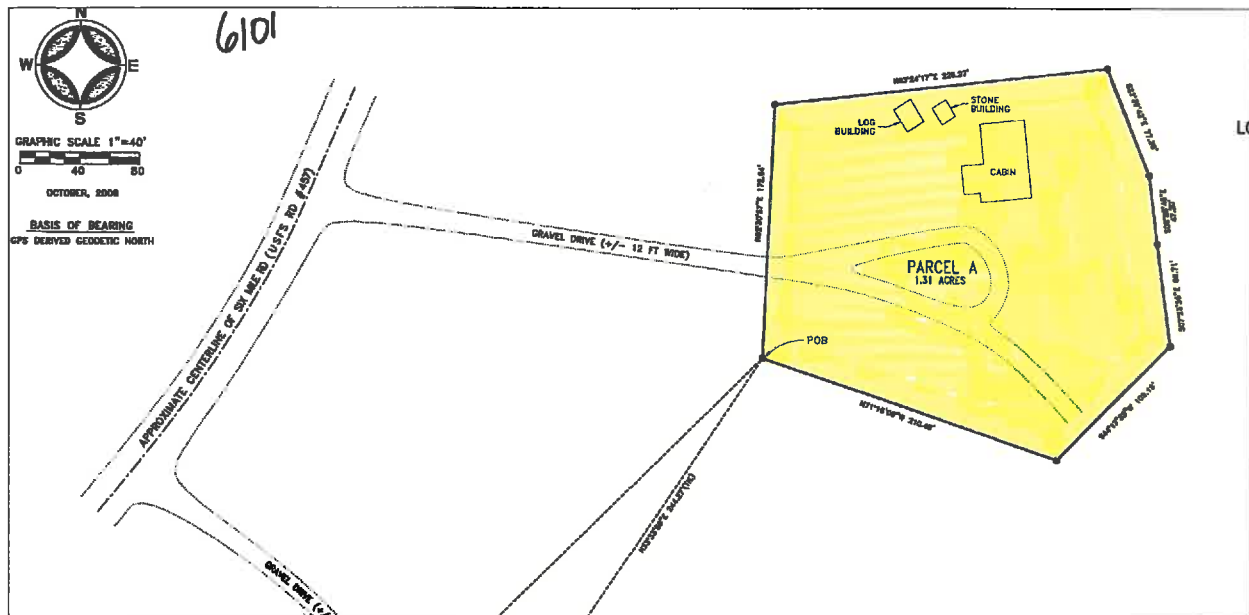
The location of the subject property is illustrated by a Subject Property General Area Map and a Subject Property Location and Neighborhood Map in the Addenda of this report.

### **Legal Description**

Based on the information available to me, the legal description of the property under study is as follows:

Parcel A of Certificate of Survey No. 6101 located in Section 12, Township 15 North, Range 22 West, P.M.M., Missoula County, Montana.

A partial copy of Certificate of Survey No. 6101 follows.



**SUBJECT PROPERTY SITE MAP**

As can be seen, this exhibit clearly indicates that the subject property site involves a land area of  $\pm 1.31$  acres, or  $\pm 57,064$  sf.

Again, the DOR records indicate a subject property land area of  $\pm 1.84$  acres. Ironically, this is the land area associated with Parcel B of this same survey and I believe the mistake is simply a clerical or data entry error.

A complete copy of Certificate of Survey No. 6101 is included in the Addenda of this report as an exhibit item.

### Definition of an Appraisal

As recognized by the 14<sup>th</sup> 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**

The intended users of this product are the State of Montana (Board of Land Commissioners and DNRC) and Robynn J. McKinley.

### **Intended Use of the Appraisal Report**

The intended use of this appraisal report is to assist my clients in establishing the **market value** estimate of the subject property for purposes of a potential sale of the property.

### **Scope of the Appraisal**

**General Information:** The client in this assignment is the aforementioned affiliates of the State of Montana and my points of contact were Ms. Emily Cooper, Lands Section Supervisor and Ms. Liz Mullins, Land Use Planner.

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 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 appraisal firm of **Kemmel, Kosena & Company, Inc.**, and related parties assume no obligation, liability, or accountability to any third party without such written consent.

I have diagnosed the appraisal problem and have generated the following primary appraiser information as a means of assisting in its solution: an opinion **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 and the general location of the site. This information was used to access the DOR property record card (PRC).

The opinion of **market value** is as of the date of my most recent on-site observation, September 22, 2015.

At the expressed direction of the client, the property rights appraised are assumed to be 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.

In general, I have performed a high level of intensity of the scope of work associated with the development of the primary appraiser generated information.

The three generally-accepted real property valuation approaches are the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach.

In this case, after conferring with the client, only the Cost and Sales Comparison Approach are considered relevant, and therefore, these are the only approaches being developed in this assignment.

The Cost Approach was performed by adding the cost new of the improvements less accrued depreciation to the site value. The replacement cost was based mainly on a national publication which is updated monthly. The site value estimate was based on a dollars per square foot (\$/sf) analysis. The data set for this analysis involves seven recent sales of similar, semi-rural, small acreage properties in proximity to Missoula. The highest and best use of these sales properties is felt to be exactly the same as the subject property were the site vacant and available for development.

The Sales Comparison Approach was developed and within this approach, a \$/sf technique was developed. The data set for this approach included six closed sales of similar, semi-rural, small acreage properties in relative proximity to Missoula for employment, shopping, etc. All of which bear significant similarity to the subject property.



Mark F. Hermann, Research Assistant, provided significant appraisal assistance to me during the appraisal process.

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 *USPAP*, 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.

As was stated previously in this report, this appraisal employs the hypothetical condition that the subject property land and improvements are in unencumbered fee simple ownership, with one owner, including a separate **market value** estimate for the State-owned land, as if vacant, as well as a separate **market value** estimate for the non-State-owned improvements.

**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).

Through the DOR, the subject property PRCs were obtained and reviewed and the most recent transferring documents were obtained from the Missoula County Clerk and Recorder's Office. The zoning and flood hazard information was checked with the Missoula County Department of Community and Planning Services. The local multiple listing service (MLS) was searched for previous sales and/or listings of the subject property.

An on-site observation was conducted on September 22, 2015 and were provided uninhibited access to the property.

In conjunction with this appraisal, I did drive through the neighborhood noting types of properties, their ages and conditions.

The second hand information was verified depending on the perceived credibility of the initial source. In most cases, the initial source was considered to be credible and reliable.

**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 curb-side of each comparable used in conjunction with this appraisal. 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 corroborated from at least two sources. Transfer documents, PRC's, and the local MLS were used to check completeness and consistency.

**Analysis:** The valuation approaches which were considered most relevant and fully developed herein are those of the Cost and Sales Comparison Approaches.

**Cost Approach:** Within the Cost Approach, I first investigated land sales of similar tracts of land in the area that would offer the same or similar development potential as the subject's site were it vacant and available for development. Again, the unit of comparison considered in the land valuation analysis was the \$/sf. That said, on the Tabulation of Land Sales and on the detail sheets in the Addenda of this report, I did also calculate the \$/acre sale indication. Other units of measure that are sometimes considered in the site valuation are the dollars per acre (\$/acre) which is typically used for larger parcels and the dollars per front foot (\$/ff) which is typically used for waterfront parcels, etc. Primary adjustments were considered for size. Secondary considerations were for location, topography, buyer/seller motivations, etc. The product of this research was seven closed land sales in the same general market area ranging in size from  $\pm 1.19$  acres to  $\pm 3.01$  acres. With respect to date of sale, the most recent closed sale included in the data set is dated May of 2015 and the oldest sale is dated April of 2014.

The second portion of the Cost Approach relates to estimating current construction cost of the subject property improvements. In this case, my replacement cost estimate is based mainly on the published information in the Marshall and Swift Cost Manual. This source is recognized locally, regionally, and nationally as a reliable indicator of current construction costs for most types of improvements including residential.

Once the estimated replacement cost was established, I considered all forms of depreciation, i.e., physical deterioration, functional obsolescence, and external obsolescence. Given the age and condition of the subject property improvements, I did recognize some physical deterioration. Furthermore, given my previous comments regarding the floor plan and access to the main floor bedroom, I do believe the property suffers from some degree of functional obsolescence. Beyond that, I would submit that my research did not suggest an adjustment for external obsolescence is warranted at this time.

Overall, the quality of the data available for the Cost Approach was felt to be very good resulting in what I believe is a reasonable and reliable indication of current **market value**.

**Sales Comparison Approach:** Within the context of the Sales Comparison Approach, sales of similar (to varying degrees given the size and condition of the subject property and the limitations of the small market) properties were researched.

The sale properties were analyzed and compared to the subject property, differences recognized, and adjustments made (to the extent that the available data will allow). Again, the unit of comparison that I employed in this approach was the \$/sf.

The product of my research for this approach was six closed sales in the same general market area ranging in size from  $\pm 840$  sf to  $\pm 1,944$  sf. With respect to date of sale, the most recent closed sale included in the improved sales data set is dated April of 2015 and the oldest sale is dated December of 2011.

Overall, recognizing the property type as well as the age and condition of the improvements, the quality of the data set developed within the Sales Comparison Approach was felt to be very good, if not excellent.

## **Purpose of the Appraisal and Definition of Market Value**

The purpose of this appraisal is to estimate the **market value** of the subject property.

**Market value**, as defined by the Appraisal Standards Board of The Appraisal

Foundation for the purposes of the *USPAP* and used in this report, is:

**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 is 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 last date of physical observation, September 22, 2015. The report was finalized on October 9, 2015.

### **Exposure Time**

Exposure time is always presumed to precede the effective date of the appraisal. Exposure time is defined as follows in the 5<sup>th</sup> Edition of *The Dictionary of Real Estate Appraisal* as published by the Appraisal Institute:

**exposure time:** 1. the time a property remains on the market; and 2. 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.

The typical method of estimating exposure times is to investigate exposure times of comparable sales. The logic being that if the sales are current and comparable, the exposure time expectation for the subject property should be within the range indicated by the comparable sales, if the subject property was made available for sale and priced reasonably and competitively.

In this case, in an effort to estimate a reasonable exposure time for the subject property, I have relied mainly on the reported exposure times of the sales considered in the Sales Comparison Approach. Based mainly on this data as well as significant anecdotal information including numerous real estate agent and broker interviews, I have concluded that a reasonable exposure time for the subject property would be approximately six months to one year assuming that the property would be actively marketed at a reasonable and competitive price.

## **Marketing Time**

Unlike exposure time, the marketing time estimate is prospective in nature. Marketing time is defined as:

**marketing time:** an opinion of the amount of time it might take to sell a real or personal property interest at the concluded **market value** level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

This definition is also per the 5<sup>th</sup> 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 time, or approximately six months to one year.

## **Property Rights Appraised**

At the specific direction of the client, the property rights being appraised are assumed to be the unencumbered fee simple estate. According to the 14<sup>th</sup> 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**

This section of the report has been intentionally omitted due to the summary nature of this report as well as the client's familiarity with the region, city, and neighborhood.

### **Property Description**

The following description of the subject property is based on my on-site property inspection and my research of the records of Missoula County and the DOR. Again, given the summary nature of this report as well as the client's familiarity with the property, the following description is intentionally brief.



View over the site facing mostly northerly from near the southern boundary.

**Site:** Per the survey completed in October of 2008 by Montana Norwest Company, the total land area is  $\pm 1.31$  acres. It is worth noting that the State of Montana Department of Revenue (DOR) erroneously indicates a subject property site size of  $\pm 1.84$  acres.

As a rural property, the site is unzoned.

The property is wholly surrounded by State of Montana ownership. Access is assumed to be adequate and legal from Six Mile Road.

The topography is moderate and very conducive for development in accordance with the as vacant highest and best use conclusion.

Utilities available and to the site include electricity and communications. In this area, water is provided by private systems which typically involve a well and a submersible pump while sanitary disposal is by private septic systems which generally involve a pre-cast concrete septic tank and PVC drain field lines extending from the tank. Propane and garbage service are available in the area by private contract carriers.

For the purposes of this report, the soils have not been independently studied nor do I make any representation as to their suitability. However, based on existing developments in the area, it appears that the soils in the area offer adequate load-bearing qualities for most types of development. There do not appear to be any drainage problems associated with the site.

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. 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. For more specific environmental site information, it is recommended that, at a minimum, a phase one audit be completed by a qualified soils engineer.

The subject property site is not located in the designated flood hazard area.

No atypical easements were noted.



View of the lawn area around the residence.

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

The subject property site improvements are typical of a property of this type and relate mainly to a dirt/gravel driveway, a lawn with automated irrigation, a small, man-made pond, and some fencing.

**Structural Improvements:** The site is improved with one primary improvement, the residence, and two secondary, shed-type, structures.



Side view facing mostly easterly.

The residence involves both log and frame construction with original construction dating back to c. 1915 with subsequent additions and updates. After thorough inspection, I have estimated the effective age to be between 15 and 20 years.

According to the DOR, the building involves an above grade building area of  $\pm 1,932$  sf allocated as  $\pm 1,380$  sf on the main floor and  $\pm 552$  sf in the

finished attic level.

More specifically, the main floor involves  $\pm 1,380$  sf comprised of a living room with large stone fireplace, an open concept kitchen and dining area, an den/family room, one bedroom, and one bathroom. The main floor floor plan is unique and less than ideal in that access to the bedroom is off of the kitchen either through a walk-in closet or through the laundry area and bathroom.

The attic level includes a sitting area (presently used as a bedroom) and a bedroom.

Outdoor living spaces include  $\pm 484$  sf of open wood deck off and a poured concrete patio including a covered "tiki bar" area of  $\pm 120$  sf.

Secondary improvements include two, shed-type buildings to the northwest of the residence, a  $\pm 144$  sf root cellar and a  $\pm 234$  sf storage shed.



Root cellar building.



Storage shed building.



The condition of the property is considered to be good with no significant deferred maintenance noted during the property inspection.

Included in the Addenda of this report are numerous subject property photographs as of the date of observation, September 22, 2015.

### **Taxes and Assessments**

The subject property parcel numbers are 4240329 for the State-owned site and 403904 for the non-State-owned improvements. The following tabulation details the subject property parcel numbers, assessed values, and current property taxes.

<b>TABLE NO. 1 - TABULATION OF SUBJECT PROPERTY TAXES AND ASSESSMENTS</b>						
<b>PARCEL NO.</b>	<b>GEO CODE</b>	<b>ADDRESS</b>	<b>LAND AREA (SF)</b>	<b>IMPROVEMENTS</b>	<b>ASSESSED VALUE</b>	<b>2014 PROPERTY TAXES</b>
4240329	04-2427-12-1-01-03-0000	20520 Six Mile Rd.	80,150	None	\$74,996	Exempt
403904	04-2427-12-1-01-02-0099	20520 Six Mile Rd.	0	SFR	\$114,770	\$974.30

Overall, the assessed values and resultant property taxes seem reasonable and fair and I would not expect a significant increase or decrease in either in the next valuation cycle.

Again, I would caution the reader that on the above tabulation the site size is what I believe to be a data input/clerical error. In fact, I believe the subject property site involves a smaller site of  $\pm 57,064$  sf.

### **Highest and Best Use**

The following definition of highest and best use is taken from the 14<sup>th</sup> 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 judgement 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."

**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.

**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 a rather small land area of  $\pm 1.31$  acres. The property is located in the Six Mile Creek drainage, west of Missoula.

Overall, the property is felt to have good physical attributes for many, but not all, types of development.

Those uses that can be narrowed from further consideration based on the physically possible criteria are rather obvious, agricultural, ski resort, golf course, etc.

**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.

As a rural property, the subject property is not governed by any specific Missoula County zoning ordinance.

Furthermore, 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, etc.

**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.

**Conclusion:** Recognizing the subject's size at just over one acre, the location west of Missoula in the Six Mile area, the moderate topography, the lack of zoning, the current local and national economy, and especially the demand for property in the area, it is my opinion that the highest and best use of the property, as if vacant, would be for a semi-rural residential development very similar, if not identical, to the existing development.

**As Improved:** The highest and best use of property as improved is defined in *The Dictionary of Real Estate*, 5<sup>th</sup> Edition, as:

**highest and best use of the property as improved:** the use that should be made of a property as it exists. An existing improvement 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 structural improvements are considered to be in very good condition and certainly contribute value to the whole property.

With this in mind, I have concluded that the highest and best use of the subject property as improved is, in fact, as improved.

### **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 practical as a yardstick of market performance, or merely 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, after conferring with my client, the Cost and Sales Comparison Approaches are being developed.

## Cost Approach

As taken from the 14<sup>th</sup> Edition of the Appraisal Institute's *The Appraisal of Real Estate*,

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

I will now proceed with the first step of the Cost Approach, arriving at the estimated value of the site (as though vacant) based on my investigation of market transactions. 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 is 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 have just recently begun to 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 14<sup>th</sup> 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 judgement 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 judgement, do help me in my final value estimate.

For the purposes of this analysis, according to the 5<sup>th</sup> Edition of the Appraisal Institute's *The Dictionary of Real Estate Appraisal*, an arm's-length transaction is defined as follows:

**arm's-length transaction:** a transaction between unrelated parties under no duress.

**Site Valuation:** Land sales with similar amenities located within the immediate neighborhood of the subject property allow for the best comparison and value conclusion. In comparison to the subject property, factors considered include property rights, terms of the sale, location, size, frontage, shape, zoning, topography, etc.

The unit of comparison used in this analysis is based upon a price paid as dollars per square foot. To determine this indication, the sales price (or estimated contributory value of the land) is divided by the total size of the land (in square feet).

$$\frac{\text{sales price}}{\text{size in square feet}} = \$/\text{sf}$$

Worth noting, on the following tabulation, I did present the sale properties by both square footage and acreage as well as a \$/acre unit of measure.



Regarding the sales themselves and the adjustment process, it has been my experience that all sales differ somewhat from one another. 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 thus is 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 judgements. The following generalities are cited to acquaint the reader with a background for my reasoning and judgement 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 inverse may be said of each of these statements.

Following is a tabulation of land sales used in estimating a value for the site or underlying land. As can be seen, the sales are arranged chronologically on the tabulation with the most recent sale being Land Sale No. 1. Simply for the benefit of the reader, I did include the pertinent subject property data and it is marked by **bold** text.

The data set includes seven sales of very similar properties in the general Missoula area. To varying degrees, these sale properties are considered to be comparable to the subject property site were it vacant and available for development. Those sales marked with ***bold and italics*** text, Land Sales Nos. 1, 2, and 7 are considered the primary data set and will be given most weight in the final analysis.

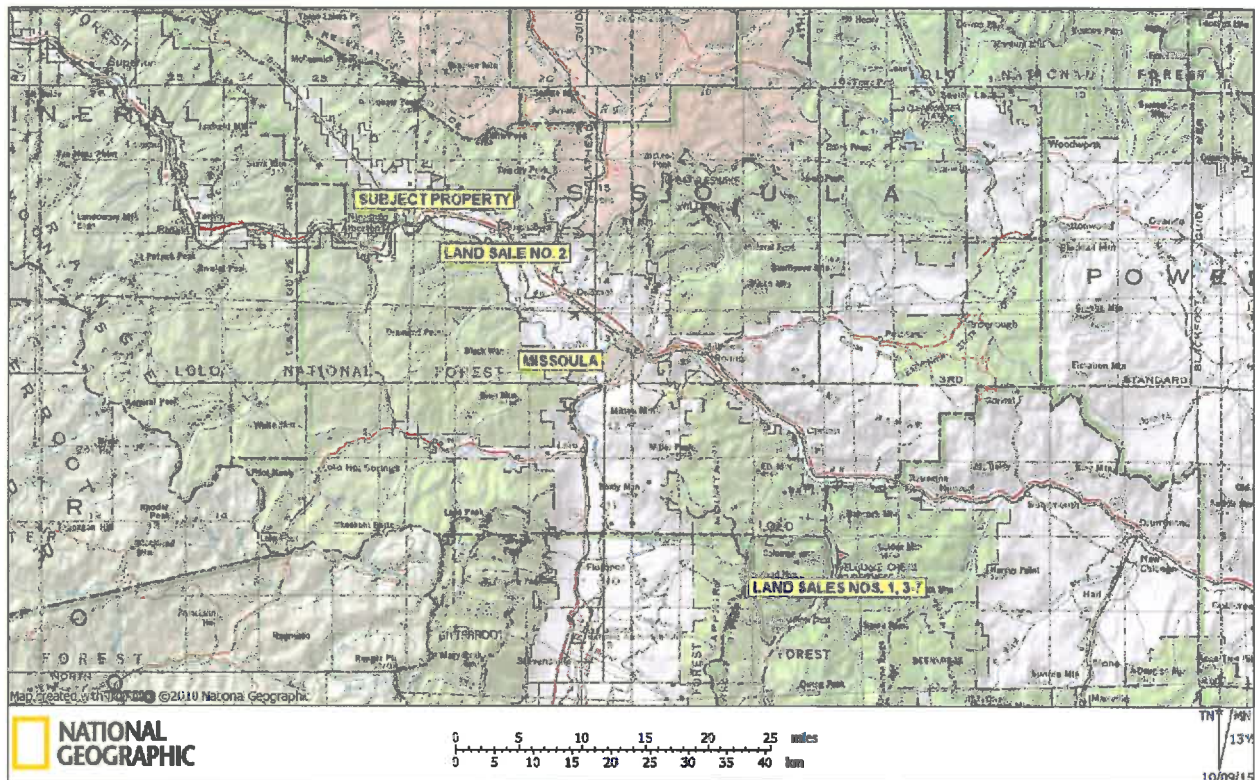
<b>TABLE NO. 2 - TABULATION OF LAND SALES</b>										
<b>SALE NO.</b>	<b>LOCATION</b>	<b>GRANTOR GRANTEE</b>	<b>SALE DATE</b>	<b>RECORDING DATA</b>	<b>SALE PRICE</b>	<b>LAND AREA SF/ACRES</b>		<b>ZONING</b>	<b>SALE INDICATION \$/SF/\$/ACRE</b>	
<b>SP</b>	<b>Six Mile Rd. Huson area</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>57,064</b>	<b>1.31</b>	<b>None</b>	<b>NA</b>	<b>NA</b>
<b>1.</b>	<b><i>Rock Creek area Granite County</i></b>	<b><i>Hanks Hutcheson</i></b>	<b><i>5/15</i></b>	<b><i>66158 WD</i></b>	<b><i>\$95,000</i></b>	<b><i>60,113</i></b>	<b><i>1.38</i></b>	<b><i>None</i></b>	<b><i>\$1.58</i></b>	<b><i>\$68,840</i></b>
<b>2.</b>	<b><i>Mill Creek area Frenchtown area</i></b>	<b><i>Job Olson</i></b>	<b><i>10/14</i></b>	<b><i>201415603 WD</i></b>	<b><i>\$57,500</i></b>	<b><i>51,836</i></b>	<b><i>1.19</i></b>	<b><i>None</i></b>	<b><i>\$1.11</i></b>	<b><i>\$48,320</i></b>
<b>3.</b>	Rock Creek area Granite County	Morse Conrads	9/14	65390 WD	\$30,000	55,296	1.50	None	\$0.46	\$20,013
<b>4.</b>	Rock Creek area Granite County	Morse Guthrie	9/14	65391 WD	\$85,000	131,595	3.02	None	\$0.65	\$28,136
<b>5.</b>	Rock Creek area Granite County	Morse Kosena	9/14	65393 WD	\$77,500	118,048	2.71	None	\$0.66	\$28,598
<b>6.</b>	Rock Creek area Granite County	Klingberg Yarrow	6/14	65063 WD	\$139,900	131,116	3.01	None	\$1.07	\$46,478
<b>7.</b>	<b><i>Rock Creek area Granite County</i></b>	<b><i>Zundel Kane</i></b>	<b><i>4/14</i></b>	<b><i>64886 WD</i></b>	<b><i>\$89,900</i></b>	<b><i>74,052</i></b>	<b><i>1.70</i></b>	<b><i>None</i></b>	<b><i>\$1.21</i></b>	<b><i>\$52,882</i></b>
<b>LOW INDICATOR</b>					<b>\$30,000</b>	<b>51,836</b>	<b>1.19</b>	<b>NA</b>	<b>\$0.46</b>	<b>\$20,013</b>
<b>HIGH INDICATOR</b>					<b>\$139,900</b>	<b>131,116</b>	<b>3.01</b>	<b>NA</b>	<b>\$1.58</b>	<b>\$68,840</b>
<b>MATHEMATICAL MEAN</b>					<b>\$82,114</b>	<b>90,294</b>	<b>2.07</b>	<b>NA</b>	<b>\$0.96</b>	<b>\$41,895</b>
<b>MATHEMATICAL MEDIAN</b>					<b>\$85,000</b>	<b>74,052</b>	<b>1.70</b>	<b>NA</b>	<b>\$1.07</b>	<b>\$46,478</b>

On the \$/sf basis the sale indications range from a low of ± \$0.46/sf to a high of \$1.48/sf with a mean sale indication of ± \$0.96/sf and a median sale indication of ±

\$1.07/sf.

Statistically, the standard deviation ( $\mu$ ) and coefficient of variation (CV) of the data set are  $\pm \$0.39/\text{sf}$  and  $\pm 40.7\%$ , respectively.

The location of the subject property as well as each of these land sales is marked on the following map.



**LAND SALES LOCATION MAP**

Once the most comparable sales have been identified, the elements of comparison are considered. The 14<sup>th</sup> Edition of *The Appraisal of Real Estate* defines elements of comparison as:

**elements of comparison:** the characteristics or attributes of properties and transactions that cause the prices of real estate to vary; include real property rights conveyed, financing terms, conditions of sale, expenditures made

immediately after purchase, market conditions, location, physical characteristics, other characteristics such as economic characteristics, use, and non-realty components of value.

The following are summations of my research of sales as well as my conclusions as to how they relate and compare to the subject property.



Land Sale No. 1 - Island Drive, Rock Creek area, Granite County, Montana.

**Land Sale No. 1:** This land sale took place during May of 2015 and involved a vacant site located approximately seven miles south of I-90 in the Rock Creek drainage.

The sale property involved  $\pm 1.38$  acres, or  $\pm 60,113$  sf.

The property sold for \$95,000, or  $\pm$  **\$1.58/sf**.

The sale was memorialized with a Warranty Deed recorded as Document No. 66158. A copy of this deed was obtained for purposes of this appraisal and is retained in my office work file.

When compared to the subject property, I considered one adjustment for the conditions of sale difference as this sale was purchased by an adjacent landowner (- 10%). As such, the gross adjustment is 10%, the net adjustment is - 10%, and the adjusted sale indication is  $\pm$  **\$1.42/sf**.





Land Sale No. 2 - Mill Creek Road, Frenchtown area, Missoula County, Montana.

**Land Sale No. 2:** This land sale took place during October of 2014 and involved a vacant site located just north of I-90 in the Mill Creek drainage north of Frenchtown.

The sale property involved  $\pm 1.19$  acres, or  $\pm 51,836$  sf.

The property sold for \$57,500, or  $\pm$  **\$1.11/sf**.

The sale was memorialized with a Warranty Deed recorded as Document No. 201415603. A copy of this deed was obtained for purposes of this appraisal and is retained in my office work file.

When compared to the subject property, I considered one adjustment for the location difference near Frenchtown and just north of I-90 (+ 25%). As such, the gross adjustment is 25%, the net adjustment is + 25%, and the adjusted sale indication is  $\pm$  **\$1.39/sf**.



Land Sale No. 3 - Rock Creek Road, Rock Creek area, Granite County, Montana.

**Land Sale No. 3:** This land sale took place during September of 2014 and involved a vacant site located approximately seven miles south of I-90 in the Rock Creek drainage.

The sale property involved  $\pm 1.50$  acres, or  $\pm 65,296$  sf.

The property sold for \$30,000, or  $\pm$  **\$0.46/sf**.

The sale was memorialized with a Warranty Deed recorded as Document No. 65390. A copy of this deed was obtained for purposes of this appraisal and is retained in my office work file.

Given the seller motivations that were confirmed to influence this sale, this sale is considered a secondary indicator and, therefore, given less emphasis in this analysis.



Land Sale No. 3 - Rock Creek Road, Rock Creek area, Granite County, Montana.

**Land Sale No. 4:** This land sale also took place during September of 2014 and involved another vacant site located approximately seven miles south of I-90 in the Rock Creek drainage.

The sale property involved  $\pm 3.02$  acres, or  $\pm 131,595$  sf.

The property sold for \$85,000, or  $\pm \$0.65/\text{sf}$ .

The sale was memorialized with a Warranty Deed recorded as Document No. 65391. A copy of this deed was obtained for purposes of this appraisal and is retained in my office work file.

As a significantly larger parcel, this sale is also considered a secondary indicator and, therefore, given less emphasis in this analysis.



Land Sale No. 4 - Rock Creek Road, Rock Creek area, Granite County, Montana.

**Land Sale No. 4:** This land sale also took place during September of 2014 and involved another vacant site located approximately seven miles south of I-90 in the Rock Creek drainage.

The sale property involved  $\pm 3.02$  acres, or  $\pm 131,595$  sf.

The property sold for \$85,000, or  $\pm \$0.65/\text{sf}$ .

The sale was memorialized with a Warranty Deed recorded as Document No. 65391. A copy of this deed was obtained for purposes of this appraisal and is retained in my office work file.

As a significantly larger parcel, this sale is also considered a secondary indicator and, therefore, given less emphasis in this analysis.



Land Sale No. 5 - Rock Creek Road, Rock Creek area, Granite County, Montana.

**Land Sale No. 5:** This land sale also took place during September of 2014 and involved yet another vacant site located approximately seven miles south of I-90 in the Rock Creek drainage.

The sale property involved  $\pm 2.71$  acres, or  $\pm 118,048$  sf.

The property sold for \$77,500, or  $\pm \$0.66/\text{sf}$ .

The sale was memorialized with a Warranty Deed recorded as Document No. 65393. A copy of this deed was obtained for purposes of this appraisal and is retained in my office work file.

Again, as a significantly larger parcel, this sale is also considered a secondary indicator and, therefore, given less emphasis in this analysis.



Land Sale No. 6 - Sawmill Fishing Road, Rock Creek area, Granite County, Montana.

**Land Sale No. 6:** This land sale took place during June of 2014 and involved another vacant site in the Rock Creek drainage. This property is located approximately nine miles south of I-90 in the Rock Creek drainage.

The sale property involved  $\pm 3.01$  acres, or  $\pm 131,116$  sf.

The property sold for \$139,900, or  $\pm \$1.07/\text{sf}$ .

The sale was memorialized with a Warranty Deed recorded as Document No. 65063. A copy of this deed was obtained for purposes of this appraisal and is retained in my

office work file.

Again, as a significantly larger parcel that was purchased by a nearby landowner, this sale is also considered a secondary indicator and, therefore, given less emphasis in this analysis.



Land Sale No. 7 - Rock Creek Road, Rock Creek area, Granite County, Montana.

**Land Sale No. 7:** This land sale took place during April of 2014 and involved another vacant site located approximately seven miles south of I-90 in the Rock Creek drainage.

The sale property involved  $\pm 1.70$  acres, or  $\pm 74,052$  sf.

The property sold for \$89,900, or  $\pm \$1.21/\text{sf}$ .

The sale was memorialized with a Warranty Deed recorded as Document No. 64886. A copy of this deed was obtained for purposes of this appraisal and is retained in my office work file.

When compared to the subject property, I did not find cause to make any specific adjustments. As such, the "as-adjusted" sale indication is  $\pm \$1.21/\text{sf}$  for the subject property.

**Correlation and Conclusion of Site Valuation:** Having identified and analyzed what I feel are the best sales in the local market for the purposes of this analysis, we must now reconcile the data into an indication of value for the subject property. The following tabulation/adjustment grid attempts to recognize and quantify those specific adjustments that are felt to pertain when we compare the most comparable sale properties to the subject property. Those sale properties that are felt to be most comparable to the subject property, mainly due to size considerations, are Land Sales Nos. 1, 2, and 7.



Regarding the adjustment grid, for those differences that I feel are worthy of an adjustment I have attempted to quantify an adjustment at the specific request of my client. When possible, I have tried to support the adjustments with actual market evidence. When not possible, the adjustment is more nebulous.

<b>TABLE NO. 3 - LAND SALES ADJUSTMENT GRID</b>				
<b>ELEMENT (1)/SALE NO. (→)</b>	<b>SP</b>	<b>1.</b>	<b>2.</b>	<b>7.</b>
<b>SALE PRICE</b>	NA	\$95,000	\$57,500	\$89,900
<b>SIZE (SF)</b>	57,063	60,113	51,836	74,052
<b>UNADJUSTED \$/SF</b>	NA	\$1.58	\$1.11	\$1.21
<b>REAL PROPERTY RIGHTS CONVEYED</b>	Fee	Similar	Similar	Similar
<b>FINANCING TERMS</b>	Typical	Similar	Similar	Similar
<b>CONDITIONS OF SALE</b>	Typical	Adjacent Landowner Purchase - 10%	Similar	Similar
<b>MARKET CONDITIONS</b>	9/15	5/15	10/14	4/14
<b>EXPENDITURES AFTER PURCHASE</b>	NA	None	None	None
<b>LOCATION</b>	Six Mile area	Rock Creek area	Frenchtown area + 25%	Rock Creek area
<b>PHYSICAL CHARACTERISTICS</b>				
<b>Size</b>	57,063	60,113	51,836	74,052
<b>Topography</b>	Moderate	Similar	Similar	Similar
<b>ECONOMIC CHARACTERISTICS</b>	Typical	Similar	Similar	Similar
<b>USE/ZONING</b>	Rural Residential	Similar	Similar	Similar
<b>NON-REALTY COMPONENTS OF VALUE</b>	None	Similar	Similar	Similar
<b>GROSS ADJUSTMENT (%)</b>	NA	10%	25%	0%
<b>NET ADJUSTMENT (%)</b>	NA	- 10%	+ 25%	0%
<b>ADJUSTED SALE INDICATION (\$/SF)</b>	NA	\$1.42	\$1.39	\$1.21

After analysis and adjustment, on the \$/sf basis the sale indications from these three sales which were considered most comparable to the subject property range from a low of ± \$1.21/sf to a high of \$1.42/sf with a mean sale indication of ± \$1.34/sf and a median sale indication of ± \$1.39/sf.

Statistically, the standard deviation ( $\mu$ ) and coefficient of variation (CV) of the data set are ± \$0.11/sf and ± 8.5%, respectively.

After analyzing each of these land sales as they relate and compare to the subject property, taking into account such things as date of sale, location, size, etc., I have concluded that the information is very supportive of a value conclusion of \$1.40/sf.

This \$/sf conclusion, when applied to the subject property land area, results in an indication of land value of:

$$\pm 57,063 \text{ sf} \times \$1.40/\text{sf} = \$79,888.$$

**Estimate of Replacement Cost:** The replacement cost for the subject's improvements will be based mainly on the information published in the Marshall Valuation Service Cost Manual. Again, this manual is recognized locally, regionally, and nationally as a reliable source of information and current costs of most types of improvements including residential improvements.

**Marshall Valuation Service Cost Manual:** Using this tool and based on my subject property inspection, I have utilized the following sections, pages, and quality ratings for the different components. Included as the last number to the right are the reconciled replacement cost estimates after recognizing all applicable adjustments, area multipliers, current cost multipliers, local multipliers, etc. Taking into account the many variables, I have employed some rounding.

<b>TABLE NO. 4 - TABULATION OF REPLACEMENT COST ESTIMATE</b>				
<b>COMPONENT</b>	<b>AREA (SF)</b>	<b>MVS SECTION &amp; PAGE</b>	<b>\$/SF COST INDICATION</b>	<b>REPLACEMENT COST</b>
SFR - Main Floor	1,380	S12 P25 Frame S12 P30 Log	\$100.00	\$138,000
SFR - Attic	552	S12 P25 Frame S12 P30 Log	\$30.00	\$16,560
Shed	144	S17 P12	\$20.00	\$2,880
Shed	234	S17 P12	\$20.00	\$4,680
Site Improvements	Varies	Varies	Varies	\$20,000
<b>TOTAL</b>				<b>\$182,120</b>

**Entrepreneurial Incentive:** The 14<sup>th</sup> Edition of the Appraisal Institute's *The Appraisal of Real Estate* defines this term as:

**entrepreneurial incentive:** a market-derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project and risk.

It has been my experience that defining an appropriate factor for entrepreneurial incentive is difficult to do with market evidence. Furthermore, many developers go into a project expecting one thing and often times the actual entrepreneurial profit ends up being something significantly less than the original estimate of entrepreneurial incentive. Having said this, rather than make a line item adjustment for entrepreneurial incentive at this juncture, I prefer to readdress this subject at the end of the report. Inherently, if there is significant entrepreneurial incentive to be realized in a project similar to the subject property, it will show up at the end of the report when the indication of values by the Sales Comparison and Income Capitalization Approaches, if developed, suggest higher values than does the Cost Approach.

**Accrued Depreciation:** Accrued depreciation means the loss in value which a property has sustained since its construction. Depreciation is defined in the Appraisal Institute's *The Appraisal of Real Estate*, 14<sup>th</sup> Edition, as:

**depreciation:** the difference between the market value of an improvement and its reproduction or replacement cost at the time of appraisal. The depreciated cost of the improvement can be considered an indication of the improvement's contribution to the property's market value.

This depreciation is catalogued into three classifications, which are physical deterioration, functional obsolescence, and external obsolescence.

Physical deterioration means the loss in value from erosion or the physical decaying, if any, in the structural facility.

Functional obsolescence refers to the loss in value created by functional inutility within the structure. This can generally be related to the loss brought about by poor planning, change in architectural styles, or by a change in use.

External obsolescence would be that loss in the property brought about from changes outside the property.

In this case, the original improvements date back to c. 1915. However, there have been subsequent additions, renovations, and updates. With that in mind, I have estimated the improvements to have an effective age of between 15 and 20 years. Based on an economic life estimate of  $\pm 55$  years, the indicated range of physical deterioration is 27% to 36%. Recognizing the perceived functional issue associated with the main floor layout and the fact that access to the primary bedroom is through either a walk-in closet or the one and only bathroom in the residence, I have rounded my accrued depreciation estimate up to 40% for purposes of this analysis.

Again, I have also given consideration to any external obsolescence and do not find any basis for an adjustment at this time.

**Summary of the Cost Approach:** Recognizing my estimated site value, the estimated cost to replace the improvements, and accrued depreciation, the following is my conclusion of market value for the subject property using the Cost Approach:

Estimated Value of the Land		\$79,888
Estimated Value of the Improvements		
Replacement Cost	\$182,120	
Accrued Depreciation Adjustment (40%)	<u>(\$72,848)</u>	
Depreciated Value		<u>\$109,272</u>
Final Indication of <b>Market Value</b> by Cost Approach		\$189,160
	Rounded to	<b><u>\$190,000</u></b>

Again, this estimate of the current **market value** by this approach does not include any entrepreneurial incentive for the reasons previously cited. This issue will be addressed later in this report. Depending on the indication of value from the Sales Comparison Approach, an allowance may be considered in the Reconciliation and Final Estimate of Value section of this report.

## Sales Comparison Approach

According to the 14<sup>th</sup> 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 14<sup>th</sup> 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.

Before getting into the actual valuation analysis, I first want to point out that it is my experience that, in our small market, a bracketing technique works well. Contemporary appraisal texts have just recently begun to 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 14<sup>th</sup> 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 judgement 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 judgement, do help me appraiser 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 thus is 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 judgements.

**Last Sale of the Subject Property:** At this juncture, before discussing the comparisons and analyses of the improved sales, I typically first discuss and analyze the most recent sale of the subject property. In this case, the last arm's-length transaction of the subject property, improvements only, took place over 20 years ago. As such, there is not a recent sale of the subject property worthy of consideration herein.

Further, to the best of my knowledge the property is neither for sale or under contract to sell as of the date of this report.

Having said that, I will move on to the analysis of improved sales.

**Overall \$/sf Analysis:** Moving on to the improved sales, the unit of comparison that I will be using in this analysis is the overall \$/sf.

The overall \$/sf indication is calculated by dividing the confirmed sales price by the sale property above grade finished area:

$$\frac{\text{sales price}}{\text{building area}} = \text{overall \$ /sf indication}$$

Following is a tabulation of the Missoula-area, semi-rural, small acreage, improved properties being compared to the subject property in this analysis and for each I have calculated the overall \$/sf. The sales are arranged chronologically on the tabulation with the most recent sale being Improved Sale No. 1. Again, for the sake of comparison, I have included the pertinent subject property information on the tabulation and it is marked by **bold** text.

The data set includes six sales of similarly improved properties on small acreage parcels in the general Missoula market area. To varying degrees, these sale properties are considered to be comparable to the subject property. Based largely on size, those sales marked with ***bold and italics*** text, Improved Sales Nos. 2 and 3 are considered the primary data set and will be given most weight in the final analysis.



**TABLE NO. 5 - TABULATION OF IMPROVED SALES**

SALE NO	LOCATION	GRANTOR GRANTEE	RECORDING DATA	SALE DATE	SALE PRICE	IMPVTS. GBA	BED/BATH	YEAR BUILT	GARAGE	LAND AREA	\$/sf
SP	20520 Six Mile Rd. Huson area	NA	NA	NA	NA	1,932	2/1	1915	0	57,064	NA
1.	6865 Boondock Ln. Turah area	Crabtree Youbles	201505413 WD	4/15	\$232,500	1,477	2/2	1980	2D	108,900	\$157.41
2.	733 Rock Creek Rd. Rock Creek area	HSBC Cen/s	65983 SWD	3/15	\$140,000	1,944	3/2	1994	0	55,757	\$72.02
3.	14550 Neil Dr. Lolo area	Dutton Parker	201417614 WD	11/14	\$200,000	1,904	2/2	1987	1A	90,169	\$105.04
4.	5163 Old Hwy. 10 W. Alberton area	Hagey Serfass	112122 WD	4/14	\$150,000	840	1/1	2002	0	95,614	\$178.57
5.	728 Rock Creek Rd. Rock Creek area	Olson Demars	64417 WD	12/13	\$195,000	1,085	2/1	1993	1A	102,366	\$179.72
6.	13245 Balsamroot Rd. Lolo area	Steele McLean	201122023 WD	12/11	\$188,500	1,228	2/2	1990	0	60,113	\$153.50
LOW INDICATOR					\$140,000	840	1/1	1980	0	55,757	\$72.02
HIGH INDICATOR					\$232,500	1,944	3/2	2002	2D	108,900	\$179.72
MATHEMATICAL MEAN					\$184,333	1,413	2/2	1991	1A	85,487	\$141.04
MATHEMATICAL MEDIAN					\$191,250	1,353	2/2	1992	1A	92,892	\$155.46

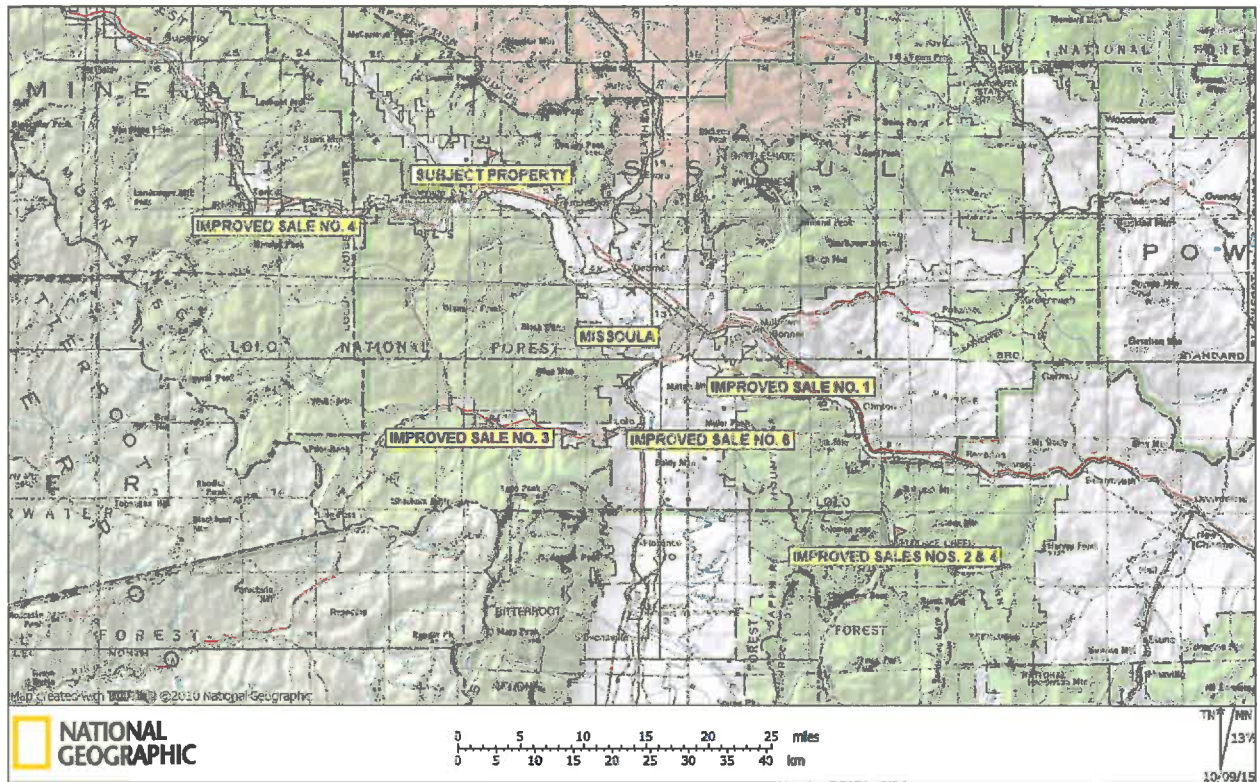
Numerous other sales have also been considered. However, those included herein were felt to be the most comparable to the subject property. Generally speaking, I would submit that the sales provide a reasonable basis for comparison to the subject property.

On the overall \$/sf basis, the six Missoula area property sales indicated an unadjusted range from  $\pm$  \$72.02/sf all the way up to  $\pm$  \$179.72/sf with a mean sale indication of  $\pm$  \$141.04/sf and a median sale indication of  $\pm$  \$155.46/sf.

Statistically, the standard deviation ( $\mu$ ) and coefficient of variation (CV) of the data set are  $\pm$  \$43.33/sf and  $\pm$  30.7%, respectively.

The average property represented on the tabulation involved a property with a building of  $\pm$  1,413 sf above grade that was built c. 1991 with a supporting site of  $\pm$  1.96 acres. The property sold for \$184,333, or  $\pm$  \$141.04/sf.

The location of the subject property as well as each of the improved sales is marked on the following map.



**IMPROVED SALES LOCATION MAP**

Given the summary nature of this report, I will not go into a lengthy analysis of each of the improved sales with regard to how they relate and compare to the subject property.

Rather, suffice it to say, the improved sales presented here were deemed to be the best comparables in the local market for the purpose of estimating overall value for the subject property.

There are a number of factors that affect these indications including the date of sale, size, age, condition, etc.

The following are brief comments regarding each of the sales presented.



Improved Sale No. 1 - 6865 Boondock Lane, Turah area, Missoula County, Montana.

**Improved Sale No. 1:** This recent sale is the semi-rural residential property located at 6865 Boondock Lane in the Turah area east of Missoula.

The building is 1.5 stories above grade with no basement, a two car detached garage, and a barn building. The above grade square footage is  $\pm$  1,477 sf and involves two bedrooms and two bathrooms. Site area was  $\pm$  2.50 acres.

The property sold for \$232,500 and the overall \$/sf sale indication is  $\pm$  **\$157.41/sf**.

The sale was memorialized with a Warranty Deed recorded as Document No. 201505413, a copy of which was obtained for appraisal purposes and is retained in my office work file.

Given the building area, land area, garage, and barn differences, this sale was given secondary consideration.



Improved Sale No. 2 - 733 Rock Creek Road, Rock Creek area, Granite County, Montana.

**Improved Sale No. 2:** This March 2015 sale is the semi-rural residential property located at 733 Rock Creek Road in the Rock Creek area, also east of Missoula.

The building is one-story above grade with no basement and a two car attached garage. The above grade square footage is  $\pm$  1,944 sf and involves three bedrooms and two bathrooms. Site

area was  $\pm$  1.28 acres.

The property sold for \$140,000 and the overall \$/sf sale indication is  $\pm$  **\$72.02/sf**.

The sale was memorialized with a Special Warranty Deed recorded as Document No. 65983, a copy of which was obtained for appraisal purposes and is retained in my office work file.

When compared to the subject property, I considered adjustments for conditions of sale as a lender-owned property (+ 10%), finish/composition (+ 10%), and year built/condition (+ 25%). As such, the gross adjustment is 45%, the net adjustment is + 45%, and the adjusted sale indication is **± \$104.42/sf**.



Improved Sale No. 3 - 14550 Neil Drive, Lolo area, Missoula County, Montana.

**Improved Sale No. 3:** This November 2014 sale is the semi-rural residential property located at 14550 Neil Drive in the Lolo area, south of Missoula.

The building is one-story above grade with no basement and a one car attached garage. The above grade square footage is **± 1,904 sf** and involves two bedrooms and two bathrooms. Site area was **± 2.07 acres**.

The property sold for \$200,000 and the overall \$/sf sale indication is **± \$105.04/sf**.

The sale was memorialized with a Warranty Deed recorded as Document No. 201417614, a copy of which was obtained for appraisal purposes and is retained in my office work file.

When compared to the subject property, I considered adjustments for land area (- 10%) and year built/condition (+ 5%). As such, the gross adjustment is 15%, the net adjustment is - 5%, and the adjusted sale indication is **± \$94.54/sf**.





Improved Sale No. 4 - 5163 Old Highway 10 West, Alberton area, Mineral County, Montana.

**Improved Sale No. 4:** This April 2014 sale is the semi-rural residential property located at 5163 Old Highway 10 West in the Alberton area of Mineral County, west of Missoula.

The building is 1.5 stories above grade with a full, walk-out basement, no basement, and no garage or outbuildings. The above grade square footage is  $\pm$  840 sf and involves one bedroom and one

bathroom. Site area was  $\pm$  2.20 acres.

The property sold for \$150,000 and the overall \$/sf sale indication is  $\pm$  **\$178.57/sf**.

The sale was memorialized with a Warranty Deed recorded as Document No. 112122, a copy of which was obtained for appraisal purposes and is retained in my office work file.

Given the much smaller building area and larger land area, this sale was also given secondary consideration.



Improved Sale No. 5 - 728 Rock Creek Road, Rock Creek area, Granite County, Montana.

**Improved Sale No. 5:** This December 2013 sale is the semi-rural residential property located at 728 Rock Creek Road, east of Missoula.

The building is one-story above grade with no basement, a one car attached garage, and a detached storage building. The above grade square footage is  $\pm$  1,085 sf and involves two bedrooms and one bathroom. Site area was  $\pm$  2.35

acres.

The property sold for \$195,000 and the overall \$/sf sale indication is  $\pm$  **\$179.72/sf**.

The sale was memorialized with a Warranty Deed recorded as Document No. 64417, a copy of which was obtained for appraisal purposes and is retained in my office work file.

Given the building area, land area, and garage differences, this sale was given secondary consideration.



Improved Sale No. 6 - 13245 Balsamroot Road, Lolo area, Missoula County, Montana.

**Improved Sale No. 6:** This December 2011 sale is the semi-rural residential property located at 13245 Balsamroot Road in the Lolo area, south of Missoula.

The building is 1.5 stories above grade with a finished basement of  $\pm 1,023$  sf. The above grade square footage is  $\pm 1,228$  sf and involves two bedrooms and two bathrooms. Site area was  $\pm$

1.38 acres.

The property sold for \$188,500 and the overall \$/sf sale indication is  $\pm$  **\$153.50/sf**.

The sale was memorialized with a Warranty Deed recorded as Document No. 201122023, a copy of which was obtained for appraisal purposes and is retained in my office work file.

Given the age of the sale and the smaller building area differences, this sale was also given secondary consideration.

**Correlation and Conclusion of the Sales Comparison Approach:** At this point, I have presented a data set of six closed sales, all of which are considered to be at least somewhat comparable to the subject property. However, of the six sales, given striking similarities, two of the sales were given primary consideration, i.e., Improved Sales Nos. 2 and 3. That said, I will now present an adjustment grid that details my thoughts as to adjustments and comparability for each of the two best sales.

Again, for those differences that I feel are worthy of an adjustment I have attempted to quantify an adjustment at the specific request of my client. When possible, I have tried to support the adjustments with actual market evidence. When not possible, the adjustment is more nebulous.

<b>TABLE NO. 6 - IMPROVED SALES ADJUSTMENT GRID</b>			
<b>ELEMENT (1)/SALE NO. (-)</b>	<b>SP</b>	<b>2.</b>	<b>3.</b>
<b>SALE PRICE</b>	NA	\$140,000	\$200,000
<b>LAND AREA (SF)</b>	57,064	55,757	90,169
<b>IMPVT. GBA</b>	1,932	1,944	1,904
<b>LAND TO BUILDING RATIO</b>	29.5	28.7	47.4
<b>UNADJUSTED \$/SF</b>	NA	\$72.02	\$105.04
<b>REAL PROPERTY RIGHTS CONVEYED</b>	Fee Simple	Similar	Similar
<b>FINANCING TERMS</b>	Typical	Similar	Similar
<b>CONDITIONS OF SALE</b>	Typical	REO + 10%	Similar
<b>MARKET CONDITIONS</b>	9/15	3/15	11/14
<b>EXPENDITURES AFTER PURCHASE</b>	NA	None	None
<b>PHYSICAL CHARACTERISTICS</b>			
<b>Location</b>	Six Mile area	Rock Creek area	Lolo area
<b>Land to Building Ratio</b>	29.5:1	28.70	47.4:1 - 10%
<b>Building Area (SF)</b>	1,932	1,944	1,904
<b>Finish/Composition</b>	Good/Average	Average/Average + 10%	Similar/Similar
<b>Year Built/Condition</b>	1915 Good	1994 Average + 25%	1987 Average + 5%
<b>ECONOMIC CHARACTERISTICS</b>	Typical	Similar	Similar
<b>NON-REALTY COMPONENTS OF VALUE</b>	None	Similar	Similar
<b>GROSS ADJUSTMENT (%)</b>	NA	45%	15%
<b>NET ADJUSTMENT (%)</b>	NA	+ 45%	- 5%
<b>ADJUSTED SALE INDICATION (\$/SF)</b>	NA	\$104.42	\$94.54

After analysis and adjustment, on the overall \$/sf basis, the data set indicates a range from ± \$94.54/sf up to ± \$104.42/sf with a mean/median sale indication of ± \$99.48/sf.

Statistically, the standard deviation ( $\mu$ ) and coefficient of variation (CV) of the data set after adjustment are  $\pm \$6.99/\text{sf}$  and  $\pm 7.0\%$ , respectively.

That said, after analyzing each of these improved sales as they relate and compare to the subject property, taking into account such things as date of sale, location, size, condition, etc., I have concluded that the information is very supportive of a value conclusion of  $\$100/\text{sf}$ .

This  $\$/\text{sf}$  conclusion, when applied to the subject property building area, results in an indication of property value of:

$\pm 1,932 \text{ sf at } \$100/\text{sf} = \$193,200$ , rounded to  **$\$193,000$** .



### **Reconciliation and Final Estimate of Value**

The two approaches employed have resulted in the following indications of **market value** for the subject property:

Cost Approach	\$190,000; and
Sales Comparison Approach	\$193,000.

**Cost Approach:** The Cost Approach is basically two parts, one for the land value and the other for the improvements.

Suffice it to say that the land value estimate of  $\pm \$1.40/\text{sf}$  is felt to be very well supported by the seven land sales presented herein, all of which are located in the same general market area as the subject property and offer similar development potential.

The replacement cost estimate was based mainly on the published information in the Marshall Valuation Service Cost Manual. After concluding with what I felt was the most reasonable estimate for replacement cost, the next step of this approach involved accrued depreciation to the improvements. In this case, given the age of the subject property structural improvements, I have recognized an adjustment for physical deterioration along with consideration to some functional obsolescence related to the floor plan of the main floor, specifically, access to the primary bedroom. In this case, I did not see cause for a external obsolescence adjustment.

At this juncture I believe it is pertinent to address the issue of entrepreneurial profit. As can now be seen, the indication of value by this approach is slightly lower than the indication of value from the Sales Comparison Approach. Therefore, it is my opinion that there probably is not any measurable amount of entrepreneurial profit to be realized with a development such as the subject property in the current Missoula area market.

Using a weighted average analysis to reconcile the two indications of value for the subject property into one final conclusion, I have given the analysis by the Cost Approach a weight of 50%.

**Sales Comparison Approach:** The indication by this approach was felt to be very well supported with six sales of similar semi-rural residential properties on small acreages, < 5 acres.

Overall, using the Sales Comparison Approach, I felt that the value indication was reasonable and supported and should be given similar consideration in the final conclusion.

Using a weighted average analysis to reconcile the two indications of value for the subject property into one final conclusion, I have given the analysis by the Sales Comparison Approach a weight of 50%.

**Reconciliation:** After weighing the strengths and weaknesses of the two approaches, and based on the data and analysis presented, the **market value** of the subject property, considering a fee simple estate, with a date of value of March 6, 2015 and a marketing time of approximately two years is estimated to be **\$191,500**.

Based on the data and analysis included herein, I have allocated this estimate of subject property market value as follows:

State-owned Land Component:	\$80,000; and
Non-State-owned Improvements Component:	\$111,500.

### **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 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.
- 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 *USPAP*;

- I made a personal observation of the property that is the subject of this report; and
- Mark F. Hermann, Research Assistant, provided significant real property appraisal assistance to the person signing this certification.

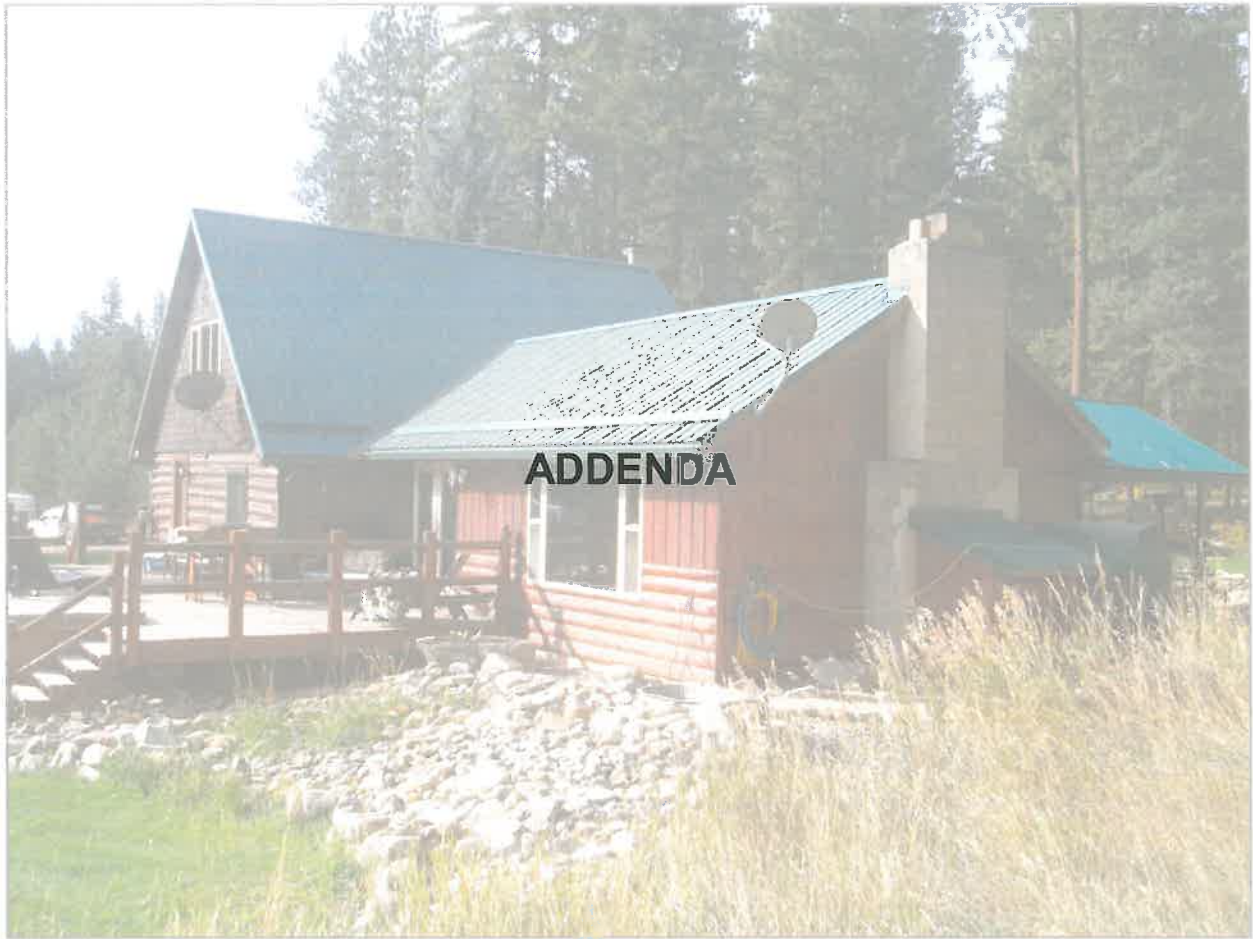
By reason of my investigations, studies, and analyses, an opinion has been formed that the **market value** of the subject property, as of September 22, 2015, assuming a reasonable marketing time of approximately six months to one year, is as follows:

**One Hundred Ninety-One Thousand Five Hundred Dollars**

**(\$191,500)**



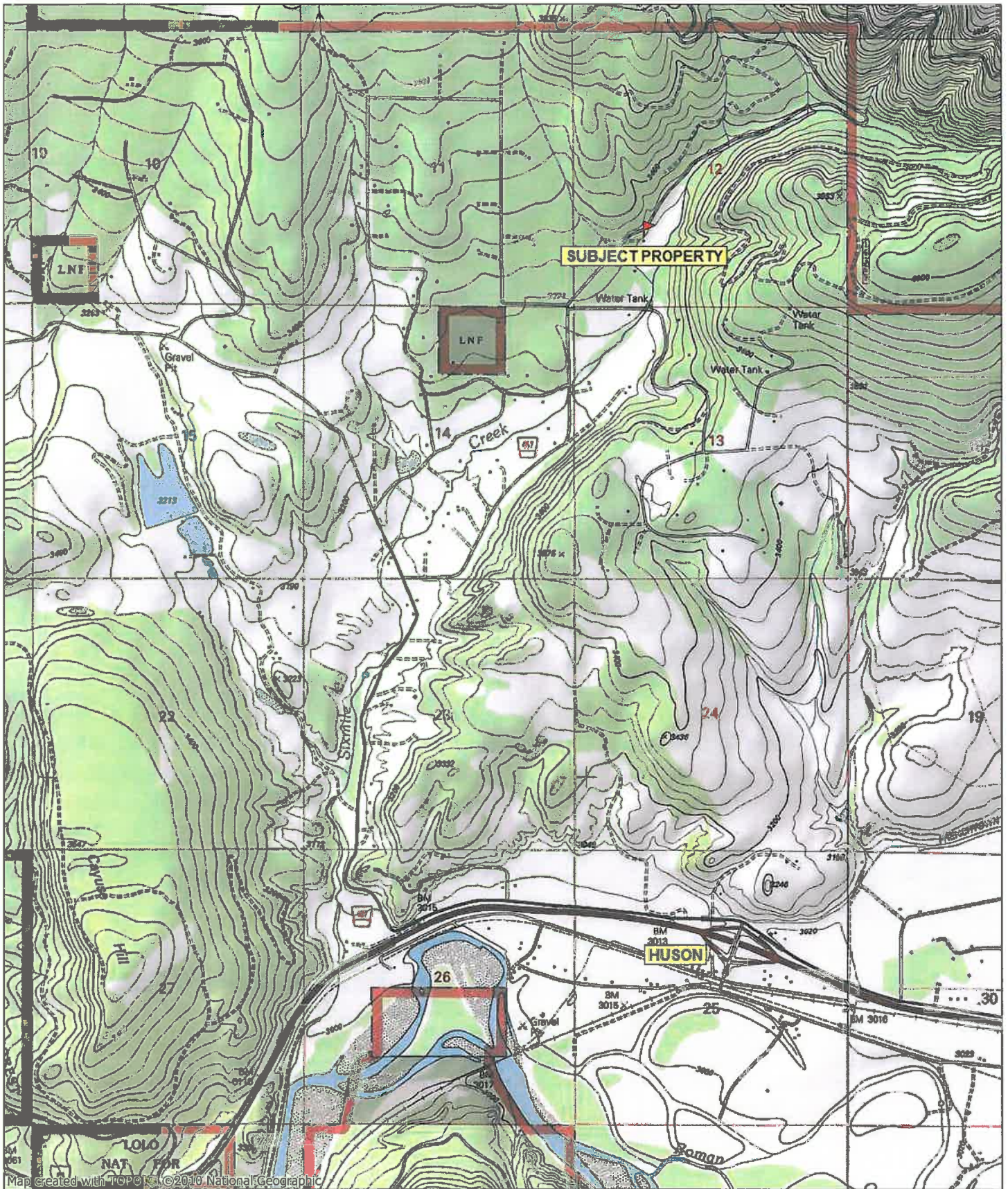
Kraig P. Kosena, MAI, Project Appraiser  
REA-RAG-LIC-225



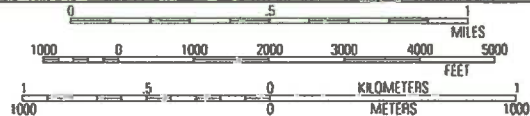








Map created with TOPO! © 2010 National Geographic



TN MN  
13%  
09/28/15









**SUBJECT PROPERTY AERIAL PHOTOGRAPH**

**Subject Property Photographs**

**20520 Six Mile Road, Huson, Missoula County, Montana**

**Photograph No. 1**

**Description:**

Private driveway  
facing northerly  
toward Six Mile Road.

**Date Taken:**

9/22/15



**Photograph No. 2**

**Description:**

View of small pond.

**Date Taken:**

9/22/15



**Subject Property Photographs**

**20520 Six Mile Road, Huson, Missoula County, Montana**

**Photograph No. 3**

**Description:**  
Front/side view.

**Date Taken:**  
9/22/15



**Photograph No. 4**

**Description:**  
Rear view.

**Date Taken:**  
9/22/15





**Subject Property Photographs**

**20520 Six Mile Road, Huson, Missoula County, Montana**

**Photograph No. 5**

**Description:**

Interior view of living room.

**Date Taken:**

9/22/15



**Photograph No. 6**

**Description:**

Interior view of kitchen.

**Date Taken:**

9/22/15



**Subject Property Photographs**

**20520 Six Mile Road, Huson, Missoula County, Montana**

**Photograph No. 7**

**Description:**

Interior view of den.

**Date Taken:**

9/22/15



**Photograph No. 8**

**Description:**

Interior view of master bedroom.

**Date Taken:**

9/22/15



**Subject Property Photographs**

**20520 Six Mile Road, Huson, Missoula County, Montana**

**Photograph No. 9**

**Description:**

Interior view of master bath.

**Date Taken:**

9/22/15



**Photograph No. 10**

**Description:**

Interior view of loft area.

**Date Taken:**

9/22/15





**Subject Property Photographs**

**20520 Six Mile Road, Huson, Missoula County, Montana**

**Photograph No. 11**

**Description:**

View of open wood deck.

**Date Taken:**

9/22/15



**Photograph No. 12**

**Description:**

View of patio area.

**Date Taken:**

9/22/15



**Subject Property Photographs**

**20520 Six Mile Road, Huson, Missoula County, Montana**

**Photograph No. 13**

**Description:**

Front view of log storage building.

**Date Taken:**

9/22/15



**Photograph No. 14**

**Description:**

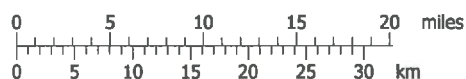
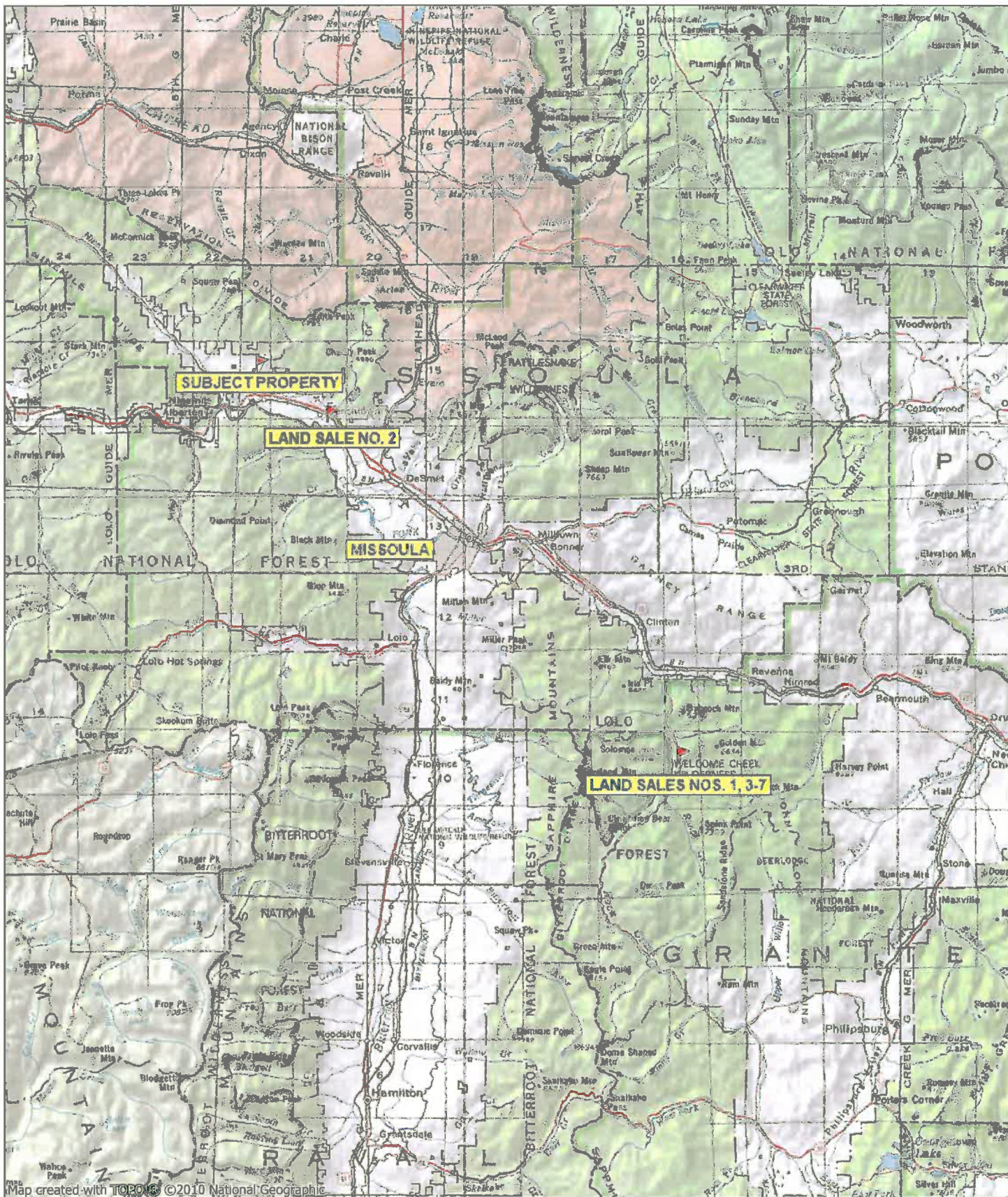
Front view of root cellar.

**Date Taken:**

9/22/15








TN MN  
13%  
10/09/15

KEMBEL, KOSENA & COMPANY, INC.



<b>Land Sale No.</b>	<b>1</b>		
<b>Reference No.:</b>	15-101		
<b>Photograph Date:</b>	September 2015		
<b>Grantor:</b>	LaRae Hanks		
<b>Grantee:</b>	James Hutcheson		
<b>Date of Sale:</b>	May 2015		
<b>Recording Data:</b>	66158 WD		
<b>Sale Price:</b>	<b>\$95,000</b>		
<b>Terms:</b>	Cash to the seller		
			
<b>Location:</b>	Island Drive, Rock Creek area, Granite County, Montana		
<b>Legal Description:</b>	Lot 23, Block 10, Rock Creek Acres, Granite County, Montana		
<b>Parcel No.:</b>	1490156	<b>MLS No.:</b>	20151642
<b>Property Description:</b>			
<b>Site:</b>	<b>Improvements:</b>		
<b>Area (acres &amp; sf):</b>	1.38      60,113	<b>Building Type:</b>	None
<b>Frontage:</b>	Island Drive	<b>Year Built:</b>	NA
<b>Topography:</b>	Level	<b>Construction:</b>	NA
<b>Access:</b>	Good	<b>Gross Building Area:</b>	NA
<b>Utilities:</b>	Electricity and communications	<b>Bedrooms/Bathrooms:</b>	NA
<b>Zoning:</b>	None	<b>Condition:</b>	NA
<b>Other:</b>	Septic system on the property	<b>Garage:</b>	NA
<b>Land to Building Ratio:</b>	NA	<b>Sale Analysis:</b>	
<b>Exposure Time:</b>	± 37 days	<b>Overall \$/sf:</b>	<b>\$1.58</b>
		<b>Overall \$/acre:</b>	<b>\$68,841</b>

**Comments:** Adjacent landowner purchase.



**Land Sale No.**                    **2**

**Reference No.:**                    15-101  
**Photograph Date:**                September 2015

**Grantor:**                            Stanley Job  
**Grantee:**                            Donald C. Olson

**Date of Sale:**                      October 2014  
**Recording Data:**                  201415603 WD

**Sale Price:**                        **\$57,500**  
**Terms:**                            Cash to the seller



**Location:**                         Mill Creek Road, Frenchtown area, Missoula County, Montana

**Legal Description:**                Parcel A-2A of Certificate of Survey No. 2854, Missoula County, Montana

**Parcel No.:**                        5855016                                **MLS No.:**                                20143530

**Property Description:**

**Site:**

**Area (acres & sf):**                1.19                    51,836  
**Frontage:**                        None  
**Topography:**                    Level  
**Access:**                         Good  
**Utilities:**                        Electricity and communications  
**Zoning:**                         None  
**Other:**                            None

**Improvements:**

**Building Type:**                    None  
**Year Built:**                        NA  
**Construction:**                    NA  
**Gross Building Area:**            NA  
**Bedrooms/Bathrooms:**        NA  
**Condition:**                        NA  
**Garage:**                            NA

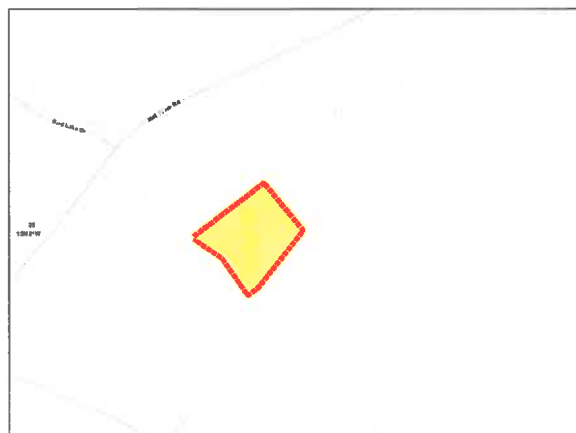
**Land to Building Ratio:**                NA

**Exposure Time:**                    ± 123 days

**Sale Analysis:**

**Overall \$/sf:**                        **\$1.11**  
**Overall \$/acre:**                    **\$48,319**

**Comments:**                        Irrigation ditch flows through the rear portion of this property.



**Land Sale No.** 3

**Reference No.:** 15-101  
**Photograph Date:** September 2015

**Grantor:** Aaron B. & L. Darlene Morse  
**Grantee:** Richard B. Conrads

**Date of Sale:** September 2014  
**Recording Data:** 65390 WD

**Sale Price:** \$30,000  
**Terms:** Cash to the sellers



**Location:** Rock Creek Road, Rock Creek area, Granite County, Montana

**Legal Description:** Tract 4 of Certificate of Survey No. 906, Granite County, Montana

**Parcel No.:** 1490377

**MLS No.:** Private sale

**Property Description:**

**Site:**

**Area (acres & sf):** 1.50 65,296  
**Frontage:** Rock Creek Road  
**Topography:** Level  
**Access:** Good  
**Utilities:** Electricity and communications  
**Zoning:** None  
**Other:** None

**Improvements:**

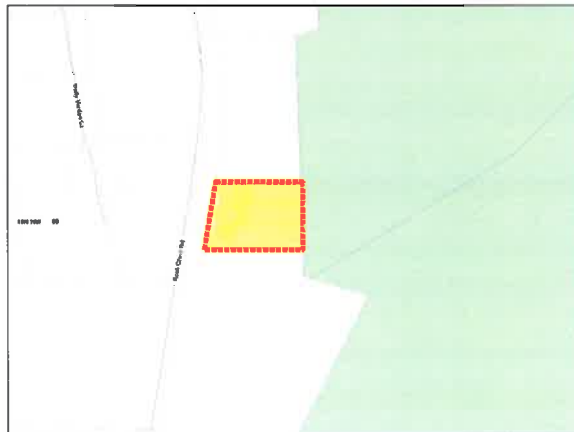
**Building Type:** None  
**Year Built:** NA  
**Construction:** NA  
**Gross Building Area:** NA  
**Bedrooms/Bathrooms:** NA  
**Condition:** NA  
**Garage:** NA

**Land to Building Ratio:** NA

**Sale Analysis:**  
**Overall \$/sf:** \$0.46  
**Overall \$/acre:** \$20,013

**Exposure Time:** Private sale

**Comments:** Never exposed to the market. Seller motivated.



<b>Land Sale No.</b>	<b>4</b>		
<b>Reference No.:</b>	15-101		
<b>Photograph Date:</b>	September 2015		
<b>Grantor:</b>	Darlene Morse		
<b>Grantee:</b>	Menola M. & Ralph J. Guthrie, Jr.		
<b>Date of Sale:</b>	September 2014		
<b>Recording Data:</b>	65391 WD		
<b>Sale Price:</b>	<b>\$85,000</b>		
<b>Terms:</b>	Cash to the seller		
<b>Location:</b>	Rock Creek Road, Rock Creek area, Granite County, Montana		
<b>Legal Description:</b>	Tract 3 of Minor Subdivision Plat No. 26-M, Rock Creek Acres, Granite County, Montana		
<b>Parcel No.:</b>	1494358	<b>MLS No.:</b>	Private sale
<b>Property Description:</b>			
<b>Site:</b>	<b>Improvements:</b>		
<b>Area (acres &amp; sf):</b>	3.02      131,595	<b>Building Type:</b>	None
<b>Frontage:</b>	Rock Creek Road	<b>Year Built:</b>	NA
<b>Topography:</b>	Level	<b>Construction:</b>	NA
<b>Access:</b>	Good	<b>Gross Building Area:</b>	NA
<b>Utilities:</b>	Electricity and communications	<b>Bedrooms/Bathrooms:</b>	NA
<b>Zoning:</b>	None	<b>Condition:</b>	NA
<b>Other:</b>	None	<b>Garage:</b>	NA
<b>Land to Building Ratio:</b>	NA	<b>Sale Analysis:</b>	
<b>Exposure Time:</b>	Private sale	<b>Overall \$/sf:</b>	<b>\$0.65</b>
		<b>Overall \$/acre:</b>	<b>\$28,136</b>



**Comments:**      None.



**Land Sale No.** 5

**Reference No.:** 15-101

**Photograph Date:** September 2015

**Grantor:** Aaron B. & L. Darlene Morse

**Grantee:** Kosena Rock Creek, LLC

**Date of Sale:** September 2014

**Recording Data:** 65393 WD

**Sale Price:** \$77,500

**Terms:** Cash to the sellers



**Location:** Rock Creek Road, Rock Creek area, Granite County, Montana

**Legal Description:** Tract 6A of Certificate of Survey No. 912, Granite County, Montana

**Parcel No.:** 1490601

**MLS No.:**

Private sale

**Property Description:**

**Site:**

**Area (acres & sf):** 2.71 118,048

**Frontage:** Rock Creek Road

**Topography:** Level

**Access:** Good

**Utilities:** Electricity and communications

**Zoning:** None

**Other:** None

**Improvements:**

**Building Type:** None

**Year Built:** NA

**Construction:** NA

**Gross Building Area:** NA

**Bedrooms/Bathrooms:** NA

**Condition:** NA

**Garage:** NA

**Land to Building Ratio:** NA

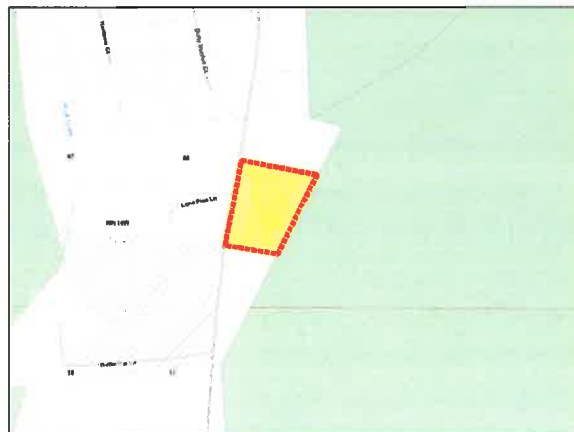
**Sale Analysis:**

**Overall \$/sf:** \$0.66

**Exposure Time:** Private sale

**Overall \$/acre:** \$28,598

**Comments:** None.



**Land Sale No.** 6

**Reference No.:** 15-101

**Photograph Date:** September 2015

**Grantor:** Daniel & Nancy Klingberg

**Grantee:** Kim Yarrow

**Date of Sale:** June 2014

**Recording Data:** 65063 WD

**Sale Price:** \$139,900

**Terms:** Cash to the seller



**Location:** Sawmill Fishing Road, Rock Creek area, Granite County, Montana

**Legal Description:** Lot 28B of Crockett Subdivision, Granite County, Montana

**Parcel No.:** 1495073

**MLS No.:** 20141755

**Property Description:**

**Site:**

**Area (acres & sf):** 3.01 131,116

**Frontage:** Sawmill Fishing Rd. & Snook Way

**Topography:** Level

**Access:** Good

**Utilities:** Electricity and communications

**Zoning:** None

**Other:** None

**Improvements:**

**Building Type:** None

**Year Built:** NA

**Construction:** NA

**Gross Building Area:** NA

**Bedrooms/Bathrooms:** NA

**Condition:** NA

**Garage:** NA

**Land to Building Ratio:** NA

**Sale Analysis:**

**Overall \$/sf:** \$1.07

**Exposure Time:** ± 66 days

**Overall \$/acre:** \$46,478

**Comments:** None.





**Land Sale No.** 7

**Reference No.:** 15-101

**Photograph Date:** September 2015

**Grantor:** Robert C. & Janet Zundel

**Grantee:** John W. Kane

**Date of Sale:** April 2014

**Recording Data:** 64886 WD

**Sale Price:** \$89,900

**Terms:** Cash to the sellers



**Location:** Rock Creek Road, Rock Creek area, Granite County, Montana

**Legal Description:** Certificate of Survey No. 195, Granite County, Montana

**Parcel No.:** 1490114

**MLS No.:** 20132755

**Property Description:**

**Site:**

**Area (acres & sf):** 1.70 74,052

**Frontage:** Rock Creek Road

**Topography:** Level

**Access:** Good

**Utilities:** Electricity and communications

**Zoning:** None

**Other:** None

**Improvements:**

**Building Type:** None

**Year Built:** NA

**Construction:** NA

**Gross Building Area:** NA

**Bedrooms/Bathrooms:** NA

**Condition:** NA

**Garage:** NA

**Land to Building Ratio:** NA

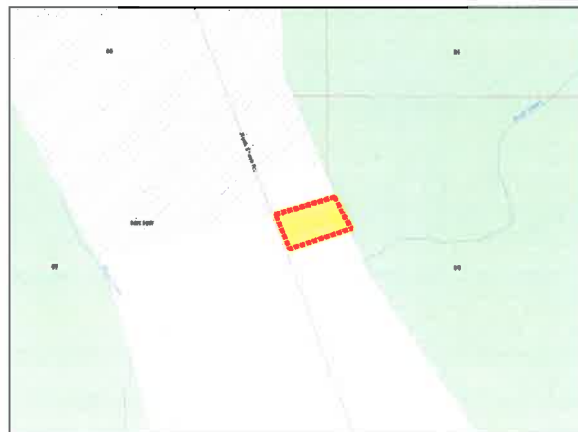
**Sale Analysis:**

**Overall \$/sf:** \$1.21

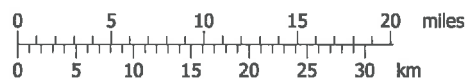
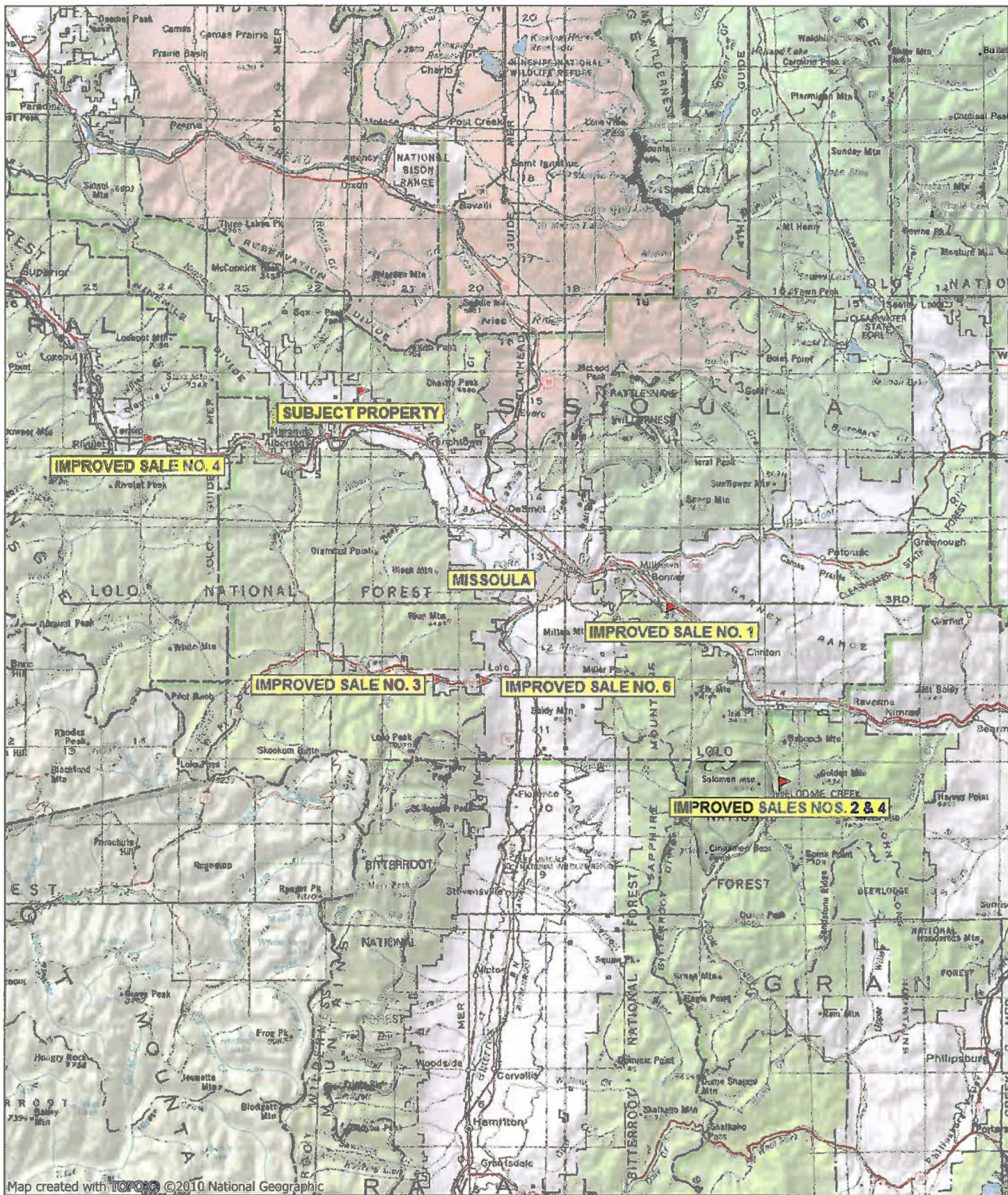
**Exposure Time:** ± 353 days

**Overall \$/acre:** \$52,882

**Comments:** None.







TN  
MN  
13%  
10/09/15



**Improved Sale No. 1**

**Reference No.:** 15-101  
**Photograph Date:** September 2015

**Grantor:** K. Allen Crabtree  
**Grantee:** Kelly L. Youbles

**Date of Sale:** April 2015  
**Recording Data:** 201505413 WD

**Sale Price:** \$232,500  
**Terms:** Cash to the seller



**Location:** 6865 Boondock Lane, Turah area, Missoula County, Montana

**Legal Description:** Tract 2 of Certificate of Survey No. 5376, Missoula County, Montana

**Parcel No.:** 5954108

**MLS No.:** 20142354

**Property Description:****Site:**

**Area (acres & sf):** 2.50 108,900  
**Frontage:** Turah Road  
**Topography:** Level  
**Access:** Good  
**Utilities:** Electricity and communications  
**Zoning:** None  
**Other:** None

**Improvements:**

**Building Type:** Residence  
**Year Built:** 1980  
**Construction:** Log  
**Gross Building Area:** 1,477  
**Bedrooms/Bathrooms:** 2/2  
**Condition:** Average to good  
**Garage:** 2 car detached

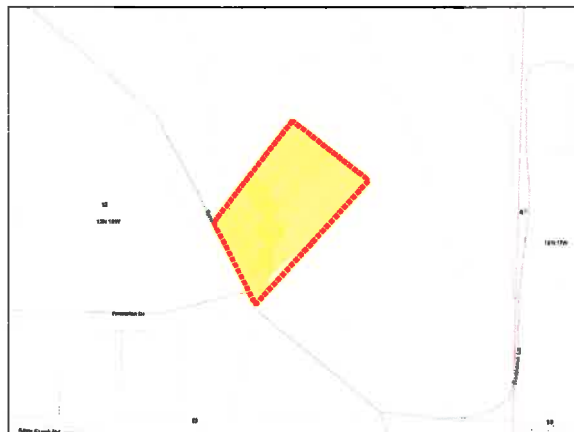
**Land to Building Ratio:** 73.7 : 1

**Sale Analysis:**

**Exposure Time:** ± 342 days

**Overall \$/sf:** \$157.41  
**Land Value Estimate:** \$100,000  
**Bldg. Only \$/sf:** \$89.71

**Comments:** Property also included an older barn building.



**Improved Sale No.** 2

**Reference No.:** 15-101

**Photograph Date:** September 2015

**Grantor:** HSBC Mortgage Services, Inc.

**Grantee:** Christopher & Sharla Cenis

**Date of Sale:** March 2015

**Recording Data:** 65983 SWD

**Sale Price:** \$140,000

**Terms:** Cash to the seller



**Location:** 733 Rock Creek Road, Rock Creek area, Granite County, Montana

**Legal Description:** Lot 4, Block 10, Rock Creek Acres, Granite County, Montana

**Parcel No.:** 1490123

**MLS No.:** 20147431

**Property Description:**

**Site:**

**Area (acres & sf):** 1.28 55,757  
**Frontage:** Dolly Varden Ct. & Rock Creek Rd.  
**Topography:** Level  
**Access:** Good  
**Utilities:** Electricity and communications  
**Zoning:** None  
**Other:** None

**Improvements:**

**Building Type:** Residence  
**Year Built:** 1994  
**Construction:** Frame  
**Gross Building Area:** 1,944  
**Bedrooms/Bathrooms:** 3/2  
**Condition:** Fair  
**Garage:** 2 car attached

**Land to Building Ratio:** 28.7 : 1

**Exposure Time:** ± 63 days

**Sale Analysis:**

**Overall \$/sf:** \$72.02  
**Land Value Estimate:** \$60,000  
**Bldg. Only \$/sf:** \$41.15

**Comments:** Property was "in need of TLC."



**Improved Sale No.** 3

**Reference No.:** 15-101

**Photograph Date:** September 2015

**Grantor:** Shauna K. Dutton

**Grantee:** John F. & Philippa B. Parker

**Date of Sale:** November 2014

**Recording Data:** 201417614 WD

**Sale Price:** \$200,000

**Terms:** Cash to the seller



**Location:** 14550 Neil Drive, Lolo area, Missoula County, Montana

**Legal Description:** Lot 11-B, Amended Plat of Thayer's Country Estate Lot 11, Missoula County, Montana

**Parcel No.:** 5835478

**MLS No.:**

20146226

**Property Description:**

**Site:**

**Area (acres & sf):** 2.07 90,169

**Frontage:** Neil Drive

**Topography:** Level

**Access:** Good

**Utilities:** Electricity and communications

**Zoning:** None

**Other:** None

**Improvements:**

**Building Type:** Residence

**Year Built:** 1987

**Construction:** Log

**Gross Building Area:** 1,904

**Bedrooms/Bathrooms:** 2/2

**Condition:** Average to good

**Garage:** 1 car attached

**Land to Building Ratio:** 47.4 : 1

**Sale Analysis:**

**Overall \$/sf:** \$105.04

**Land Value Estimate:** \$80,000

**Bldg. Only \$/sf:** \$63.03

**Exposure Time:** ± 53 days

**Comments:** Property involved a small pond, fire pit, and extensive landscaping.



**Improved Sale No.** 4

**Reference No.:** 15-101

**Photograph Date:** September 2015

**Grantor:** Sophy Hagey

**Grantee:** Paul W. Hengel & Amy Serfass

**Date of Sale:** April 2014

**Recording Data:** 112122 WD

**Sale Price:** \$150,000

**Terms:** Cash to the seller



**Location:** 5163 Old Highway 10 West, Alberton area, Mineral County, Montana

**Legal Description:** Certificate of Survey No. 531B, Mineral County, Montana

**Parcel No.:** 490300

**MLS No.:** 20137379

**Property Description:**

**Site:**

**Area (acres & sf):** 2.20 95,614  
**Frontage:** Old Hwy. 10 West  
**Topography:** Sloping  
**Access:** Good  
**Utilities:** Electricity and communications  
**Zoning:** None  
**Other:** None

**Improvements:**

**Building Type:** Residence  
**Year Built:** 2002  
**Construction:** Log  
**Gross Building Area:** 840  
**Bedrooms/Bathrooms:** 1/1  
**Condition:** Good  
**Garage:** None

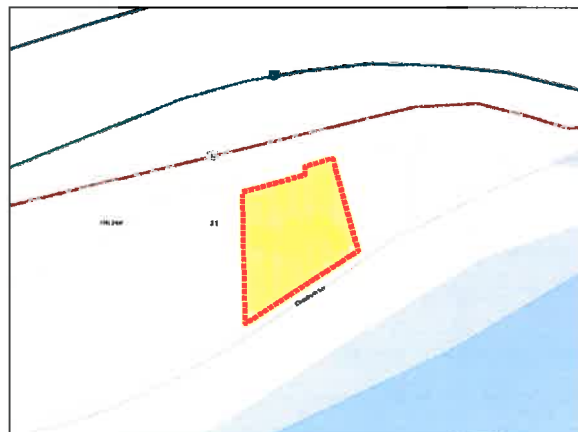
**Land to Building Ratio:** 113.8 : 1

**Sale Analysis:**

**Overall \$/sf:** \$178.57  
**Land Value Estimate:** \$100,000  
**Bldg. Only \$/sf:** \$59.52

**Exposure Time:** ± 132 days

**Comments:** Property involved a ± 600 sf basement.



**Improved Sale No.** 5

**Reference No.:** 15-101

**Photograph Date:** September 2015

**Grantor:** L. Darlene Olson

**Grantee:** David J. & Susan Demars

**Date of Sale:** December 2013

**Recording Data:** 64417 WD

**Sale Price:** \$195,000

**Terms:** Cash to the seller



**Location:** 728 Rock Creek Road, Rock Creek area, Granite County, Montana

**Legal Description:** Tract 3 of Certificate of Survey No. 64363, Granite County, Montana

**Parcel No.:** 1494093

**MLS No.:** 20135383

**Property Description:**

**Site:**

**Area (acres & sf):** 2.35 102,366

**Frontage:** Rock Creek Road

**Topography:** Level

**Access:** Good

**Utilities:** Electricity and communications

**Zoning:** None

**Other:** None

**Improvements:**

**Building Type:** Residence

**Year Built:** 1993

**Construction:** Frame

**Gross Building Area:** 1,085

**Bedrooms/Bathrooms:** 2/1

**Condition:** Average

**Garage:** 1 car attached

**Land to Building Ratio:** 94.3 : 1

**Sale Analysis:**

**Overall \$/sf:** \$179.72

**Land Value Estimate:** \$75,000

**Bldg. Only \$/sf:** \$110.60

**Exposure Time:** ± 116 days

**Comments:** Property involved a detached storage building.





**Improved Sale No.** 6

**Reference No.:** 15-101

**Photograph Date:** September 2015

**Grantor:** Virginia L. Steele

**Grantee:** Christopher M. & Alyssa K. McLean

**Date of Sale:** December 2011

**Recording Data:** 201122023 WD

**Sale Price:** \$188,500

**Terms:** Cash to the seller



**Location:** 13245 Balsamroot Road, Lolo area, Missoula County, Montana

**Legal Description:** Tract 2 of Certificate of Survey No. 4493, Missoula County, Montana

**Parcel No.:** 3330808

**MLS No.:** 20113770

**Property Description:**

**Site:**

**Area (acres & sf):** 1.38 60,113

**Frontage:** Balsamroot Road

**Topography:** Level to moderate slope

**Access:** Good

**Utilities:** Electricity and communications

**Zoning:** None

**Other:** None

**Improvements:**

**Building Type:** Residence

**Year Built:** 1990

**Construction:** Log

**Gross Building Area:** 1,228

**Bedrooms/Bathrooms:** 2/2

**Condition:** Average to good

**Garage:** None

**Land to Building Ratio:** 49.0 : 1

**Sale Analysis:**

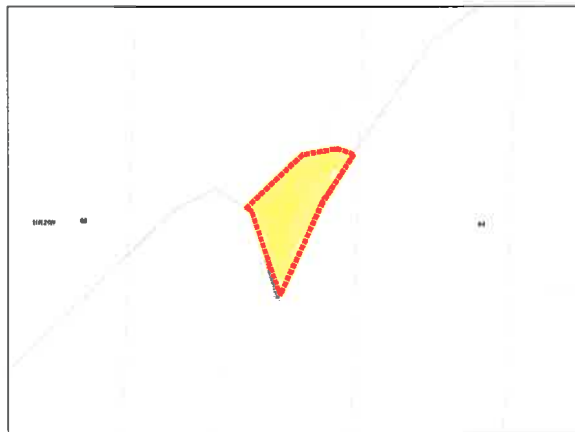
**Overall \$/sf:** \$153.50

**Land Value Estimate:** \$75,000

**Bldg. Only \$/sf:** \$92.43

**Exposure Time:** ± 210 days

**Comments:** Property involved a finished basement of ± 1,023 sf.



**FOR DNRC USE ONLY**

Amount under this Agreement: \$ 1,500.00

**Source of Funds**

<u>Fund Name</u>	<u>Fund No.</u>
Cabin Site Sales Private Closing Costs	02031
Trust Administration Account	02938

<u>Subclass</u>	<u>Org. No.</u>	<u>Percent</u>
555HA	6049-51	50%
	6048-03	50%

**Approved**

No. 165022  
Division J.G.  
Legal THB  
F.S.O. GL



**TRUST LAND MANAGEMENT DIVISION  
APPRAISAL OF POTENTIAL CABIN/HOME SITE SALE PROPERTY IN MISSOULA 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 11<sup>th</sup> Avenue, Helena, MT 59620-1601, (406) 444-2074 and Kraig P. Kosena, Kembel, Kosena & Company, Inc., (Contractor), whose address and phone number are 432 West Spruce Street, Suite 101, P.O. Box 16653, Missoula, MT 59808-6653 and (406) 549-6151.

**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 30, 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 Missoula 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 Sales through the Cabin & Home Site Sale 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 properties. 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 **One Thousand Five Hundred Dollars (\$1,500.00)**. 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 Five Hundred Dollars (\$1,500.00).

**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 16, 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](mailto:ecooper@mt.gov)

Kraig P. Kosena is Contractor's liaison.

(Address): P.O. Box 16653

(City, State, ZIP): Missoula, MT 59808-6653

Telephone: (406) 549-6151

Cell Phone: (406) 240-6151

E-mail: [kraigk@kembelkosena.com](mailto:kraigk@kembelkosena.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 eleven (11) numbered pages, Attachment A – Scope of Work and Attachment B – Supplemental Appraisal Instructions, pages 12-16. 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**

**Kembel, Kosena & Company, Inc.**  
**P.O. Box 16653**  
**Missoula, MT 59808-6653**

FEDERAL ID #: \_\_\_\_\_

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

BY: KARIG P. KOSENA, APPRAISER  
(Name/Title)

Jessica Hoag for John Grimm  
(ACTING) (Signature)

Karig P. Kosena  
(Signature)

DATE: 9/1/15

DATE: 8/26/15

## ATTACHMENT A

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

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

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

#### **DEFINITIONS:**

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

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

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

#### **PROPERTY RIGHTS APPRAISED:**

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

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

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

#### **SUBJECT PROPERTY DESCRIPTION & CHARACTERISTICS:**

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

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

## **ASSIGNMENT CONDITIONS:**

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

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

Along with using the sales comparison approach to value in this appraisal, (using comparable sales of like properties in the subject's market or similar markets), the appraiser will also consider the cost and income approaches to value. The appraiser will use those approaches, as applicable, in order to provide a credible opinion of value. Any approaches not used are to be noted, along with a reasonable explanation as to why the approach or approaches were not applicable.

The appraisal will be an Appraisal Report as per USPAP, that will describe adequately, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions. All hypothetical conditions and extraordinary assumptions must be noted. The appraiser will provide one appraisal report that included analysis and appraised values of the one (1) cabin site identified in the Supplemental Appraisal Instructions.

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

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

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

The appraisal report must list all real property improvements that were considered when arriving at the appraised value for the improvements. Improvements means: all improvements to the raw land including but not limited to: a home or residence, outbuildings and structures, sleeping cabins, utilities, water systems, septic systems, docks and landscaping.

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

## **Appraised Values Required:**

The appraisal for each cabin and home site must:

1. Include a total market value of the property, with the hypothetical condition that land and improvements are in fee simple ownership, with one owner.
2. Include a separate market value for the state-owned cabin or home site (land), under the hypothetical condition of it being vacant raw land exclusive of real property improvements.
3. Include a separate market value for the non-state-owned improvements.
4. Valuation of the improvements must account for all forms of obsolescence.

## 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 Missoula County):**

Sale #	Acres	Legal Description
783	1.31±	Lot A, Six Mile, Section 12, T15N-R22W

**Separate values must be supplied for each sale parcel including; total value, land value and improvement value.**

**DNRC Contact Information:**

Liz Mullins, Land Use Planner  
1401 27<sup>th</sup> Avenue  
Missoula, MT 59804  
Phone: (406) 542-4345  
[lmullins@mt.gov](mailto:lmullins@mt.gov)

**Lessees**

**Sale 783**

Robynn McKinley Marsh  
20520 6 Mile Road  
Huson, MT 59846  
[robynn.mckinley@pro-pipecorp.com](mailto:robynn.mckinley@pro-pipecorp.com)

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

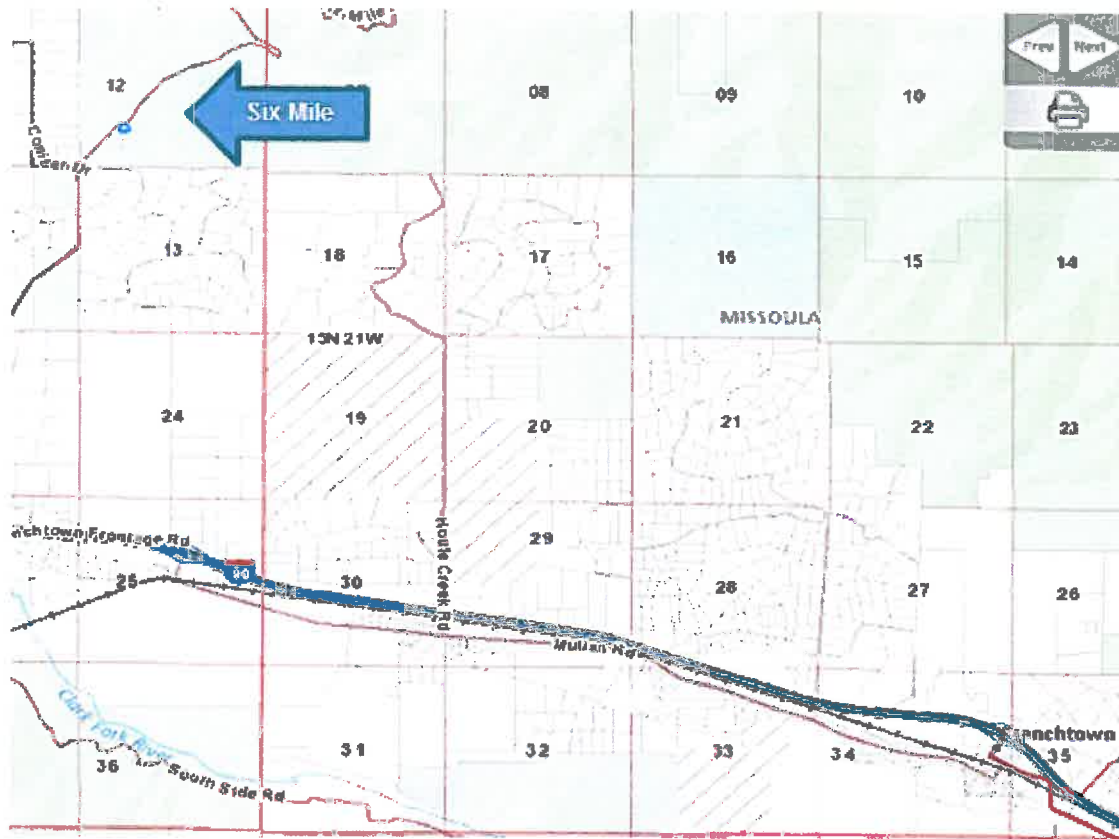
The appraisal report will be one document containing the parcel data and the analysis, opinions, and conclusions of value(s) for the parcel. If deemed necessary by the contractor rather than including the specific market data in the appraisal report, a separate addendum may be submitted containing the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

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

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



## Sale # 783 Location Map



**Six Mile**







## **Appraiser's Qualifications - Kraig P. Kosena, MAI**

**Business Experience:** Since June 1996 I have been operating my own full-service appraisal and consulting firm known as ***Kembel, Kosena & Company, Inc.*** in Missoula, Montana.

From January 1989 to May 1996 I was employed by ***R.D. Kembel & Associates, Inc.***, a full-service real estate appraisal and consulting firm also in Missoula, as an Associate Appraiser. My appraisal work included mainly commercial, agricultural, subdivision, conservation easement, and right-of-way appraisals.

In January 1987 I enlisted in the United States Navy and received an honorable discharge in December 1988.

From May until December 1986 I worked as an Associate Appraiser for ***R.D. Kembel & Associates, Inc.***

**Clients:** The following is a partial, representative client list.

Bank of Montana	Bitterroot Valley Bank
Farmers State Bank	First Interstate Bank, N.A.
First Security Bank	Garlington, Lohn & Robinson, PLLP
Glacier Bank	Missoula Federal Credit Union
Missoula International Airport Authority	Montana Department of Transportation
Mountain West Bank	Rocky Mountain Bank
Stockman Bank	Sullivan, Tabaracci & Rhoades, PC
Treasure State Bank	US Bank
Washington Trust Bank	Worden Thane, PC

Fee appraising for various other banks, attorneys, and private parties.

**Education:** The following is a summary of real estate appraisal related educational offerings that I have attended.

Graduate of the University of Montana  
Real Estate Fundamentals - University of Montana

AI Course 101	An Introduction to Appraising Real Property
AI Course SPP	Standards of Professional Practice
AI Course 1BA	Capitalization Theory and Techniques, Part A
AI Course 1BB	Capitalization Theory and Techniques, Part B
AI Course 540	Report Writing & Valuation Analysis
AI Course 550	Advanced Applications
AI Course 700	The Appraiser as an Expert Witness
AI Course 833	Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets
AI Course	General Appraiser Market Analysis and Highest & Best Use
AI Seminar	Rates, Ratios & Reasonableness
AI Seminar	Non-Residential Demonstration Appraisal Report Writing
AI Seminar	Subdivision Analysis
AI Seminar	Timberland Valuation
AI Seminar	Eminent Domain and Condemnation Appraising
AI Seminar	Small Hotel/Motel Valuation
AI Seminal	Sales Comparison Valuation of Small Mixed-Use Properties
AI Seminar	Litigation Skills for the Appraiser
AI Seminar	Partial Interest Valuation - Divided
AI Seminar	Partial Interest Valuation - Undivided
AI Seminar	Case Studies in Commercial Highest and Best Use
AI Seminar	Regression Analysis in Appraisal: Concepts and Applications
AI Seminar	Appraisal Review
AI Seminar	Uniform Standards for Federal Land Acquisitions (Yellow Book)
AI Seminar	Evaluating Commercial Construction
AI Seminar	The Professional's Guide to the Uniform Residential Appraisal Report
AI Seminar	Business Practices and Ethics
AI Seminar	Appraisal Curriculum Overview (2-Day General)
AI Seminar	Introduction to Valuation for Financial Reporting
AI Seminar	Using Spreadsheet Programs in Real Estate Appraisals
AI Seminar	The Discounted Cash Flow Model: Concepts, Issues and Applications
AI Seminar	Water Rights
AI Seminar	Practical Regression Using Microsoft Excel

**Certifications:**

Member of the Appraisal Institute (MAI No. 10,933)

Montana Certified General Real Estate Appraiser (Certification No. REA-RAG-LIC-225)

**Community Involvement:**

Volunteer, Hugh O'Brian Youth Leadership Foundation

Former President, Missoula Exchange Club

Former Member, Board of Directors, Missoula Exchange Club

Former Banquet Committee Volunteer, Rocky Mountain Elk Foundation

Guest Speaker, University of Montana Business School

**Court Experience:**

I have qualified in State and Federal Court as an expert witness in the matter of real estate valuation.

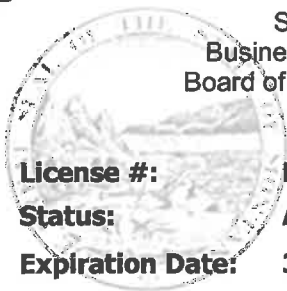
**Other:**

Education Chairman, Montana Chapter of the Appraisal Institute

Former President, Montana Chapter of the Appraisal Institute

Former Member, Board of Directors, Montana Chapter of the Appraisal Institute

Ex-Officio Member and Chairman, Montana Board of Real Estate Appraisers (Governor appointment)



State of Montana  
Business Standards Division  
Board of Real Estate Appraisers

This certificate verifies licensure as:  
**CERTIFIED GENERAL APPRAISER**

**License #:** REA-RAG-LIC-225

**Status:** Active

**Expiration Date:** 3/31/2016

**Endorsement:** REAL ESTATE  
APPRAISER MENTOR

**KRAIG P KOSENA  
KEMBEL KOSENA AND CO INC  
PO BOX 16653  
MISSOULA, MT 59808**



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

**To use license as a Wall License, cut off excess paper and affix the above to wall for display.**

**Remember to renew online if possible. Benefits of renewing online include:**

- The ability to change an address (for most professions)
- The ability to print license(s) the same day as the renewal
- The ability to print additional licenses for no additional charge up to 45 days following the end of the renewal cycle

**To verify licenses or renew online: <https://ebiz.mt.gov/pol>**





**LIA Administrators & Insurance Services**

**APPRAISAL AND VALUATION  
PROFESSIONAL LIABILITY INSURANCE POLICY**



**DECLARATIONS**

**ASPEN AMERICAN INSURANCE COMPANY**

(A stock insurance company herein called the "Company")

175 Capitol Blvd. Suite 100  
Rocky Hill, CT 06067

Date Issued

Policy Number

Previous Policy Number

08/05/2015

AAI002470-01

THIS IS A **CLAIMS MADE AND REPORTED** POLICY. COVERAGE IS LIMITED TO LIABILITY FOR ONLY THOSE **CLAIMS** THAT ARE FIRST MADE AGAINST THE **INSURED** DURING THE **POLICY PERIOD** AND THEN REPORTED TO THE COMPANY IN WRITING NO LATER THAN SIXTY (60) DAYS AFTER EXPIRATION OR TERMINATION OF THIS POLICY, OR DURING THE **EXTENDED REPORTING PERIOD**, IF APPLICABLE, FOR A **WRONGFUL ACT** COMMITTED ON OR AFTER THE **RETROACTIVE DATE** AND BEFORE THE END OF THE **POLICY PERIOD**. PLEASE READ THE POLICY CAREFULLY.

Item

1. Customer ID: 147463

Named **Insured**:

KEMBEL, KOSENA & COMPANY, INC.

Kraig P. Kosena, MAI

432 West Spruce Street, #101

Missoula, MT 59802

2. **Policy Period:** From: 09/08/2015 To: 09/08/2016

12:01 A.M. Standard Time at the address stated in 1 above.

3. **Deductible:** \$1,000 Each **Claim**

4. **Retroactive Date:** 09/08/1999

5. **Inception Date:** 09/08/2015

6. **Limits of Liability:** A. \$1,000,000 Each Claim

B. \$2,000,000 Aggregate

7. Mail all notices, including notice of **Claim**, to:

LIA Administrators & Insurance Services

1600 Anacapa Street

Santa Barbara, California 93101

(800) 334-0652; Fax: (805) 962-0652

8. **Annual Premium:** \$1,239.00

9. **Forms attached at issue:** LIA002 (12/14) ASPCO002 0110 LIA MT (01/15) LIA012 (12/14)  
LIA013 (10/14) LIA025A (11/14)

This Declarations Page, together with the completed and signed Policy Application including all attachments and exhibits thereto, and the Policy shall constitute the contract between the Named Insured and the Company.

08/05/2015

Date

LIA-001 (12/14)

By

Authorized Signature

Aspen American Insurance Company