

**AN APPRAISAL OF THREE PARCELS OWNED BY THE STATE OF
MONTANA AND LOCATED IN TETON COUNTY, MONTANA**

**SALE 771 – 160 ACRES
SALE 772 – 120 ACRES
SALE 773 – 42.08 ACRES**

DATE OF VALUATION

March 15, 2017

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

***ELKHORN APPRAISAL SERVICES
P.O. BOX 448
HELENA, MONTANA 59624***

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May 16, 2017

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

RE: An appraisal of three parcels owned by the State of Montana, State Lands, further described as:

- Sale 771 - ±160 acres NW1/4 of Section 36, Township 27 N, Range 7 W
- Sale 772 - ±120 acres in the S1/2SW1/4, NW1/4SW1/4 of Section 35, Township 27 N, Range 7 W
- Sale 773 - ±42.08 acres, Government Lot 2 in Section 2, Township 26 N, Range 7 W.
Teton County, State of Montana

This appraisal report establishes an “as is” value in fee ownership.

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

This report replaces a previous report dated 4/8/2017.

In the body of the report is a detailed description of the subject parcels.

This appraisal assumes an “as is” value. I assume no responsibility for matters that are legal in nature nor do I render any opinion as to title.

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

Based on my analysis, the market value of the subject property, as set forth, documented and qualified in the attached report under conditions prevailing on March 15, 2017 is:

Parcel – 771	\$88,000*
Parcel – 772	\$66,000*
Parcel – 773	\$23,000* (rounded)

* These values are subject to the Hypothetical Conditions on page 10

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

Respectfully submitted,

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

Gregory A. Thornquist
General Real Estate Appraiser
License # REA-RAG-LIC-867
5/16/2017

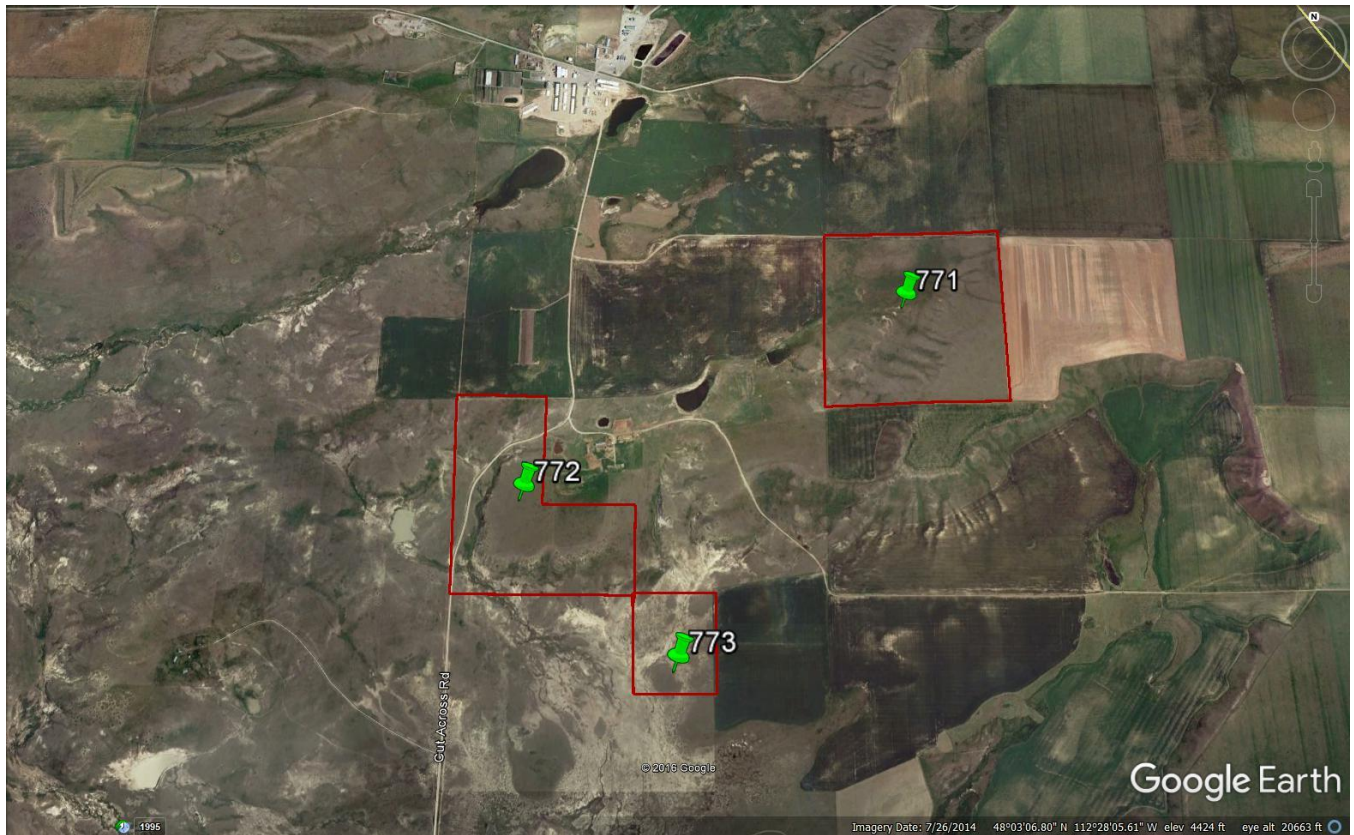
Table of Contents

AERIAL VIEW OF THE SUBJECT PARCELS	5
SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS.....	6
ASSUMPTIONS AND LIMITING CONDITIONS	7
HYPOTHETICAL CONDITIONS	8
SCOPE OF THE APPRAISAL	9
DEFINITION OF MARKET VALUE.....	10
PURPOSE OF THE APPRAISAL	10
INTENDED USE OF THE APPRAISAL AND CLIENT	10
PERSONAL PROPERTY	10
PROPERTY RIGHTS APPRAISED	10
IDENTIFICATION OF PROPERTY AND LEGAL DESCRIPTION.....	11
PURPORTED OWNER.....	11
SALES HISTORY OF THE PROPERTY	11
REGIONAL MAP.....	12
REGIONAL ANALYSIS.....	12
REAL ESTATE TAXES.....	13
PHOTOGRAPHS – SALE 771	14
PHOTOGRAPH – SALE 771	15
PHOTOGRAPHS – SALE 772	16
PHOTOGRAPHS – SALE 771	17
PHOTOGRAPHS – SALE 773	18
PROPERTY DESCRIPTION	19
ZONING	19
HIGHEST AND BEST USE.....	20
HIGHEST AND BEST USE AS VACANT.....	20
PROPERTY VALUATION.....	21
DEFINITIONS	21
SITE VALUATION	22
LAND SALES MAP	24
LAND SALE GRID	25
RECONCILIATION AND CONCLUSION	27
VALUE ESTIMATE AND CERTIFICATION.....	27

Addenda

- Contract
- Scope of Work
- State of Montana Cadastral Data
- Appraiser's Qualifications
- Appraiser's License

AERIAL VIEW OF THE SUBJECT PARCELS



Aerial view of the subject parcel

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

PURPORTED OWNER: State of Montana Trust Land

PROPERTY TYPE: Agricultural

LOCATION OF PROPERTY: Teton County, Montana

SITE: Sale 771 – ±160 acres
Sale 772 – ±120 acres
Sale 773 – ±42.08 acres

PROPERTY RIGHTS APPRAISED: Fee simple

ZONING: None

PRESENT USE: Vacant land

HIGHEST AND BEST USE: Agricultural

DATE OF VALUATION: March 15, 2017

LAND VALUE

Parcel – 771	\$88,000*
Parcel – 772	\$66,000*
Parcel – 773	\$23,000* (rounded)

ASSUMPTIONS AND LIMITING CONDITIONS

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

- No responsibility is assumed for matters that are legal in nature nor is any opinion rendered on title of property appraised.
- Unless otherwise noted, the property has been appraised as though free and clear of all encumbrances.
- All maps, areas, plans, specifications, and other data furnished your appraiser were assumed to be correct. No survey of the property was made by this firm. Furthermore, all numerical references to linear measurements, area, volume or angular measurements should be assumed to be "more or less" (+/-) and are accurate to a degree consistent with their use for valuation purposes.
- This appraisal considers only surface rights to the property with consideration of current zoning and land use controls. The estimate of **highest and best** use will form the basis for the value estimate. This appraisal does not consider mineral, gas, oil or other natural resource rights that may be inherent in the ownership of the property.
- In this appraisal assignment, any potentially hazardous material found on the land or used in the construction of the buildings, such as urea formaldehyde foam insulation, petroleum residue, asbestos and/or existence of toxic waste or gases, which may or may not be present on the property, has not been considered. The appraiser is not qualified to detect such substances. Any interested party is urged to retain an expert in this field if there is any question regarding such potentially hazardous material. If such material or substance is present it could adversely affect the value reported herein.
- I am not a seismologist and this appraisal should not be relied upon as to whether a seismic problem exists, or does not actually exist on the property. The property which is the subject of this appraisal is within a geographic area where earthquakes and other seismic disturbances have previously occurred and where they may occur again. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the appraiser concerning the geologic and/or seismic condition of the property. The appraiser assumes no responsibility for the possible effect on subject property on seismic activity and/or earthquakes. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed seismic requirements by the City or County. It is possible that a survey of the property could reveal that the property does not meet the required seismic requirements. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance requirements in estimating the value of the property.
- All data contained in this report and in the appraiser's files, as obtained from other sources, upon which to any degree the opinions and conclusions were based, are considered reliable and believed to be true and correct. However, the appraiser does not assume responsibility for the accuracy of such items that were obtained from other parties.
- There shall be no obligation to give testimony or attendance in court by reason of this appraisal with reference to the property in question unless arrangements have been previously made and at an additional fee.

- Neither all nor any part of the contents of this report, especially the conclusions to value, the identity of the appraiser or the firm with which he is connected shall be disseminated to the public through advertising media, news media, public relations media, sales media, or any other public means of communication without the prior written consent of the appraiser.
- Gregory A. Thornquist does not authorize the out-of-context quoting from, or partial reprinting of this appraisal report.
- The liability of Gregory A. Thornquist is limited to the client and to the fee collected. Further, there is no accountability, obligations or liability to any third party. If this report is placed in the hands of anyone other than client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser assumes no responsibility for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, or of a legal nature.
- The fee for this appraisal report is for the service rendered and not for time spent on the physical report or for the physical report itself.
- This appraisal report is prepared for the sole and exclusive use of the client, State of Montana, Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC). No third parties are authorized to rely upon this report without the expressed written consent of the appraiser.
- This Appraisal Report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. As such, it presents only summary discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analysis is contained in the appraiser's files.

HYPOTHETICAL CONDITIONS

- The subject parcels are owned by the State of Montana and this appraisal assumes the property is in held in private ownership. This is noted in the *"Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program"* which is included in the addenda
- The *"Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program"* also notes that *"Landlocked parcel, (parcels with no legal access), will be appraised with the hypothetical condition of having legal access and should be appraised as the property currently exists, which is without legal access, ("as is")*. This is further discussed in the highest and best use section of this report.

SCOPE OF THE APPRAISAL

I initially spoke with Emily Cooper with the Montana DNRC Trust Land Management Division and I was retained to appraise the subject property. Ms. Cooper provided me with the following information:

- Scope of work
- Parcel description
- Contact information for inspecting the subject property.

On March 15, 2017, I met with Erik Eneboe, Conrad Unit Manager, DNRC Central Land Office, and Mr. Eneboe drove me to the subject parcels. We were also accompanied by Ben Hofer of the Rockport Colony.

The subject parcels are currently leased to the Rockport Colony and the lessee contacted the DNRC inquiring about purchasing the subject property.

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

All of the comparable sales described in the body of the report are shown in detail on the summary sheets in a separate document. I did not physically inspect each of the comparable sales and the photos on the sales data sheet are from Google Earth.

Effective Date:

The effective date of this appraisal report is March 15, 2017. This is the date of valuation and was the actual date of the property inspection. This appraisal report was completed 5/16/2017 and replaces a prior report dated 4/8/2017.

DEFINITION OF MARKET VALUE

Market value, as used in this report, was provided by the client and is defined as follows:

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

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

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to arrive at a supportable estimation of the market value.

INTENDED USE OF THE APPRAISAL AND CLIENT

The intended use is for the decision making process concerning the potential sale of the subject parcels. The clients and intended users are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).

PERSONAL PROPERTY

None

PROPERTY RIGHTS APPRAISED

This appraisal is made with the understanding and assumption that present ownership of the subject parcels includes all rights that may be lawfully owned, and is therefore, title in fee simple as of March 15, 2017. A fee simple estate is subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

IDENTIFICATION OF PROPERTY AND LEGAL DESCRIPTION

The property which is the subject matter of this report consists of:

- Sale 771 - ±160 acres NW1/4 of Section 36, Township 27 N, Range 7 W
- Sale 772 - ±120 acres in the S1/2SW1/4, NW1/4SW1/4 of Section 35, Township 27 N, Range 7 W
- Sale 773 - ±42.08 acres, Government Lot 2 in Section 2, Township 26 N, Range 7 W.
Teton County, State of Montana

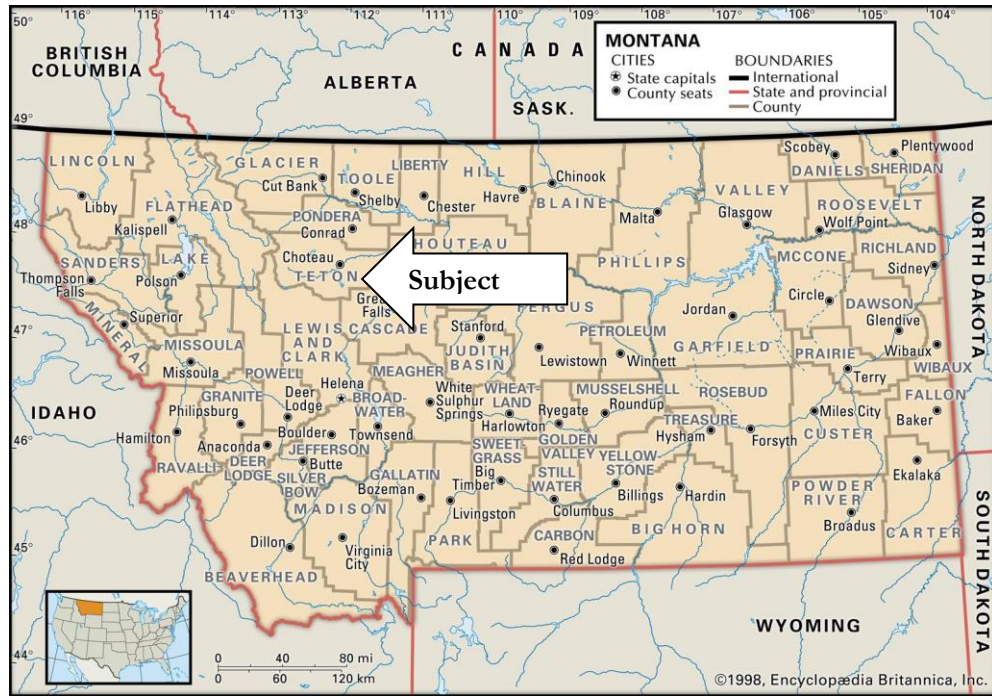
PURPORTED OWNER

The subject parcels are owned by the State of Montana.

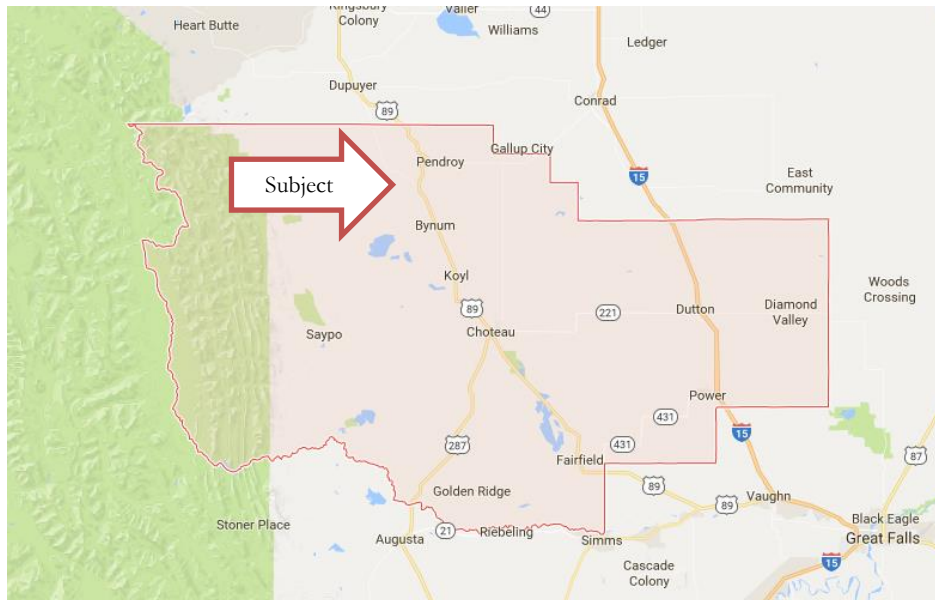
SALES HISTORY OF THE PROPERTY

The subject parcels have been owned by the State of Montana for a number of years. The parcels were nominated by the lessee and may be sold through the State of Montana's Land Banking Program.

REGIONAL MAP



REGIONAL ANALYSIS



Teton County is located in a region of North Central Montana.

General Description

The County is primarily a rural agricultural county covering approximately 2,293 square miles.

Population

The population for the County as a whole is 6,073. The population of Choteau, the County Seat, is 1,684. Other towns include Dutton, Fairfield, Bynum, Power and Pendroy.

Economy

Agriculture — small grains and cattle — is the largest income producing segment of the Teton County economy. Most farms are family-owned and of above average size.

The median income for a household in the county was \$39,516 and the median income for a family was \$49,102.

Transportation

Three highways traverse Teton County, Interstate 15, US Highway 89 and US 287.

REAL ESTATE TAXES

The subject parcels are owned by the State of Montana and are currently exempt from taxation. If the parcels sell and are in private ownership they will be subject to taxation pursuant to the applicable laws and administrative rules of the State of Montana.

PHOTOGRAPHS – SALE 771



Sale 771 looking North



Sale 771 looking northeast

PHOTOGRAPH – SALE 771



Sale 771 looking southeast

PHOTOGRAPHS – SALE 772



Sale 772 looking south



Sale 772 looking southwest

PHOTOGRAPHS – SALE 771



Sale 772 looking west

PHOTOGRAPHS – SALE 773



Sale 773 looking southeast

PROPERTY DESCRIPTION

Size & Shape:	Sale 771 – ±160 acres Rectangular Sale 772 – ±120 acres Irregular Sale 773 – ±42.08 acres Rectangular
<i>Topography:</i>	Rolling
<i>Soil Conditions:</i>	Soil conditions are unknown. No soil tests were provided to your appraiser.
<i>Easements:</i>	No title policy was provided to your appraiser.
<i>Access:</i>	Parcel 772 has access by means of a county road, whereas Parcels 771 and 773 have no legal access. Access to these parcels is from the adjacent land.
<i>Water:</i>	Seasonal runoff
<i>Flood Plain:</i>	Not within a designated flood zone.
<i>Nuisances or Hazards:</i>	None of the surrounding uses appear to have an adverse impact on the subject property.
<i>Improvements:</i>	There are no improvements on the property.

ZONING

None

HIGHEST AND BEST USE

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value."¹

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

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

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

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

HIGHEST AND BEST USE AS VACANT

Legally Possible

The subject property has no underlying zoning. The subject has historically been used as agricultural grazing. Based upon the location there is no apparent need for the property to be used as commercial, industrial, or by a government entity (public use).

Physically Possible

This area is predominately agricultural lands and is currently leased by the Rockport Colony. The colony is located just north and northwest of the subject parcels. The colony's lands surround the subject parcels. Parcel 772 has a county road that crosses the parcel. This parcel is situated adjacent to the colony's calving pen and is less than a

¹ *The Appraisal of Real Estate, 12th Edition*, (Appraisal Institute, 2001), p. 305.

mile south of the colony's living facilities, barns, etc. The majority of State lands that have physical access are utilized by recreationalists for hunting, fishing, etc. Based upon the proximity to the colony's cattle operation living facilities and main operations, the property has no real use to the public, Parcels 771 and 773 have no legal access. The "Assignment Conditions" as provided by the client instruct the appraiser to appraise the property as though legal and physical access exists.

The topography of the subject parcel is overall rolling and portions have a fair amount of rock.

Financially Feasible

Predominate use in the area is agricultural. The subject is bordered by agricultural land owned by the lessee. The lessee contacted the DNRC with respect to potentially purchasing the property through the Land Banking Program. If the sale occurs this parcel would be assembled with the property owned by the Rockport Colony.

Maximally Productive

The use that conforms to the requirements of the first three tests, and would provide the maximum productivity of the subject site, is for continued agricultural use.

PROPERTY VALUATION

Whenever possible, all three basic approaches to value (Cost Approach, Sales Comparison Approach and Income Approach) are utilized. The resulting indications of value are then correlated into a final estimate of market value. In this analysis I have utilized the Sales Comparison approach.

DEFINITIONS

Sales Comparison Approach:

The process of deriving a value indication for the subject property by comparing similar properties that have recently sold with the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale 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 through vacant when an adequate supply of comparable sales is available.²

² The Appraisal of Real Estate, 14th Edition

SITE VALUATION

The method employed to value the site as if vacant and available for sale is the Sales Comparison Approach. An investigation of the market revealed seven sales which are indicative of what a well-informed buyer or seller would consider in forming an opinion of value.

Montana is a non-disclosure State, which means sales information is not made public. Therefore, an appraiser must rely upon other sources, i.e. realtors, appraisers, property owners, etc. In many instances for a property of this type, it may never be exposed to the market.

The sales utilized in this analysis are gleaned to be the best extracted from the market.

Adjustments

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

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

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

Property Rights

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

Financing:

All sales are cash to the seller and no adjustment is necessary.

Conditions of Sale:

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

Market Conditions:

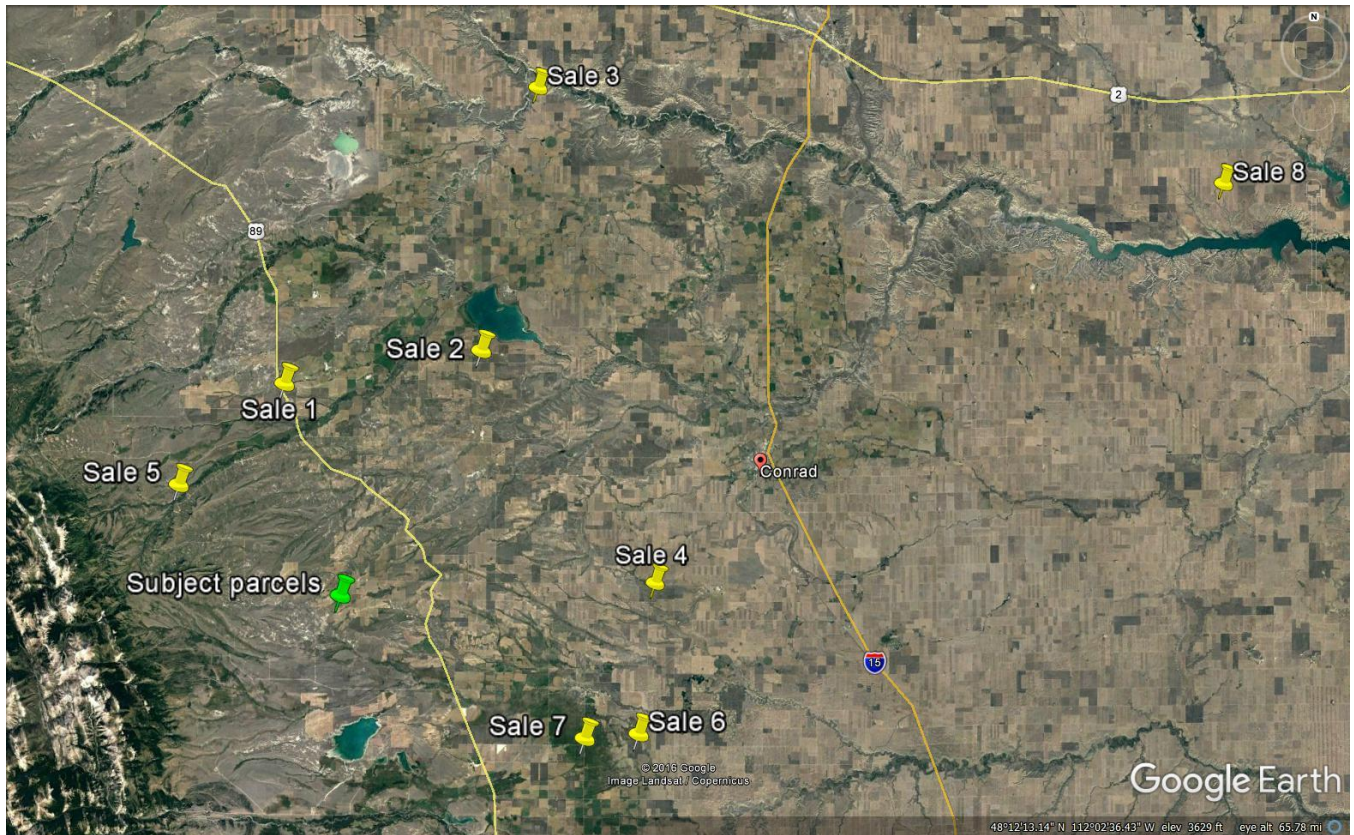
Typically, in an active market an adjustment for market conditions is required to bring all comparable sales up to the effective date of the appraisal report, March 15, 2017. The sales utilized in this analysis occurred from 7/2013 to 10/2015. Considering the property type and discussions with various real estate professionals familiar with the market, any adjustment upward or downward could not be quantified.

Remaining Adjustments:

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

The land sales map follows and detailed sales sheets which further describe the sales are within a separate document for confidentially purposes.

LAND SALES MAP



LAND SALE GRID

	<u>Subject</u>	<u>Sale #1</u>	<u>Sale #2</u>	<u>Sale #3</u>	<u>Sale #4</u>	<u>Sale #5</u>	<u>Sale #6</u>	<u>Sale #7</u>	<u>Sale #8</u>
Sale Date	NA	10/6/2015	3/9/2015	5/23/2014	3/9/2014	1/20/2014	10/1/2013	9/27/2013	7/1/2013
Size – acres									
Sale 771	160	151.44	240	3,241.42	27.85	465.77	527.36	312.77	127.5
Sale 772	120								
Sale 773	42.08								
Sale Price	NA	\$102,000	\$312,000	\$2,559,879	\$4,874	800,000	\$375,000	\$575,000	\$70,125
Price Per Acre	NA	\$673.53	\$1,300	\$790	\$175	\$1,717.59	\$711.09	\$1,838.41	\$550.00
Location	Teton County	Teton County	Pondera County	Teton & Pondera County	Pondera	Pondera County	Teton County	Teton County	Toole County
Comparison		Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Land Use	Pasture/Grazing	Pasture/Grazing	Pasture/Grazing	Cropland	Grazing	Agricultural/ Wildlife Habitat	Pasture/Grazing	Hay Ground	Dry Crop/Pasture
Comparison		Similar	Similar	Superior	Similar	Superior	Similar	Superior	Similar
Water	None	None	None	Wells	None	Creek bottom	None	Water Shares	None
Comparison		Similar	Similar	Superior	Similar	Superior	Similar	Superior	Similar
Topography	Rolling	Rolling	Rolling	Rolling	Rolling	Rolling	Rolling	Rolling	Rolling
Comparison		Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar

The following table is an array of the price per acre of the aforementioned sales:

Sale No.	Price Per Acre
Sale No. 4	\$175/Ac
Sale No. 8	\$550/Ac
Sale No. 1	\$674/Ac
Sale No. 6	\$711/Ac
Sale No. 3	\$790/Ac
Sale No. 2	\$1,300/Ac
Sale No. 5	\$1,718/Ac
Sale No. 7	\$1,838/Ac

The subject parcels consist of 160 acres, 120 acres and 42 acres respectively. Sale No. 4 is considered overall inferior, as it is a very small parcel with limited utility. Sale No's 1, 2, 3, 5, 6 and 7 are all considered superior to the subject as a result of agricultural productivity or use. Sale No. 8 is considered to be most similar to the subject at \$550/acre.

Considering the varying sizes of the subject parcels coupled with the topography and potential productivity, it is my opinion a reasonable indication of value for the subject parcels is at the low end of the range or \$550 per acre or:

Parcel – 771	160 acres x \$550/acre	\$88,000*
Parcel – 772	120 acres x \$550/acre	\$66,000*
Parcel – 773	42.08 acres x \$550/acre	\$23,000* (rounded)

* This value is subject to the Hypothetical Conditions on page 10

RECONCILIATION AND CONCLUSION

In this analysis, I have identified eight sales to estimate the value for the subject. Montana is a non-disclosure state which means sales prices are not public information. In essence, confirming sales information is difficult at best and the data utilized in this analysis is considered appropriate in determining a value for the subject. Therefore, it is my opinion a reasonable estimate of value as of March 15, 2017, is:

Parcel – 771	\$128,000*
Parcel – 772	\$96,000*
Parcel – 773	\$33,600* (rounded)

* This value is subject to the Hypothetical Conditions on page 10

VALUE ESTIMATE AND CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and/or those found in the letter of engagement or appraisal consultation contract authorizing this report and is my personal, impartial, and unbiased professional analysis, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting a predetermined value.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. This appraisal assignment was not based on a requested minimum valuation, a specific valuation or

the approval of a loan.

- My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with The Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- I have physically visited the subject parcels.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- Gregory A. Thornquist is currently licensed in the State of Montana (Certificate #867) as a Certified General Real Estate Appraiser. Regarding the Competency Provision of USPAP, I further attest I've had substantial approved education and experience in the appraisal of various property types.

Based upon all the elements of which I am aware and which could reasonably affect value, I have estimated market value of the subject, as of March 15, 2017, is:

Parcel – 771	\$128,000*
Parcel – 772	\$96,000*
Parcel – 773	\$33,600* (rounded)

* This value is subject to the Hypothetical Conditions on page 10



Gregory A. Thornquist
General Real Estate Appraiser
License # REA-RAG-LIC-867
5/16/2017