



**APPRAISAL
OF
1698 Labrant Road
FLATHEAD COUNTY, MONTANA**

**For
Emily Cooper
Lands Section Supervisor
DNRC-Trust Land Management Division
P.O. Box 201601
Helena, MT 59620-1601**

Prepared by

**DAVID J. HEINE, M.A., ARA
Accredited Rural Appraiser
MT Certified General Real Estate Appraiser**

And

**Ryan Hunter
Real Estate Appraiser Trainee**

**Effective Date
5/25/2017**

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COMPARABLE SALES

SURVEY

DNRC SCOPE OF WORK

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Emily Cooper
Lands Section Supervisor
DNRC-Trust Land Management Division
P.O. Box 201601
Helena, MT 59620-1601

6/8/2017

Dear Ms. Cooper:

In accordance with your request, we have inspected, analyzed and estimated the market value of the Echo Lake property. You requested that we provide a variety of value estimates. These are shown below.

The property was inspected on 5/25/2017. This mid-range appraisal analysis is communicated in an appraisal report narrative format. The intended use is to aid in the decision making process concerning the potential sale of the subject property. Please see our scope of work addendum.

The report is written for an informed audience that is familiar with the region, and should not be distributed as uninformed readers may be confused.

The property was analyzed in accordance with the scope of work included in the engagement package and includes the following estimates of value as of 5/25/2017:

The market value of the improvements of the subject property is estimated at **\$75,000**.

The market value of the state-owned cabin site, under the hypothetical condition of it being vacant unimproved land exclusive of real property improvements, is estimated at **\$460,000**.

The total market value of the property, with the hypothetical condition that the land and improvements are in fee simple ownership with one owner, is estimated at **\$535,000**.

If you have any questions, please contact us.

Sincerely,



David J. Heine, M.A., ARA
Accredited Rural Appraiser
MT Certified General Appraiser
#REA-REG-LIC-149
Broker



Ryan Hunter
Real Estate Appraiser Trainee
#REA-RET-LIC-8265

I. INTRODUCTION

A. Authorization of the Appraisal

The appraiser was authorized on 5/15/2017 by Emily Cooper of Montana DNRC to appraise the subject property. The purpose of this appraisal is to estimate the value of the fee simple ownership rights associated with the subject property. This appraisal will be based on the application of accepted USPAP standards. It is communicated as an appraisal report in a narrative format.

B. Purpose of the Appraisal

It is the appraiser's understanding that the purpose of this appraisal is to estimate the market value of the subject property as detailed in this report. As stated in the limiting conditions of this report, value as assigned in this report is not contingent on any disclosed values.

The subject property was inspected by David J. Heine and Ryan Hunter on 5/25/2017.

The effective date is 5/25/2017, the latest date of inspection.

C. Scope of the Appraisal

Background property information was gathered from several sources that includes a personal interview with the owner, and when appropriate data from local governmental sources such as the County Assessor, the County Clerk and Recorder, Montana DNRC, and Natural Resource Conservation Service, and numerous governmental offices as well as a personal knowledge of the local and surrounding area. Extensive research with local brokers, appraisers and multiple listing services were also made.

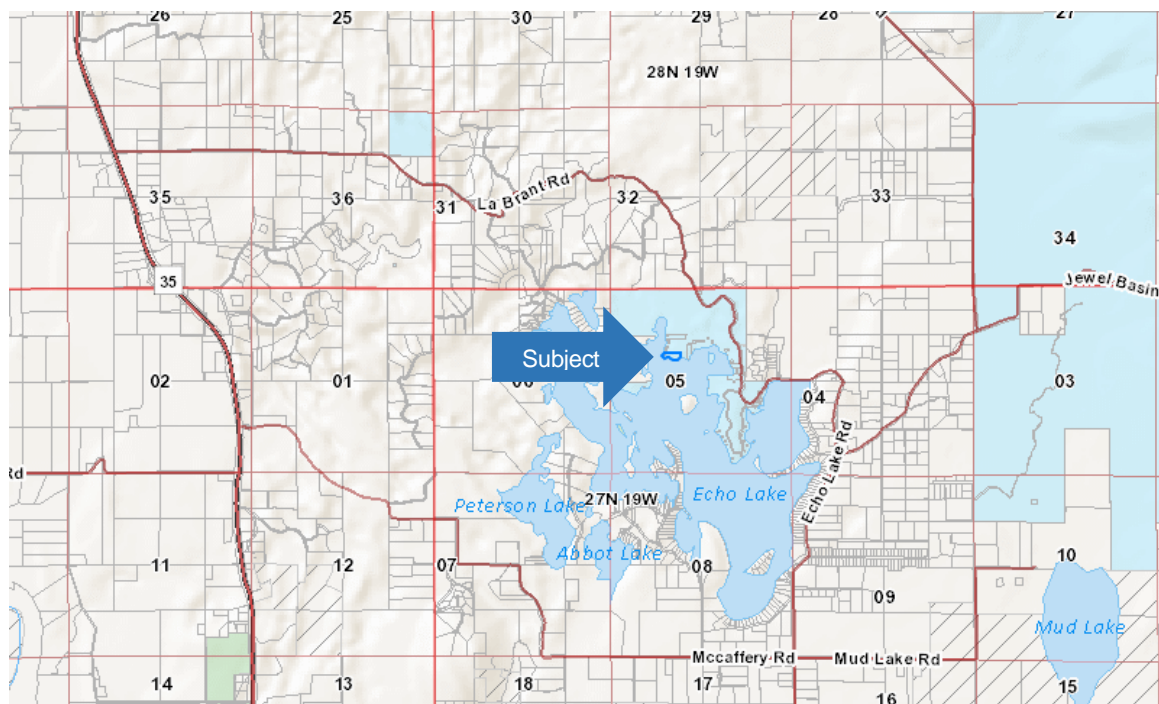
Dave Heine and Ryan Hunter inspected the property on 5/25/2017. Dave and Ryan walked the property and viewed the house, bunkhouse, and improvements. The walk-through was assisted by DNRC personnel, including Emily Cooper, and the cabin owner Dale Russell. Mr. Russell provided general information on the property, improvements that have been made as well as the history of the property. Data for square footage was gathered from Montana Department of Revenue. Cost data was gathered from the Marshall and Swift Cost Guide. Dave and Ryan researched the subject and comparable sales and analyzed the data. Comparable sales data came from the Northwest Montana MLS and DNRC. Ryan wrote the report and Dave reviewed the report for content, accuracy and USPAP compliance.

The local and surrounding real estate market has personally been researched since 1988 for comparable sales and comparable income and lease data. The researched area is generally defined as Northwestern Montana and, more specifically, as Echo Lake. This research yielded a sufficient quantity of sales data, which shall be utilized throughout the analysis.

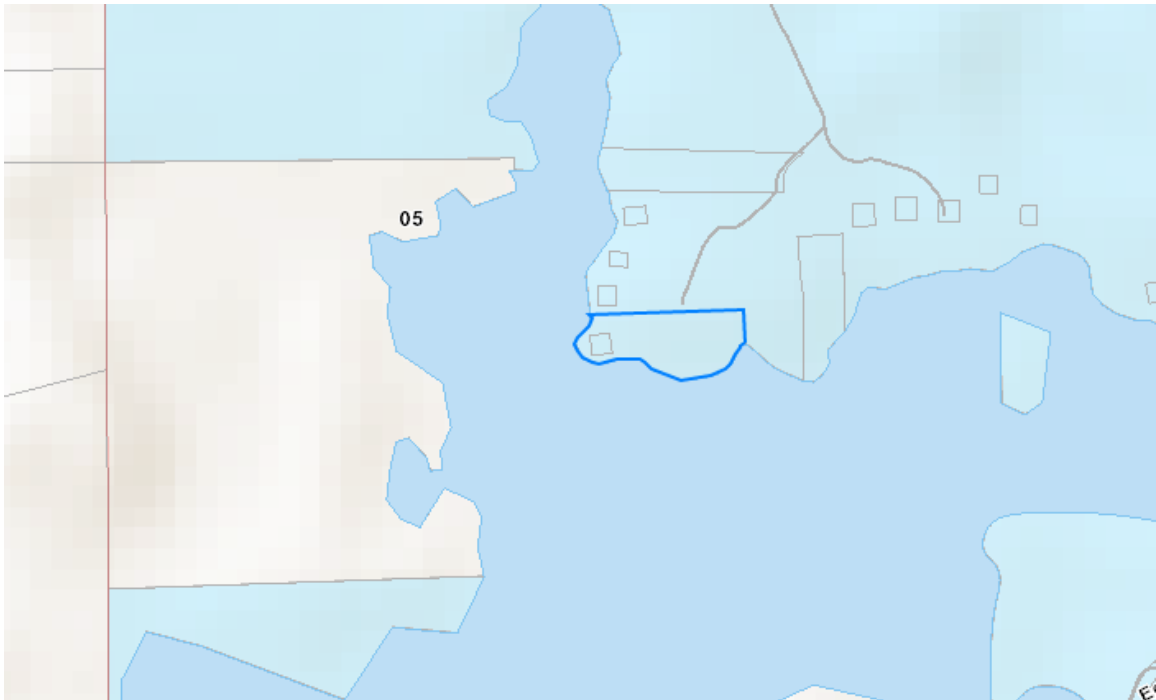
The sales and market area was inspected to the highest extent possible without violating trespass laws and landowner desires. In accordance with Standards 1 and 2 of the Uniform Standards of Professional Practice (USPAP) an appraisal report was completed based upon my analysis.

This report is the result of many years of research in the subject's competitive market. This appraisal is based on a thorough knowledge of the subject property and the subject property's market. We have many years of experience in brokerage, valuation, hunting and recreating on land similar to the subject property. The Montana real estate market is constantly evolving and we reserve the right to reach new value conclusions if new market data or property information warrants a change. Please remember that Montana is a non-disclosure state. All prices are felt to be accurate, but sometimes we do not receive a written verification of the actual price.

LOCATION MAP



Location Detail



Location Aerial



*Property boundaries depicted on photos and maps are approximate

D. Summary, Salient Points and Conclusions

Client:	State of Montana, Montana Board of Land Commissioners, Department of Natural Resources and Conservation (DNRC)
Intended User(s):	State of Montana, Montana Board of Land Commissioners, Department of Natural Resources and Conservation (DNRC), Dale and Connie Russel
Appraisal Type:	Mid-Range
Report Format:	Appraisal report in narrative format
Legal Description:	Lot 33 Echo Lake Cabin Sites, COS 18885, Section 5, T27N-R19W
Property Interest Under Consideration:	Fee simple.
Purpose:	To provide the clients with a credible opinion of current market value of the appraised subject property.
Use:	This report is intended for use in the decision making process concerning potential sale of the subject property. This report does not constitute a full-scope appraisal and should not be distributed as uninformed users may be misled or confused.
Value Considered:	Market Value.
Effective Date:	5/25/2017
Report Date:	6/8/2017
Current Use of Property:	Rural Residential Recreational
Highest and Best Use:	Rural Residential Recreational
Approaches to Value Utilized:	Cost
Appraiser/ Consultant's Role:	My role in this assignment is to provide unbiased market value opinions relating to the subject property.

Extraordinary Assumption:

The water and sanitation systems are in good working order. The property is in marketable condition. There is insurable, legal access. If these things are found to be false it could alter the opinion of value.

Hypothetical Condition:

The subject is appraised under the hypothetical condition that the leases/licenses that currently encumber the property do not exist. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

E. Ownership and Rights Appraised

The subject property consists of fee simple ownership improvements situated on leased land. The owner of record for the unimproved land of the subject property is Montana DNRC. The owners of record for the improvements of the subject property are K. Dale and Connie Russel, and Robert H. and Berdene Farren. The Sub-surface mineral rights are not appraised nor has the title to such rights been researched or ascertained. Mineral rights do not appear to have a measurable effect on land values in this market. Fencing, access to public roads and other improvements to the land are included and are inherent in the valuation, and conclusions of this analysis. Value to be assigned is Market Value.

F. Ownership History & Offering Information

The subject improvements are owned by K. Dale and Connie Russel, and Robert H. and Berdene Farren as joint tenants. The property was transferred to this ownership in 2007 via a quit claim deed. The lessees have requested of the land owners, Montana DNRC, to purchase the land on which the improvements are sited. The property is currently offered on the open market in an auction sale. We were unable to locate any other transactions for the subject property in the preceding 36 months.

G. Definition of Market Value

"Market Value means 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 U.S. 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.¹

H. Exposure Period

This is the estimated length of time that the subject property would have been offered on the market prior to hypothetical consummation of a sale at market value on the effective date of the appraisal.

The estimated exposure for the subject is 12 months.

I. Distribution of Market Value

Value as assigned in this report applies to the real estate as described and is based on unencumbered value. It does not consider the value of personal property. As noted herein, a separate contributory value analysis of any existing mineral rights, timber rights or water rights is not made. These property rights are considered as part of the overall values as assigned the real estate, and their values are reflected by the land values exhibited in the market. In other words, water rights and mineral rights, whether existing or not, are a part of the assigned land values overall.

Inherent in the land values assigned is basic land improvements such as roadways, fences, and ditches. Structural improvements may be assigned specific contributory value within the Cost Approach as evidenced by the market; however, these values apply only under the existing highest and best use assigned, unless otherwise noted, and may be subject to market correction in the final reconciliation of value.

J. Prior Services Provided on Subject (3 Years)

We have not provided services on the subject property in the prior three years.

¹Rules and Regulations, Federal Register, Vol. 57, No. 225, Subpart F Section K.

K. Legal Description and Acreages

DNRC Lot 33 is described as follows:

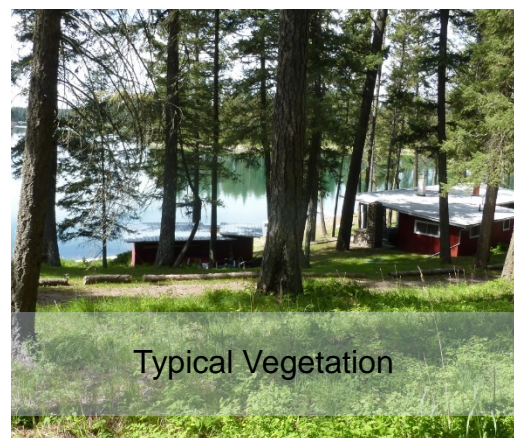
That portion of Government Lot 6, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 16°51'28" West 1943.12 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; thence South 01°23'05" East 109.13 feet, more or less, to the highwater line of Echo Lake; thence along said highwater line the following seventeen courses: North 53°5'49" West 30.18 feet, South 67°43'23" West 14.52 feet, South 25°5'51" West 65.30 feet, South 54°47'21" West 55.30 feet, South 73°20'55" West 45.47 feet, South 84°22'40" West 74.55 feet, North 70°23'10" West 98.15 feet, North 49°08'33" West 53.70 feet, North 89°35'47" West 53.94 feet, South 75°51'19" West 53.02 feet, South 86°28'44" West 32.65 feet, North 72°38'02" West 46.13 feet, North 24°54'45" West 58.21 feet, North 23°20'34" East 18.50 feet, North 53°19'28" East 31.20 feet, North 30°32'16" East 33.10 feet and North 04°8'41" East 16.14 feet; thence North 89°9'40" East 515.03 feet, more or less, to the Point of Beginning containing 1.999 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

L. Property Description

The subject property is a 1.999-acre lot on Echo Lake in Flathead County, approximately 10 miles east of Kalispell. It is an irregularly shaped parcel that has rolling terrain typical of the area. Access to the subject is by a shared driveway off Labrant Road that accesses many of the state cabin lease sites. The subject shares this driveway all the way to the house with the adjacent neighbor.

Vegetation on the subject is mostly coniferous and is typical for the area with Doug Fir, Larch, Grand Fir predominantly. At some point the subject and surrounding lots were selectively logged. This logging project was cleaned up well and there is not excessive slash like we sometimes see. The logging helps thin timber and create defensible space for wildfires, but is not so aggressive that it negatively impacts the property.



The subject has approximately 770 feet of frontage on Echo Lake. The lake frontage is moderately sloped and is typical of the immediate area surrounding the subject. It is very unusual to have this amount of frontage, especially on a smaller lot like this. Typically, when we see extensive frontage like this it is on large estate type properties. Also typical of these extensive frontage properties is increased privacy. The subject has a neighboring home in close proximity that reduces this privacy. Measurements taken from aerial images show about 50 feet between these homes. They share a common driveway access, on the subject.

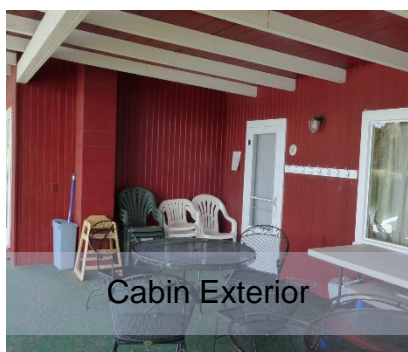
The frontage of the subject is a mixed bag. The west side, where the cabin is located, is good quality shoreline. The east side is lesser quality. A large portion of this east side is in a small bay, as shown by the aerial image below. The bay is very shallow, too shallow to run a boat or swim.



With the lake level fluctuating, there have been many times in the past when this inlet was dry. Aerial images from 2004, 2005, and 2009 show dry lakebed where there is now water. Market participants are not likely to pay top dollar for frontage like this. The image on the following page is an aerial photo from 2005 illustrating this fluctuating lake level.



Improvements on the subject include a 744-square foot, one bedroom, one bath cabin. It is sited on the western end of the property and has southwest and western exposure. This provides lake views as shown in the photo on page 10. Properties with lake views only are not as desirable as those that have mountain views too. The cabin was built in 1963 and has finishes that are typical of that time period. Interior walls are finished in tongue and groove pine boards. Doors are made of the same material, and the floors are finished with oak hardwood. The exterior of the home appears to be Masonite type siding and there is extensive rockwork around the house, such as retaining walls and the porch foundation.



Cabin Exterior



Cabin Interior



Cabin Exterior



Cabin Interior

There is also a small shed near the house that is used for storage of recreational equipment. Farther up the hill is a garage that has been converted to sleeping quarters. It has been plumbed with a bathroom, three bedrooms, and a small living area. Mr. Russel referred to this as 'the bunkhouse'. This building is newer than the home and the interior finishes, while not high end, are pleasant and don't have quite the dated feel that the cabin does. Overall the improvements seem to be in good condition and are well maintained. Buildings are painted and there were no glaring deficiencies noted. In the recent past the septic system was re done both to update and to add the bunkhouse to the system.



Bunkhouse Interior



Bunkhouse Interior

M. Competitive Market

The subject competes in the Echo Lake Competitive market. This competitive market is defined by the shape of the lake. The lake is very irregularly shaped with many bays, peninsulas, and islands. Like most of Northwest Montana this market is non-homogenous; although, as Montana becomes more populated this is slowly changing. Older estates, that were built at a time when lakefront properties were not as exclusive as they are now, are being replaced by higher end construction and the financial barrier to entry is ever increasing.

The subject would compete with properties on Echo Lake as well as lakes around the area such as Flathead, Ashley, Blaine, Bitterroot, and to a lesser extent Whitefish Lake. Whitefish Lake does not directly compete, but it does have an effect other lakes in the area. If prices on Whitefish Lake are out of reach or property is difficult to find there will be a 'ripple effect' to other lakes in the market.

There are relatively few properties available on Echo Lake. A search of the MLS shows six current and active listings and only three sales in the last year. This equates to a two-

year absorption period. Average marketing time for sales was 231 days. The median sale price was \$870,000 which is 89% of list price. This does not include any sale of state leased cabin sites like the subject. Currently there are two such sales pending and the subject, which is offered for sale.

Contrast this to Flathead Lake which currently has 78 active listings and 46 sales during that same time frame. Average sale price of Flathead Lake homes during this 1-year period was \$604,500. This was an average of 94% of list price.

A statistical market analysis of the last 12 months indicates that the Flathead County lakefront competitive market is relatively slow moving with 18 months of inventory on the market.

Properties in the lakefront competitive market are sold by frontage feet. This is the overriding utility of lakefront lots and is how the market values lakefront quantitatively. In the lakefront competitive market there are qualitative differences that affect the market. Data indicates that buyers will pay a premium for gently sloped parcels that have pebble beaches. The properties that have pebble beaches are viewed differently by the market than those that have steep slopes or cliffs. Paired sales analysis supports this assertion. Market analysis also indicates that properties with extensive frontage take longer to sell than do lots with more typical amounts, around 100 feet or so.

The subject's extensive lake frontage is unusual in the lakefront market, although a bit more common on Echo Lake. One reason for this is the number of peninsulas on the lake. Many of the large frontage lots are on peninsulas with frontage on both sides of the peninsula. Typical to these lots is a road running through the middle of the lot. The exception is the last lot on each peninsula, which has more privacy and frontage. Most of the time in the lakefront market, properties that have extensive frontage are estate or trophy type properties and provide increased privacy. With the close proximity of the neighboring home, the subject lacks this privacy.

The subject is more comparable to the neighboring lots which have 130-240 feet of frontage rather than these trophy properties. This is known as 'surplus land'. Surplus land does not have a separate value, as it cannot be sold off separately. It is "extra" land that may or may not contribute value to the overall property. It does not have an independent highest and best use. It may have the same value per unit of comparison as the rest of the site, or it may contribute less per unit of comparison.

The improvements are typical of what is seen in the immediate area surrounding the subject. Most of the residences and cabins on state leased ground were built in the 1950s and 60s. The bunkhouse is unusual in the market. We were unable to find any competing properties that had similar garage conversions.

If the subject were given proper exposure in the marketplace and priced competitively, it is expected that it would compete well.

N. Highest And Best Use

The highest and best use of a property may be defined as "the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."²

Real Estate is valued in terms of its highest and best use. The highest and best use of the land or site, if vacant and available for use, may be different from the highest and best use of the property if improved.

The criteria for determining highest and best use are:

1. Is it legally permissible?
2. Is it physically possible?
3. Is it financially feasible?
4. Is it maximally productive?

1. Subject property Considered as Vacant

The subject property is governed by Flathead County SAG-5 zoning. Flathead County defines this zoning as: A district to provide and preserve smaller agricultural functions and to provide a buffer between urban and unlimited agricultural uses, encouraging separation of such uses in areas where potential conflict of uses will be minimized, and to provide areas of estate-type residential development.

SAG-5 zoning requires a minimum five-acre lot size, and allows for single unit dwelling, guest house, or home occupations if they are incidental to the primary use of single family dwelling, no subdivision of the subject would be allowed. It is assumed for the purpose of analysis that the subject is legally non-conforming.

There are other permitted uses allowed in this zoning, but these are the uses which meet the logical test of what is likely. The typical buyer of a property such as the subject is not going to use it for livestock or agricultural uses. Most likely it will be a single family residential lot.

The subject's 770 feet is far more than is typical in the lakefront market. Around 100 feet is far more common and seems to be the 'magic' number that marketplace participants desire, and will pay a premium for. Above 100 feet the desirability and value begins to diminish. This additional shoreline that the subject has is known as surplus land.

Surplus land is more than what is necessary and typical in the market and does not provide or contribute to utility, but cannot be sold off separately. It is "extra" land that may or may not contribute value to the overall property. It does not have an independent highest and best use. It may have the same value per unit of comparison as the rest of the site, or it may contribute less per unit of comparison. If it requires maintenance and upkeep it can reduce the pool of potential buyers.

²The Appraisal of Real Estate, Eleventh Edition. A.I. Chicago, 1996. pg. 297

From a physically possible standpoint, recreational use where development of a dock and cabin or house is supported by what is occurring around the lake, and in the immediate vicinity.

The most likely use of the subject property considered as vacant is as a single 1.999-acres parcel ready for development into a single family, rural residential or recreational home site.

2. Subject Considered as Improved

The subject's improvements are an integral part of the property and would be a focal point for the typical buyer of the subject. The subject has improvements in place which complement the highest and best use of the property when considered as vacant.

3. Reconciliation of Highest and Best Use

The final step in the highest and best use analysis is the reconciliation of the two estimated highest and best uses: one as vacant and one as improved. The highest and best use of the subject property considered as vacant and as improved are one and the same; a single family rural residential recreation homesite.

O. Approaches to Value

When practical, the appraiser uses the three recognized approaches to value:

1. The Income Approach
2. The Sales Comparison Approach
3. The Cost Approach

The Income Approach is useful in properties that are purchased for their cash flow potential from uses such as grazing or crop production. The subject property falls in the market where property is not purchased for its cash flow potential. Buyers are not measuring income capacity. For this reason, the Income Approach would not provide us with useful data for the valuation analysis, and thus it will be excluded from the analysis.

The Sales Comparison Approach is based upon the assumption that an informed purchaser would pay no more for a property than to purchase an existing property with the same utility. It is impossible to find comparable sales of older cabins with additional living quarters that compare to the subject. For this reason, the sales comparison approach will be excluded from the analysis.

In this appraisal, the Cost Approach will be utilized. An analysis of costs and accrued depreciation will be completed and added to the estimated site value. The use of only this approach is considered typical for what our peers would complete and does not detract from the appraisal.

Adjustments

In a market driven by non-economic factors (aesthetics, wildlife habitat, personal attractions, buyer/seller motivations, and recreational opportunities, etc.) it is reasonable to expect a significant variance in value between similar properties. We have considered various factors that may have an influence on value. In some cases, these factors can be measured in the market (quantitative adjustment) while others are more subjective that cannot be measured directly through the pairing of sales data but are known to be a consideration by market participants (qualitative adjustment). There are other factors that in certain markets are a consideration of value but not necessarily applicable to this assignment that will also be noted more for clarification purposes.

P. Valuation

The appraisal will estimate three separate values for the subject property. The subject will be valued as a whole, vacant land only, and improvements only. The difficulty of this appraisal problem lies in the abnormally large amount of frontage feet that the subject has as well as the improvements. Having a small cabin is not unusual on these state leases. Having a separate bunkhouse living quarters is; there are no known comparable sales that incorporate this aspect of the subject.

The subject's extensive waterfront also presents a unique valuation problem. Typically, when we see these lots with extensive waterfront, they are estate type or trophy properties. Generally, these properties are purchased by a well-off out of state buyers and vacation or second homes. These buyers may pay a premium. The subject falls in the market where this type of estate buyer is atypical. With the exception of the having more frontage feet than any of the other lots in this state lease area, the subject fits in well with the surrounding homes.

Waterfront lots are typically sold by the frontage foot. If the subject were to sell for anywhere near the price per frontage foot that some of these other lots in this state lease have sold for, the price would be astronomical. The highest and best use of the subject property does not support a considerably higher value than these lots. Interviews with brokers and marketplace participants support this assertion. In the eyes of these marketplace participants, the additional frontage of the subject is desirable, but not so desirable that they're willing to pay much more than they would for a lot with 150 feet of frontage. This amount of waterfront is atypical in the market. There are places on the lake that have extensive frontage such as this however, these properties are located on areas of the lake where this is more typical.

Generally, marketplace participants in the waterfront market pay a premium for the first 100 feet. This provides them the utility they desire, which is the lake frontage, and is a balance between this utility and cost. As the frontage feet increases, the price per frontage foot decreases. Unimproved land sales from other lakefront markets in the Northwest Montana area were researched to support this.

The appraisal analysis begins with the valuation of the subject improvements.

1. Cost Approach

INTRODUCTION

The Cost Approach is based on the assumption that the value of the property tends to reflect the value of the site, plus the current cost to reproduce the improvements, less any existing depreciation. The steps are as follows:

1. Estimate the value of the land as though vacant and available to be developed to its highest and best use.
2. Estimate the reproduction or replacement cost of the improvements on the effective date of the appraisal.
3. Estimate other costs (indirect costs) incurred after construction to bring the new vacant building up to market conditions and occupancy levels.
4. Estimate entrepreneurial profit, when appropriate, from an analysis of the market.
5. Add estimated replacement or reproduction cost, indirect costs, and entrepreneurial profit, often expressed as a percentage of total direct and indirect costs and sometimes land value, to arrive at the total replacement or reproduction cost of the primary structure(s).
6. Estimate the amount of accrued depreciation in the structure, which is divided into three major categories: physical deterioration, functional obsolescence, and external obsolescence.
7. Deduct the estimated depreciation from the total reproduction or replacement cost of the structure(s) to derive an estimate of the structure's depreciated reproduction or replacement cost.
8. Estimate reproduction or replacement costs and depreciation for any accessory buildings and site improvements, and then deduct estimated depreciation from the reproduction or replacement cost of these improvements. Site improvements and minor buildings are often appraised at their net value - i.e. directly on a depreciated cost basis.
9. Add the depreciated reproduction or replacement costs of the structure, and accessory buildings, and the site improvements to obtain the estimated total depreciated reproduction or replacement cost of all improvements.
10. Add the land value to the total depreciated reproduction or replacement cost of all improvements to arrive at the indicated value of the fee simple interest of the property.
11. Adjust the indicated fee simple value to reflect the property interest being appraised, if necessary, to produce an indicated value for the interest in the subject property.³

³*The Appraisal of Real Estate*, Ninth Edition, A.I.R.E.A., Chicago, 1987. pp. 350,351.
David J. Heine and Associates, L.L.C

Land Value Estimate. In the valuation of a property, there are several procedures that can be used to obtain land value indications.

1. *Sales comparison.* Sales of similar, vacant parcels are analyzed, compared, and adjusted to provide a value indication for the land being appraised.

2. *Allocation.* Sales of improved properties are analyzed, and the prices paid are allocated between the land and the improvements. Allocation can be used in two ways--to establish a typical ratio of land value to total value, which may be applicable to the property being appraised, or to isolate either the land or the building's value contribution from the sale for use in comparison analysis.

3. *Extraction.* Land value is estimated by subtracting the estimated value of the improvements from the known sale price of the property. This procedure is frequently used when the value of the improvements is relatively low or easily estimated.

4. *Subdivision development.* The total value of undeveloped land is estimated as if the land were subdivided, developed, and sold. Development costs, incentive costs, and carrying charges are subtracted from the estimated proceeds of sale, and the net income projection is discounted over the estimated period required for market absorption of the developed sites.

5. *Land residual technique.* It is assumed that the land is improved to its highest and best use. All expenses of operation and the return attributable to the other agents of production are deducted, and the net income imputed to the land is capitalized to derive an estimate of land value. An alternate land residual technique is applied by valuing the land and improvements and deducting the cost of the improvements and any entrepreneurial profit. The remainder is the residual land value.⁴

The reliability of this Cost Approach depends upon a) the availability of comparable sales data, b) verification of this sales data, c) the degree of comparability with the subject property, and d) the absence of non-typical conditions that affect the sale price.

Market transactions in the subject neighborhood and in competing neighborhoods were researched. Each transaction was noted, and those that occurred within a reasonable time limit between knowledgeable parties negotiating without duress and with a highest and best use similar to the subject were analyzed in greater depth.

The transactions were further limited to properties which possessed a reasonable degree of similarity to the subject and where, after certification of pertinent data, it was determined that the transaction was reasonably indicative of general market activity in this area.

These transactions were then, in the case of unimproved land, analyzed as to the probable land value on a per unit basis, and in this case Price per Waterfront Foot or FF is used as the unit of measurement. When improved properties are used, they are analyzed by allocation to arrive at the value of the land only.

⁴*The Appraisal of Real Estate, Ninth Edition, A.I.R.E.A., Chicago, 1987. pp.69, 70.*

The purpose for this market data analysis is to lay the foundation for adjusting these differences -- the amount and the direction. Some of the principal factors influencing value for residential/recreational properties, and those requiring adjustments are: **Time of Sale, Financing, Terms of Sale, Location, Views, Size, and Improvements**. Because of the limited market activity and information, some of the factors that influence value must be judged by the Appraiser from his knowledge of general market demands in the area, or from discussion with individuals knowledgeable in these areas.

Financing describes how the properties were sold. Sometimes properties are sold with special concessions that allow the buyer to pay a higher price. These concessions could include owner financing. All of the sales used in this analysis are cash equivalent.

Terms of Sale describes the ownership that is transferred to the buyer. Fee simple estate is absolute ownership of real estate that is unencumbered by any other interest or estate and is subject to the limitations of eminent domain, escheat, police power and taxation. All sales were considered arms-length transactions therefore no adjustments were necessary for this factor.

Time of Sale is one of the most important factors influencing the value of a property. The comparable sales all occurred within a reasonable time frame and the market is stable. No adjustment for time of sale is necessary.

Location of the property can influence value. The sales in the area vary enough in physical characteristics that it is difficult to isolate the value change due to location alone. All of the selected sales are in similar locations to the subject property and no adjustments were made for this.

Views can vary from panoramic views to neighborhood dependent views and they can influence the value of the property for a buyer. These views affect the desirability of the property. Qualitatively, lots that have mountain views are considered superior to lake views only. A qualitative adjustment for mountain views is indicated.

Size of the property is an important factor. Generally, a potential buyer, will look for the largest acreage his finances will allow him to buy. Typically, the more acres there are in a property, the lower the price per acre. This is referred to as economies of size or scale and is common in other sectors of the business world. This same principle holds true no matter the per unit value that is analyzed. Data from Echo Lake and other lakefront markets in Northwest Montana indicates that doubling the frontage feet leads to a per unit value discount of 27% to 33%. Data from Echo Lake was at the high end of that range. Whenever possible, it is customary to use data from as near the subject as possible, so a size adjustment discount of 33% will be applied to frontages that indicate an adjustment is necessary.

The size adjustment is calculated in the following manner: $1 - (\text{sale1}/\text{sale2}) = \text{discount}$

Bitterroot Lake Sale #1 is on the south end of the lake, has 178 feet of good frontage on 1.07 acres. It sold in September 2015 for \$400,000, which is \$2,247 per frontage foot.

Bitterroot Lake Sale #2 is two lots to the west of Sale #1. It has 366 feet of similar frontage and sold in August 2015. The sale price was \$625,000 or \$1,639 per frontage foot.

$$1 - (1639/2247) = .27 \text{ or } 27\%$$

Echo Lake Lot 34, a 1.54-acre lot adjacent the subject that contains 132 frontage feet to the north sold for \$300,000 or \$2,247 per FF.

Echo Lake Lot 32, which is two lots east of the subject and has 234 feet of frontage sold for \$350,000 or \$1,495 per FF.

$$1 - (1495/2247) = .33 \text{ or } 33\%$$

For the sale that was adjusted downward for size, the inverse was used. To calculate this, we use 67%. The inverse of this is calculated in this way: $100/67 = 1.49$

For frontages that are larger than the subject the price per FF will be multiplied by 1.49 to adjust.

The Improvements are the set of buildings that complement the subject property. They are weighed in terms of desirability of the dwelling and utility provided by the outbuildings. Condition and layout of the improvements also affects utility. The number of improvements for a given parcel of land can also influence the value to a buyer.

This analysis will include:

a. Improvement Valuation

The subject improvements were inspected and analyzed. The values placed on each improvement were a combination of what it would cost to replace each with something similar, less depreciation. Typically, the most accurate measurement of depreciation is to extract it from market data associated with sales of similar properties in the area.

Economic Age-Life Method (explained below).

- **Replacement Cost New (RCN).** The first step in this process is for the appraiser to determine replacement costs.

"... Replacement cost is the estimated current cost to construct a building with utility equivalent to the subject building, using modern materials, standards, and layout..."⁵

⁵*The Appraisal of Real Estate, A.I.R.E.A., Ninth Edition, Chicago, 1987. pg. 355.*

- After inspecting the subject improvements replacement costs were estimated for each using local cost data and data provided by the Marshall & Swift Cost Service.

Economic Age-Life Depreciation:

Definitions:

Actual Age: this is the structure's chronological age.

Effective Age: this is an age based on actual physical condition, functional utility and the market's acceptance of the structure. Example: remodeling typically adds years back on the effective age.

Economic Life: this is the period of time which an improvement contributes to property value. Like effective age, this number can be adjusted due to remodeling and market conditions. The industry accepted Economic Life for cabin residences on lake settings in this area is around 60 years. The industry accepted Economic Life for a detached garage on lake settings in this area is 30 years. Both the cabin and the bunkhouse appear well maintained.

This method of determining depreciation is based on the following formula:

Depreciation Amount = (Effective Age / Economic Life) X RCN.

Once the depreciation amount was determined, it was then subtracted from the RCN to establish Depreciated Value for the Improvement.

The Replacement Cost New of the home and outbuildings and was calculated using the Marshall and Swift Cost Guide. The replacement cost new of the main cabin and its 744 square feet was estimated at \$78,049. The replacement cost new for the bunkhouse and its 728 square feet was estimated at \$43,975.

RCN	
House	\$78,049
Bunkhouse	\$43,975
Total	\$122,024

Depreciation Amount	=	(Effective Age / Economic Life) X RCN
House		(20/60) x \$78,049 = \$26,016
Bunkhouse		(15/30) x \$43,975 = \$21,987
Total		\$48,003

RCN - Total Depreciation = Contributory Value

\$122,024 - \$48,003 = \$74,021

The estimated depreciated value of the improvements on the subject property is \$74,021. This is rounded to **\$75,000**.

Sales of cabins located around the lake were researched and analyzed. Without the benefit of a personal inspection of these cabins, the reliability of data is not to the level to be useful in a sales comparison approach. We did notice two distinct data sets in the market. Many of these cabins were on state lease lots, and are not fee simple ownership. These cabins all were inferior in the eyes of the market. Cabins that are in fee simple ownership bracket the upper end of the market. This brief review of sales lends support to the age/life analysis of the subject improvements.

b. Land Valuation

This value was estimated through the comparison of vacant land sales occurring within the subject's market area. In cases where a sale included improvements, following inspection, we estimated the depreciated value of the improvements and extracted them from the sales price. This left a land only value for comparison sake.

Comparable Sales

Sale Identification	Subject Labrant Road	Sale 1 Echo Chalet Drive	Sale 2 Echo Creek Road	Sale 3 Labrant Road	Sale 4 Echo Bay Trail	Sale 5 East Village Drive
Date	NA	11/10/2016	6/29/2015	2/3/2016	No Sale	7/8/2015
Sales Price	NA	\$371,000	\$870,000	\$350,000	\$850,000	\$1,025,000
Land Value	NA	NA	\$260,000	NA	NA	\$783,000
Size (Acres)	1.999	1	5.29	1.27	4.2	1.7
Waterfront Feet	770	125	577	234	911	1455
Price Per FF adjusted for size	NA	\$1,332**	\$450	\$1,002*	\$933	\$802*
Waterfront Name	Echo	Echo	Echo	Echo	Peterson	Echo
Days on Market	Auction	409	231	Auction	793	608
Adjustments:						
Location	Good	Superior	Inferior	Similar	Inferior	Superior
Privacy	Fair	Similar	Similar	Similar	Superior	Superior
Shoreline	Sloped	Superior	Inferior	Similar	Superior	Superior
Views	Lake	Superior	Superior	Similar	Superior	Superior
Overall Appeal	Good	Superior	Inferior	Similar	Superior	Superior
Indication		<\$1,332/FF	>\$450/FF	<\$1,002/FF	<\$933/FF	<\$802/FF

*A size adjustment based on data from Echo Lake and other area lakes indicates doubling the FF discounts the per unit value by 33%

For frontages that are larger than the subject the price per FF will be multiplied by 1.49 to adjust.

**This sale was doubled twice for the size adjustment

Comparable sale #1 is a 1-acre lot located $\frac{3}{4}$ mile south of the subject. This sale is near the end of the road reducing the amount of traffic it sees and is surrounded by higher end homes in a desirable area of the Echo Lake market. The lot has a combination of things that buyers desire. Many times, buyers must choose between gently sloped pebble shoreline and elevated homesites with territorial views. This lot has an excellent combination of both. These factors, together with the desirable neighborhood area likely contributed to the sale price of this property. In fact, this sale was the highest price per waterfront foot that we were able to locate. It is also the most recent. This sale occurred in November 2016 for \$371,000 or \$2,968 per frontage foot. The size adjusted price per frontage foot is \$1,332/FF.

Comparable sale #2 is a 5.29-acre property near the causeway on Echo Lake, approximately $\frac{1}{2}$ mile southeast of the subject. The lake frontage of this sale is inferior to the subject in quality. This sale has frontage on both sides of the causeway. The north side of which is shallow and can dry up on low water years. The frontage on the south side of the causeway is basically a few feet of land off the roadway. This does allow the owners to have a dock and access Echo Lake, but of all our sales this is the least desirable frontage. The mountain views from this property offset this to some degree. While the frontage is inferior to the subject, the mountain views are superior. The property has a high-end home with appealing landscaping and sold in June 2015 for \$870,000. The estimated contributory value of the land to this sale is \$260,000 or \$450 per frontage foot.

Comparable sale #3 is a state lease site sale from February 2016 that is located two lots east of the subject. This sale compares well to the subject in terms of location, terrain, quality of frontage and appeal. The 234 frontage feet was the most of any of the state lease sales that we analyzed. This lot sold for \$350,000 or \$1,495 per frontage foot. The size adjusted price per frontage foot is \$1,002/FF.

Comparable sale #4 is a 4.2-acre lot on Peterson Lake one mile south of the subject. Peterson Lake connects to Echo Lake, allowing property owners on this lake to access Echo by water. This property compares well to the subject. They have similar terrain, topography, and frontage. While this property has superior lot size and frontage feet, it has been on the market for 793 days with no sale. The list price of \$850,000 equates to \$933 per frontage foot. In our analysis of this market, this is not unusual. Properties with extensive frontage have extended marketing time when compared to more typical size frontages.

Comparable sale #5 is a 1.7-acre property located at the end of a peninsula $\frac{1}{2}$ mile south of the subject. This property has an end of the road location that considerably increases privacy over many of the properties on the lake. The pebble beach frontage is excellent, the type that so many buyers desire, and there is lots of it. The 1,455 feet was the most of all the sales and listings that we found in our research. This property had a 2,380 square foot home at the time of sale. The home was in fair condition, and finishes appeared to be quality, but did not fit the character of the market. This functional obsolescence likely contributed to the extended marketing time and less-than-list sale price. It sold in July 2015 for \$1,025,000. The estimated contributory value of land was \$783,000 or \$538 per frontage foot. The size adjusted price per frontage foot of this property is \$802/FF. The property has since been extensively renovated and the home now fits the character of the market better. The design and finishes are more in line with what buyers expect in the high-end lakefront market. It is now listed at \$1,925,000.

Reconciliation of land value

Sale #1 is an example of quality waterfront in the size range that buyers typically search for. This is not because they don't want more, rather, this is the range that balances affordability with utility.

Sale #2 is inferior to the subject in terms of quality of frontage although the quantity is a closer comparison. This indicates that the value of the subject is more than \$450 per frontage foot.

Sale #3 is the closest to the subject in all aspects except frontage feet. As it is a state lease sale and very close to the subject's location, physical characteristics are very similar. If the amount of frontage feet was more similar this would be our best indicator. It is still helpful in our estimates; if fewer frontage feet on this lot sells for \$1,002 per foot, this indicates that the subject is less than \$1,002 per foot.

Sale #4, which is an active listing, still provides valuable insight into the market and the subject property. This property has similar terrain, vegetation, shoreline, and appeal to the subject. Its \$933 per frontage foot price tag has, so far, been too high for the market to act upon. This parcel has more acreage, better privacy and slightly more shoreline than the subject. It would be considered superior for these reasons, yet it has not sold. This indicates that its value, and therefore the subject's value is less than \$933 per foot.

Sale #5 has the most frontage of any sale identified. In fact, research as far back as 2000 showed only a few sales with similar amounts of frontage. Qualitatively, this sale is superior to the subject in all aspects which would indicate a subject value of less than \$802 per frontage foot.

Overall, looking at our comparable sales and bracketing, the indication is between \$802 per FF and \$450 per FF. At \$802 per foot the subject would be valued at \$617,540. At \$450 per FF it would be valued at \$346,500. We do not find market support for either of those values, rather the subject would fall somewhere between them. The question now is - where?

The state lease cabin site sales surrounding the subject provide some insight. These sales are all very similar to the subject with the exception of frontage feet. The sale prices are also disclosed by DNRC, making them public knowledge. They all have sold in the range of \$270,000 to \$350,000. Interviews with brokers knowledgeable in this market and marketplace participants indicate that buyers view the subject as superior to these other DNRC sales, but not by much. It is only slightly larger than any of the other sales. It has more frontage, but that amount of frontage usually brings with it increased privacy, which the subject does not have. The frontage is also not uniform. The portion of frontage that is in the inlet is inferior and does not have the contributory value that the higher quality frontage in front of the cabin does.

Sale #5 is a superior property. The privacy and shoreline are superior to the subject. The adjusted price per foot of \$802/FF is higher than what the subject is likely to go for. Sale #2 sets the lower end of the bracket at \$450/FF but its frontage is inferior. It is likely that a typical buyer, looking at the subject property would view the subject as slightly below the mid-range between these two properties, or about \$600 per FF.

The subject's 770 FF x \$600 = \$462,000

The value of the vacant land of the subject property is estimated at **\$460,000.**

Q. Conclusion

The subject's improvements while chronologically aging, are still functional and useful. They are externally conforming; they fit well with the character of the neighborhood.

The estimated value of the subject property's improvements is **\$75,000**

The unimproved land is typical of the immediate surroundings and compares well with the neighborhood. There are some lots around the lake that are superior to the subject, but it's frontage makes it appealing.

The value of the subject's vacant land is estimated at **\$460,000.**

The total value of the subject property is estimated at **\$535,000**

CERTIFICATION

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

- the information contained in this appraisal report upon which the opinion of value is based, is true and correct, and no important facts have been knowingly withheld or overlooked.
- that I am competent to perform this assignment.
- the reported analyses, opinions, and conclusions are limited only by the reported Assumptions and Limiting Conditions, and are my personal unbiased, professional analyses, opinions, and conclusions.
- I have no undisclosed interest in the subject property, present or contemplated, and no personal interest or bias with respect to the parties involved.
- I have not provided any services regarding the subject for the three prior years.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 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.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the American Society of Farm Managers and Rural Appraisers.
- the use of this report is subject to the requirements of the American Society of Farm Managers and Rural Appraisers relating to review by its duly authorized representatives.
- I have personally inspected the subject property.
- I do not authorize the out-of-context quoting from or partial reprinting of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media for public communication without prior written consent of the appraiser signing this report.
- no one provided significant professional assistance to the person(s) signing this report.



David J. Heine, M.A., ARA
Accredited Rural Appraiser
MT Certified General Appraiser
#REA-REG-LIC-149
Broker



Ryan Hunter
Real Estate Appraiser Trainee
#REA-RET-LIC-8265

ASSUMPTION AND LIMITING CONDITIONS

It is assumed:

1. that the subject property's fee simple estate is marketable and that the property is free and clear of all liens, encumbrances, easements, restrictions, and the property has full insurable access unless otherwise noted.
2. that there is no liability for matters legal in nature.
3. that property ownership and management will be in competent and responsible hands.
4. that the property will not operate in violation of any applicable government regulations, codes, ordinances, or statutes.
5. there are no concealed or dubious conditions of the subsoil or subsurface waters including water table and flood plain. The appraiser further assumes there are no regulations of any government entity to control or restrict the use of the property unless specifically referred to in the report.

The following limiting conditions are submitted with this report:

1. All of the facts, conclusions, and observations contained herein are consistent with the information available as of the date of valuation. The value of real estate is affected by many related economic conditions, local and national. The appraiser therefore, assumes no liability for any unforeseen precipitous change in the economy.
2. The appraiser has made no survey of the property. Any and all maps, sketches, and site plans are assumed to be correct, but no guarantee is made as to their accuracy.
3. Information furnished by others is presumed to be reliable and, where so specified in the report, has been verified; but no responsibility, whether legal or otherwise, is assumed for its accuracy, and it cannot be guaranteed to be certain. No single item of information was completely relied upon to the exclusion of other information. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other source thought reasonable; all are considered appropriate for inclusion to the best of our factual judgment and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the client consider independent verification as a prerequisite to any transaction involving sale, lease, or other significant commitment of funds or subject property.
4. The signatories herein shall not be required to give testimony or attend court or be at any governmental hearing with reference to the subject property unless prior arrangements have been made with the client.
5. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the American Society of Farm Managers and Rural Appraisers. Neither this report nor any portions thereof shall be disseminated to the public through public relations media, news media, advertising media, sales media, or any other public means of communication without prior written consent and approval of the appraiser.
6. No responsibility is taken for changes in market conditions after the date of valuation, or for the inability of the property owner to find a purchaser at the appraised value.
7. No effort has been made to determine the impact of possible energy shortages or the effect on this project of future possible federal, state, or local legislation including any environmental or ecological matters or interpretations thereof.
8. The date of valuation to which the value conclusions apply is set forth in the letter of transmittal and within the body of the report. The value is based on the purchasing power of the U.S. dollar as of that date.
9. The liability of David J. Heine and Associates, LLC 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. The appraiser assumes no responsibility for any deficiencies of any type present in the property--physically, financially, or legally.
10. In this assignment, the existence of buried fuel storage tanks or potentially hazardous material used in the construction or maintenance of the buildings, such as the presence of urea-formaldehyde foam insulation, and/or the existence of toxic waste, which may or may not be present on the property, was not observed by this appraiser; nor does he have any knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The existence of urea-formaldehyde foam insulation or other potentially hazardous waste material may have an effect on the value of the property. I urge the client to retain an expert in this field if desired.
11. The assignment 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; furthermore, all applicable zoning, building, and 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.

Scope of Work Rule

In June 2006, the 2006 Edition of the Uniform Standards of Professional Appraisal Practice (USPAP) became effective. The major difference from previous USPAP Editions was the removal of the two types of appraisal analysis, the first being the Complete Analysis and the second being the Limited Analysis. These appraisal types were replaced by the Scope of Work Rule. The three appraisal report formats: the Self Contained, the Summary, and the Restricted Use were all still relevant and mandated by the 2006 Edition. The 2014-15 edition of USPAP maintains the same scope of work, but the report requirements changed to the Appraisal Report and the Restricted Appraisal Report. Whether a form report or a narrative report it must be one of these two.

Scope of Work has always been a requirement of the appraisal analysis and was to be reported to put the reader or the user of the report on a familiar standing with the appraiser on the basis of what was done and what was not done. The new Scope of Work Rule means that the appraiser and the client must communicate in a clear concise fashion as to what level of appraisal analysis is most fitting for the client's requirements and needs.

In an effort to inform our clients and to keep an open line of communication we prepared this addendum to assist in the decision making process. We feel that the logical approach is to categorize the Scope of Work at both ends of the analysis and work product scale. This will range from the ***Reduced Scope Appraisal*** to the ***Full Scope Appraisal***.

The ***Reduced Scope Appraisal*** is used for an assignment where the client does not require the highest level of detail in the analysis regarding the property. This would generally be reported in either report format.

A simple example of the Reduced Scope appraisal would be a situation where a home owner or land owner is curious about a rough value estimate of their property to determine if they need to do further planning for estate purposes or to estimate a likely listing price. *The key to the Reduced Scope Appraisal is that the primary user of the report is familiar with the property and is not going to rely on the appraisal report for more than its intended purpose.* This means that the Reduced Scope Appraisal of a property to assist a client in estimating a rough value would not be used to secure many loans or to settle an estate or for most court proceedings. For example: if we complete a reduced scope or preliminary type valuation to assist in settling a divorce and it does not settle, we need to discuss the situation before the report goes to court or we are asked to testify.

A common example of a Reduced Scope assignment would be a vacant parcel of land that the appraisers know and they are familiar with. This assignment could be a desk analysis where the appraiser relies on data within his data base and a cursory review of the county records regarding a description of the property. Some drawbacks to this reduced scope level of reporting are that there could be new sales data that may be missed or there could be important facts about the property left uncovered that would be revealed with an in-depth inspection.

At the other end of the scale is the ***Full Scope Appraisal***. This generally is completed when a high level of analysis is required, when a high level of reporting is required or a concern is expressed about the value. There could be contention over the value or the user of the analysis could feel that the value is critically important.

The Full Scope Appraisal is generally communicated in an Appraisal Report format. The report format is comprehensive. It contains a thorough description of the subject property, the market area, the highest best use analysis. Also included in these formats are the comparison of the sales to the subject property and an in-depth explanation of how and why the conclusions were made. This is generally used in the type of appraisal work where the intended users may not be familiar with the market area or the property and need to be familiarized to assist them in making the decisions that they need to make regarding the subject property.

Examples of where value is quite important are: court proceedings, bankruptcy situations or a request from a lender where there is a high loan-to-value ratio and utmost accuracy and care is needed.

The most common assignment we have observed is the mid-range scope appraisal. Remember, these are terms used by us to help you understand the appraisal (analysis) process. The mid-range is generally what most users of appraisals want whether it is used for lending or legal purposes. This analysis and the corresponding report are tailored to the specific user(s) of the product.

It is critical that the scope of work requested by the client not limit the appraiser's work and research to the point that the results are not credible. This would result in the appraiser violating the Uniform Standards of Professional Appraisal Practice (USPAP) and could jeopardize the appraisal and the use it was intended for.

DAVID J. HEINE, M.A., A.R.A.

PROFESSIONAL AFFILIATIONS:

- Accredited Rural Appraisal (A.R.A.) - designation which is awarded by the American Society of Farm Managers and Rural Appraisers to those members who have had years of experience, are technically trained, have passed a rigid examination and subscribe to a high code of ethics, -- #1083
- Montana Board of Real Estate Appraisers - General Certification #REA-REG-LIC-149
- Montana Licensed Real Estate Broker -- #8876
- Western Montana Stockgrowers Association--Former Board of Directors
- Montana Board of Real Estate Appraisers -- Board Member 2000-2006

EDUCATION:

Montana State University, Bozeman, MT - B.S. in Agricultural Economics, March 1983

Washington State University, Pullman, WA - M.A. in Agricultural Economics, December 1986

CONTINUING EDUCATION:

American Society of Farm Managers and Rural Appraisers:

Feb 3, 2015	Estate Appraisal Requirements	Feb 3, 2010	USPAP Update
Feb 3, 2015	MT Mentor/Trainee Class	July 25, 2008	Valuation of Conservation Easements
Feb 3, 2015	Lawyer Perspective on Farm Sales	Feb. 5, 2008	Code of Ethics
Feb 4, 2015	Oil & Gas Law	Feb. 5, 2008	Subdivision Analysis
Feb 4, 2014	Water Court Update	Feb. 6, 2008	USPAP Update
Feb 4, 2014	Code of Ethics	Oct. 26, 2006	Discounting
Feb 5, 2014	USPAP 7 Hour Update	Feb. 28, 2006	Appraising Ag Lands in Transition
Feb 8, 2012	GIS	Mar. 1, 2006	MT Access Laws & Conservation Easements
Feb 8, 2012	Access & Easement Law		
Feb 7, 2012	USPAP Update	Jan. 26, 2006	GIS, NRIS, Subdivision
Feb 10, 2011	Sales Comparison	Jan. 24, 2006	MT Water, DEQ

Appraisal Institute:

September 8, 2006
January 20-21, 2005

Subdivision Analysis
Expert Witness Seminar

PUBLICATIONS:

Master's Thesis

Washington State University

"An Economic Evaluation of Different Feeding Systems in the Western Washington Dairy Industry."

August 1986

Magazine Feature Article - Two Part

"Look at all options when considering commodities,"

"Partial budget analysis helps determine best action,"

by D. J. Heine, G. S. Willett, J. K. Hillers and R. L. Kincaid. *Hoards Dairyman*

March 10, 1988 and March 25, 1988

PROFESSIONAL EXPERIENCE:

PREMIERE REAL ESTATE PROFESSIONALS, Broker

Kalispell, MT 2012 -- present

Real Estate Brokerage -- Specializing in farms, ranches & recreational properties.

DAVID J. HEINE AND ASSOCIATES LLC, Owner

Kalispell, MT 1986 -- present

Economic consulting, Fee appraisals.

HEINE FARM

Kalispell, MT 1978 -- Present

Commercial dairy hay, peppermint, turf sod, and other irrigated crops. Dairy heifers and commercial beef cattle.

Appraisal of Rural Property

2nd Edition, Contributing Author. Published by ASFMRA December 2000.

WESTERN BROKERS LLP, Partner

Kalispell, MT

1997 -- 2012

Real Estate Brokerage -- Specializing in farms, ranches & recreational properties.

US DEPT. OF AGRICULTURE, Loan Servicing Contractor 1994 -- 1997

Production and financial analysis; feasibility studies.

MT DEPT. OF AGRICULTURE, Financial Consultant

Helena, MT

1986 -- 1988

Agricultural Assistance Program, included financial analysis, partial budgeting, debt restructuring options.

APPRAISAL AND REAL ESTATE EXPERIENCE:

Assignments have included specialized agricultural properties, rural recreational properties, residential properties, subdivision analysis, conservation easements, fractional interests, and special use studies. Public speaking includes continuing education courses, court testimony, presentations to various agricultural groups, lenders and others. Clients include private parties, MTFWP, State of MT, USFWS, Land Trusts, and TNC. I complete review appraisals for various clients for Uniform Standards for Professional Appraisal Practice (USPAP) and Yellow Book compliance (Uniform Appraisal Standards for Federal Land Acquisitions - UASFLA).



Echo Chalet Drive
Bigfork, MT 59911

\$371,000

General Property Description

List #	337550
Status	Closed
Property Sub-Type	Waterfront
Zoning	SAG5
Date of Sale:	11/10/2016

Property Details

County: Flathead

School District:

Waterfront: Navigable

Waterfront Name: Echo Lake

Waterfront Footage: 125

Views: Lake • Mountains

Terrain: Level • Sloped

Lot and Legal Information

Lot Size Estimate: .51-1.0

Lot Acres: 1.0

Covenant: Yes

Taxes: 2092.0

Tax Year: 2015.0

Legal:

Additional Details

Terms Of Sale: Cash

Mobiles Permitted:

Road Surface: Blacktop/Asphalt

Road Frontage: Private

Adjacent Owners: Private

Mineral Rights:

Trees: Partly Wooded

Utilities: Electricity • Telephone

Outbuildings:

Fencing:

Surface Water: Lake(s)

Remarks

One of THE LAST vacant land pieces on Echo Lake! 125 ft gravel & sand frontage, treed sloped one acre lot with views of the Swan Mountain Range to the northeast. Gone through DEQ review. Paved road all the way to property in this woodsy Echo Lake neighborhood.



Echo Creek Road
Bigfork, MT 59911

\$870,000

General Property Description

List #	21600501
Status	Closed
Total Bedrooms	4
Total Bathrooms	4.0
Year Built	2008
Date of Sale:	6/29/2015

Property Details

Property Sub-Type: Single Family

Residence

County: Flathead

School District:

Total Full Baths: 3

Total 3/4 Baths: 0

Total Half Baths: 1

Garage:

Garage Type: Detached

Waterfront: Navigable

Waterfront Name: Echo Lake

Style: 1.5-2 Stories

Sq Ft and Lot Information

Total Sq Ft: 3728.0

Sq Ft Source:

Lot Acres: 5.29

Lot Size Estimate: 5.0-10.0

Sq Ft Basement:

Sq Ft Lower Level:

Sq Ft Main Level: 1576.0

Sq Ft 2nd Level:

Sq Ft 3rd Level:

Additional Details

Terms Of Sale:

Fractional?:

HVAC: A/C Central Air • Electric Forced Air • Electric Hot Water

Utilities: High Speed Internet • Septic System • Telephone • Well

Basement: Daylight • Full • Full Finished • Walkout

Interior Features: Fireplace • Number of Fireplaces: 1 • Wood Stove

Exterior Features: Deck • Dock • Hot Tub • Landscaped • Patio • Paved Drive • RV Parking • Underground Sprinklers • Other(1): Sauna • Other(2): 2 fireplaces

Views: Lake(s) • Mountains • Trees •

View Description: Echo Lake, Swan Mtns

Road Surface: Blacktop/Asphalt • Gravel

Fencing:

Remarks

Spectacular year round residence and recreation destination on 577 feet of private Echo Lake frontage (503 frontage feet north of Causeway and 74 frontage feet on main Echo Lake with dock). This beautiful 3,152 sq. ft 3 bed/2.5 bath custom Main Residence, with 576 sq. ft. custom Guest Apartment over garage, sits on 5+ acres and boasts amazing panoramic Swan Mountain views.

Legal and Tax Information

Covenant: No

Zoning: SAG-5

Taxes: 3549.69

Tax Year: 2015.0

Legal:



Labrant Road
Bigfork, MT 59911

\$350,000

General Property Description

List #	NA
Status	Closed
Property Sub-Type	Waterfront
Zoning	Sag 5
Date of Sale:	2/3/2016

Property Details

County: Flathead
School District:
Waterfront: Navigable
Waterfront Name: Echo Lake

Waterfront Footage: 234 feet
Views: Lake • Mountains
Terrain: Sloped

Lot and Legal Information

Lot Size Estimate: 1.1-3.0
Lot Acres: 1.27
Covenant: No
Taxes:
Tax Year:
Legal:

Additional Details

Terms Of Sale: Cash
Mobiles Permitted:
Road Surface: Gravel
Road Frontage: Private
Adjacent Owners: Private/State
Mineral Rights: Unknown
Trees: Meadow/Tree Mix
Utilities:
Outbuildings:
Fencing:
Surface Water: Lake(s) • Water
Description: Echo Lake

Remarks



Echo Bay Trail
Bigfork, MT 59911

\$850,000

General Property Description

List #	332902
Status	Active
Property Sub-Type	Waterfront
Zoning	AG 40
Date of Sale:	NA

Property Details

County: Flathead

School District:

Waterfront: Navigable

Waterfront Name: Peterson Lake

Waterfront Footage: 911

Views: Lake • Mountains • Trees

Terrain: Rolling

Lot and Legal Information

Lot Size Estimate: 3.1-4.9

Lot Acres: 4.7

Covenant: Call Listing Agent

Taxes: 13.0

Tax Year: 2016.0

Legal:

Additional Details

Terms Of Sale: Cash

Mobiles Permitted:

Road Surface: Blacktop/Asphalt • Gravel

Road Frontage: Private

Adjacent Owners: Private

Mineral Rights:

Trees: Meadow/Tree Mix

Utilities: Electricity • Telephone

Outbuildings:

Fencing:

Surface Water: Lake(s) • Water

Description: Peterson Lake 911'

Remarks

End of road privacy on Peterson Lake never offered before. Forested & open on nearly 5 ac on 900+ feet of gravel shore. Peterson is sparsely populated, connects to Echo Lake via waterways offering great swimming, fishing & water skiing. Panoramic view from building sites take in the Swan Mountains and the sunny west facing beach. Private paved road behind locked gate. Broker is part owner.



East Village Drive
Bigfork, MT 59911 **\$1,025,000**

General Property Description

List #	333661
Status	Closed
Total Bedrooms	3
Total Bathrooms	2.0
Year Built	1992
Date of Sale:	7/8/2015

Property Details

Property Sub-Type: Single Family

Residence

County: Flathead

School District:

Total Full Baths: 0

Total 3/4 Baths: 2

Total Half Baths: 0

Garage:

Garage Type: None

Waterfront: Navigable

Waterfront Name: Echo Lake

Style: 1.5-2 Stories

Sq Ft and Lot Information

Total Sq Ft: 2382.0

Sq Ft Source:

Lot Acres: 1.7

Lot Size Estimate: 1.1-3.0

Sq Ft Basement:

Sq Ft Lower Level:

Sq Ft Main Level: 1024.0

Sq Ft 2nd Level:

Sq Ft 3rd Level: 334

Additional Details

Terms Of Sale: Cash • Conventional

Fractional?:

HVAC: A/C Central Air • Electric
Baseboard

Utilities: High Speed Internet • Septic
System • Telephone

Basement: Full Finished • Walkout

Interior Features: Fireplace • Number of
Fireplaces: 2

Exterior Features: Deck • Landscaped •
Paved Drive • Other(2): Gazebo

Views: Lake(s) • Mountains • Trees

Road Surface: Gravel

Fencing:

Remarks

Surround yourself with 1455+- feet of gorgeous Echo Lake water frontage providing unlimited and expansive views out every window. Charming home is currently situated on a knoll with windows from all sides to capture the unique setting. If you are in need of additl.space, this home was designed for expansion in mind although very charming and beautifully done as is. Rolling grass to gravel beach.

Legal and Tax Information

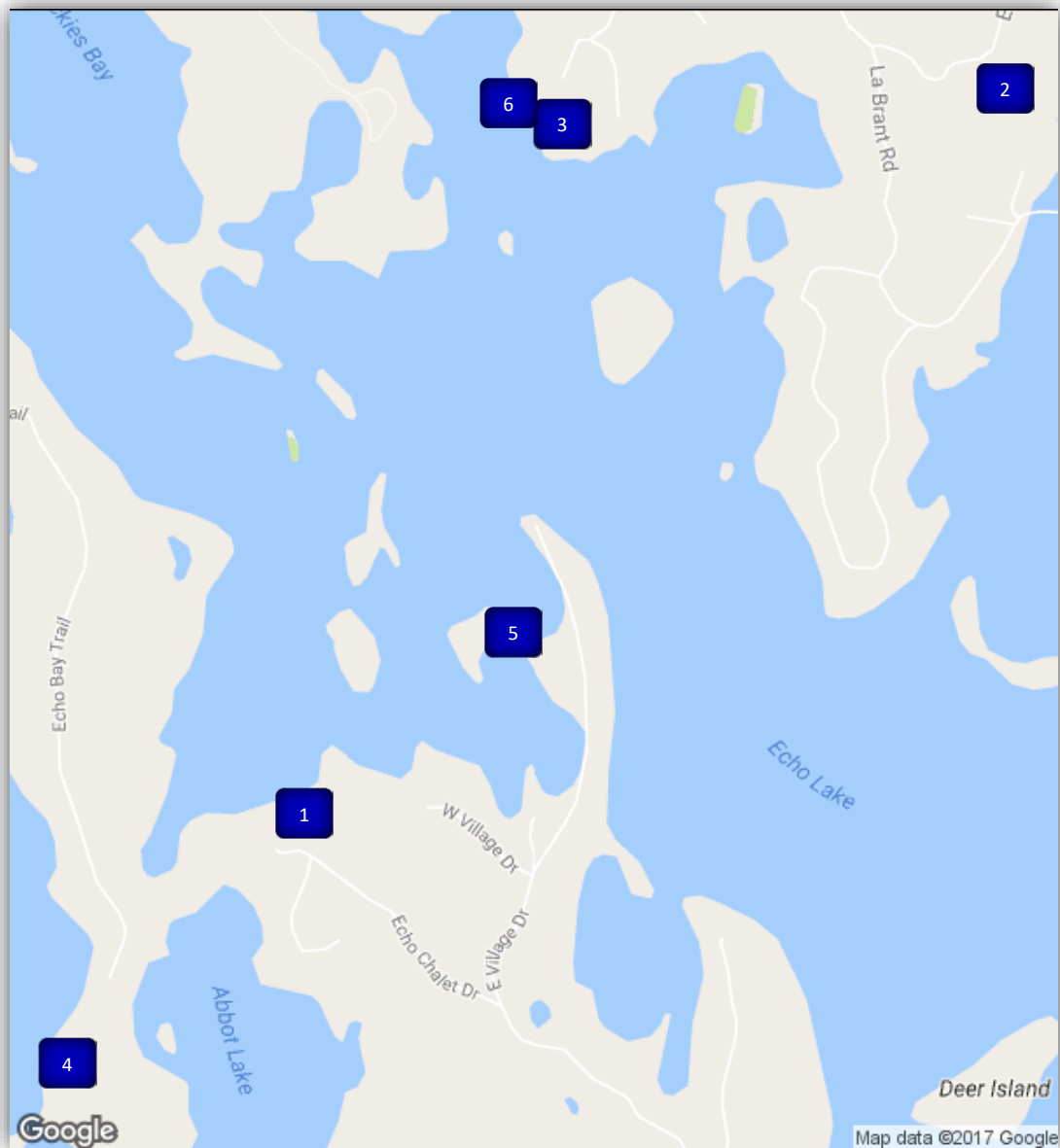
Covenant: Yes

Zoning: SAG 5 Echo Dst.

Taxes: 3836.86

Tax Year: 2013.0

Legal:



Legend

1. Echo Chalet Drive, Bigfork, MT 59911
2. 1704 Labrant Road, Bigfork, MT 59911
3. Echo Creek Road, Bigfork, MT 59911
4. Echo Bay Trail, Bigfork, MT 59911
5. East Village Drive, Bigfork, MT 59911
6. 1698 Labrant Road, Bigfork, MT 59911 (Subject)

Certificate of Survey

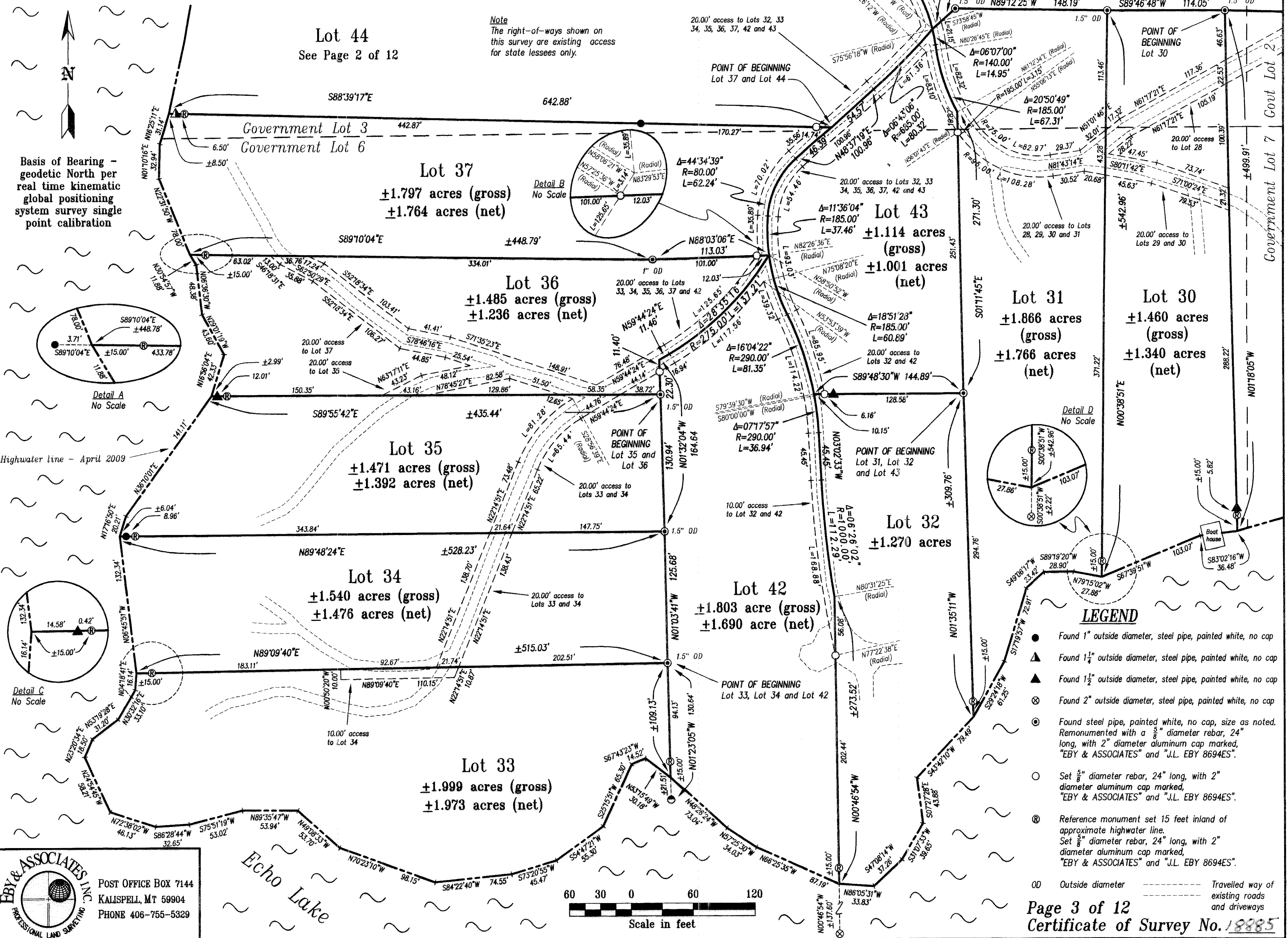
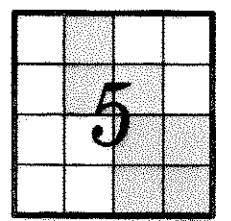
Government Lots 2, 3, 6, 7, 8, 9 and 12, Section 5
Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana

COS# 18885

201000002436 Fees: \$28.00 by: NC
by EBY & ASSOCIATES
Date 1/29/2010 Time 2:17 PM
Paula Robinson, Flathead County Montana

Owners:
Date of survey:
Purpose:
Commissioned by:

State of Montana School Trust Lands
August 2009
Retracement of Echo Lake Cabin Site Lease Lots
State of Montana Department of
Natural Resources and Conservation



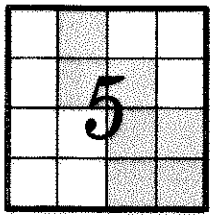
10470 1-29-10 NC

Certificate of Survey

Government Lots 2, 3, 6, 7, 8, 9 and 12, Section 5

Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana

Owners: State of Montana School Trust Lands
Date of survey: August 2009
Purpose: Retracement of Echo Lake Cabin Site Lease Lots
Commissioned by: State of Montana Department of Natural Resources and Conservation



Lot 26

That portion of Government Lot 2 and Government Lot 7, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 33°36'26" East 1951.12 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; thence South 88°45'31" West 403.51 feet; thence South 62°13'55" West 186.48 feet, more or less, to the highwater line of Echo Lake; thence along said highwater line the following five courses: North 07°46'56" West 17.47 feet, North 33°32'54" West 26.95 feet, North 51°18'50" West 24.25 feet, North 68°55'15" West 48.12 feet and North 74°02'44" West 46.51 feet; thence North 02°10'50" West 240.12 feet, more or less; thence North 43°57'51" East 96.22 feet; thence North 88°03'56" East 433.80 feet; thence South 14°58'20" East 55.04 feet; thence South 20°26'53" East 85.42 feet to the beginning of a 235.00 foot radius curve to the left concave northeasterly; thence along said curve through a central angle of 28°57'51" an arc length of 118.80 feet; thence South 49°24'44" East 96.27 feet to the beginning of a 100.00 foot radius curve to the right; thence along said curve through a central angle of 16°07'12" an arc length of 28.13 feet to the Point of Beginning containing 4.292 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

Lot 27

That portion of Government Lot 2 and Government Lot 7, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 11°13'40" East 1253.64 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; thence South 88°44'18" East 58.87 feet; thence South 24°05'14" East 180.41 feet; thence South 02°10'50" East 240.12 feet, more or less to the highwater line of Echo Lake; thence along said highwater line the following three courses: North 87°27'46" West 23.12 feet, South 69°17'37" West 70.57 feet and South 51°27'45" West 48.54 feet; thence North 01°48'40" West 460.36 feet, more or less, containing 1.110 acres of land, more or less, to the Point of Beginning as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

Lot 28

That portion of Government Lot 2 and Government Lot 7, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 11°13'40" East 1253.64 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; thence South 01°48'40" East 460.36 feet, more or less, to the highwater line of Echo Lake; thence along said highwater line the following two courses: South 61°42'07" West 64.47 feet and North 83°51'20" West 71.97 feet; thence North 02°14'52" West 474.60 feet, more or less; thence North 86°13'12" East 132.67 feet to the Point of Beginning containing 1.434 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

Lot 29

That portion of Government Lot 2, Government Lot 3, Government Lot 6, and Government Lot 7, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 00°58'05" West 1235.78 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; thence South 88°47'47" East 132.61 feet; thence South 02°14'52" East 474.60 feet, more or less, to the highwater line of Echo Lake; thence along said highwater line the following three courses: South 80°27'04" West 42.76 feet, South 87°42'00" West 50.01 feet, and South 74°02'05" West 49.63 feet; thence North 01°18'05" West 499.91 feet, more or less, to the Point of Beginning containing 1.520 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

Lot 30

That portion of Government Lot 3 and Government Lot 6, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 00°58'05" West 1235.78 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; South 01°18'05" East 499.91 feet, more or less, to the highwater line of Echo Lake; thence along said highwater line the following two courses: South 83°02'16" West 36.48 feet and South 67°39'51" West 103.07 feet; thence North 00°38'51" East 542.96 feet, more or less, thence North 89°46'48" East 114.05 feet to the Point of Beginning containing 1.460 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

Lot 31

That portion of Government Lot 3 and Government Lot 6, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 09°45'00" West 1626.25 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; thence North 01°11'45" West 271.30 feet to the beginning of a 185.00 foot radius curve concave northeasterly having a radial bearing of North 61°12'34" East; thence northwesterly along said curve through a central angle of 20°50'49" an arc length of 67.31 feet to the beginning of a 140.00 foot radius reverse curve concave westerly; thence along said curve through a central angle of 06°07'00" an arc length of 14.95 feet; thence North 48°34'09" East 29.22 feet; thence South 89°12'25" East 148.19 feet; thence South 00°38'51" West 542.96 feet, more or less, to the highwater line of Echo Lake; thence along said highwater line the following five courses: North 79°15'02" West 27.86 feet, South 89°19'20" West 28.90 feet, South 49°06'17" West 23.42 feet, South 17°19'57" West 72.91 feet, and South 29°24'18" West 61.25 feet; thence North 01°35'11" West 309.76 feet, more or less, to the Point of Beginning containing 1.866 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

Lot 32

That portion of Government Lot 6, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 09°45'00" West 1626.25 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; thence South 01°35'11" East 309.76 feet, more or less, to the highwater line of Lake; thence along said highwater line the following five courses: South 43°42'10" West 79.49 feet, South 07°27'28" East 43.88 feet, South 31°07'33" West 39.65 feet, South 47°08'14" West 37.26 feet and North 86°05'31" West 33.83 feet; thence North 00°46'54" West 273.52 feet, more or less, to the beginning of a 1000.00 foot radius curve concave easterly having a radial bearing of North 80°31'25" East; thence along said curve through a central angle of 06°26'02" an arc length of 112.29 feet; thence North 03°02'33" West 45.45 feet to the beginning of a 290.00 foot radius curve to the left concave westerly; thence along said curve through a central angle of 07°17'57" an arc length of 36.94 feet; thence North 89°48'30" East 144.89 feet to the Point of Beginning containing 1.270 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

Lot 33

That portion of Government Lot 6, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 16°51'28" West 1943.12 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; thence South 01°23'05" East 109.13 feet, more or less, to the highwater line of Echo Lake; thence along said highwater line the following seventeen courses: North 53°15'49" West 30.18 feet, South 67°43'23" West 14.52 feet, South 25°15'51" West 65.30 feet, South 54°47'21" West 55.30 feet, South 73°20'55" West 45.47 feet, South 84°22'40" West 74.55 feet, North 70°23'10" West 98.15 feet, North 49°08'33" West 53.70 feet, North 89°35'47" West 53.94 feet, South 75°51'19" West 53.02 feet, South 86°28'44" West 32.65 feet, North 72°38'02" West 46.13 feet, North 24°54'45" West 58.21 feet, North 23°20'34" East 18.50 feet, North 53°19'28" East 31.20 feet, North 30°32'16" East 33.10 feet and North 04°18'41" East 16.14 feet; thence North 89°09'40" East 515.03 feet, more or less, to the Point of Beginning containing 1.999 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

Lot 34

That portion of Government Lot 6, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 16°51'28" West 1943.12 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; thence South 89°09'40" West 515.03 feet, more or less, to the highwater line of Echo Lake; thence along said highwater line, North 06°45'51" West 132.34 feet; thence North 89°48'24" East 528.23 feet, more or less; thence South 01°03'41" East 125.68 feet to the Point of Beginning containing 1.540 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

Lot 35

That portion of Government Lot 6, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 19°33'10" West 1701.17 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; thence South 01°32'04" East 130.94 feet; thence South 89°48'24" West 528.23 feet, more or less, to the highwater line of Echo Lake; thence along said highwater line the following two courses: North 17°16'50" East 20.21 feet and North 36°10'01" East 141.11 feet; thence South 89°55'42" East 435.44 feet, more or less, to the Point of Beginning containing 1.471 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

Lot 36

That portion of Government Lot 6, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 19°33'10" West 1701.17 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; thence North 89°55'42" West 435.44 feet, more or less, to the highwater line of Echo Lake; thence along said highwater line the following four courses: North 16°56'04" East 42.33 feet, North 29°01'19" West 43.60 feet, North 06°36'30" West 48.38 feet, and North 30°54'57" West 11.88 feet; thence South 89°10'04" East 448.79 feet, more or less; thence North 88°03'06" East 113.03 feet to the beginning of a 275.00 foot radius curve concave northwesterly having a radial bearing of North 58°50'52" West; thence southwesterly along said curve through a central angle of 28°35'16" an arc length of 137.21 feet; thence South 59°44'24" West 11.46 feet; thence South 01°32'04" East 33.70 feet to the Point of Beginning containing 1.485 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

Lot 37

That portion of Government Lot 3 and Government Lot 6, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 16°40'08" West 1404.94 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; thence South 48°37'19" West 46.39 feet to the beginning of an 80.00 foot radius curve to the left concave easterly; thence along said curve through a central angle of 44°34'39" an arc length of 62.24 feet to the beginning of a 185.00 foot radius compound curve concave easterly; thence along said curve through a central angle of 11°36'04" an arc length of 37.46 feet; thence South 88°03'06" West 113.03 feet; thence North 89°10'04" West 448.79 feet, more or less, to the highwater line of Echo Lake; thence along said highwater line the following three courses: North 22°31'50" West 78.00 feet, North 01°10'16" East 32.94 feet, and North 16°25'11" East 31.14 feet; thence South 88°39'17" East 642.88 feet, more or less, to the Point of Beginning containing 1.797 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

Lot 38

That portion of Government Lot 7, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 28°13'57" East 2454.50 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West; thence South 88°53'09" West 349.02 feet, more or less, to the highwater line of Echo Lake; thence along said highwater line the following three courses: North 28°23'26" West 19.48 feet, North 11°20'49" West 79.47 feet, and North 06°43'01" West 44.63 feet; thence North 89°26'40" East 376.72 feet, more or less, to the beginning of a 350.00 foot radius curve concave westerly having a radial bearing of South 84°28'52" West; thence along said curve through a central angle of 09°07'03" an arc length of 55.70 feet to the beginning of a 500.00 foot radius reverse curve concave easterly; thence along said curve through a central angle of 09°15'00" an arc length of 80.72 feet to the Point of Beginning containing 1.161 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

Lot 39

That portion of Government Lot 7, Section 5, Township 27 North, Range 19 West, Principal Meridian, Flathead County, Montana described as follows:

BEGINNING at a point that bears South 28°13'57" East 2454.50 feet from the North Quarter Corner of Section 5, Township 27 North, Range 19 West, said point being on a 500.00 foot radius curve concave easterly having a radial bearing of North 84°20'55" East; thence along said curve through a central angle of 14°54'49" an arc length of 130.15 feet; thence South 20°33'54" East 10.70 feet; thence South 88°00'28" West 281.84 feet, more or less, to the highwater line of Echo Lake; thence along said highwater line the following two courses: North 37°39'54" West 112.94 feet and North 32°10'03" West 59.10 feet; thence North 88°53'09" East 349.02 feet, more or less, to the Point of Beginning containing 1.008 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

COS# 18885

201000002436 Fees: \$28.00 by: NC
by EBY & ASSOCIATES
Date 1/29/2010 Time 2:17 PM
Paula Robinson, Flathead County Montana

Page 11 of 12
Certificate of Survey No. 18885



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

DEFINITIONS:

Current fair market value. (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, property 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 property at a level that will allow the appraiser to render a credible opinion of value about the property. The appraiser must have knowledge of the comparables through either personal inspection or with use of sources the appraiser deems reliable, and must have at least viewed the comparables.

The appraiser will consider the highest and best use of the subject property. (Note: it may be possible that because of the characteristics of a subject property, or market, there may be different highest and best uses for different components of the property. Again, that will depend on the individual characteristics of the subject property and correlating market. 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 property 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 cabin site lot 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. Comparables sales used should preferably be most recent sales available or be adjusted for market trends if appropriate. The comparable sales must be in reasonable proximity to the subject, preferably within the same county or a neighboring county. Use comparable sales of like property.

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

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

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

Appraised Values Required:

The appraisal for 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 unimproved land exclusive of real property improvements.
3. Allocate a separate market value for the non-state-owned improvements, from the total market value derived in 1 above.
4. Valuation of the improvements must account for all forms of obsolescence.

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 on Echo Lake in Flathead County:

Sale #	Acres	Legal Description
892	1.999 ±	Lot 33 Echo Lake Cabin Sites, COS 18885, Section 5, T27N-R19W

DNRC Contact Information:

Emily Cooper, Lands Section Supervisor
P.O. Box 201601
Helena, MT 59620-1601
Phone: (406) 444-4165
ecooper@mt.gov

Lessee:

Dale & Connie Russell Box 15 Diamond City, AB T0K0T0, CANADA Phone: (403) 381-4010 Cell: (403) 330-9706

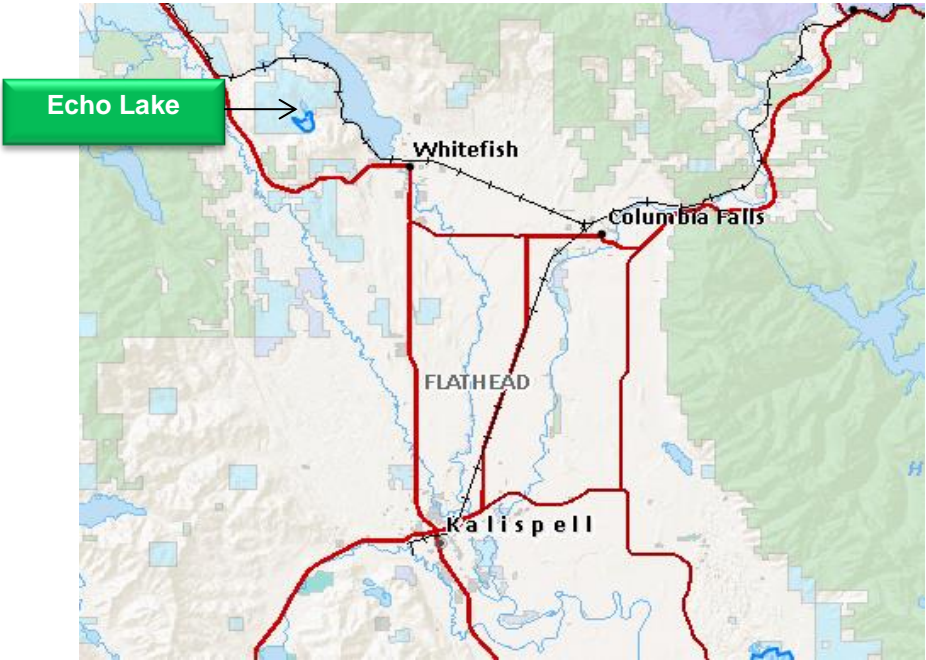
The following will be located in the body of the contract:

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

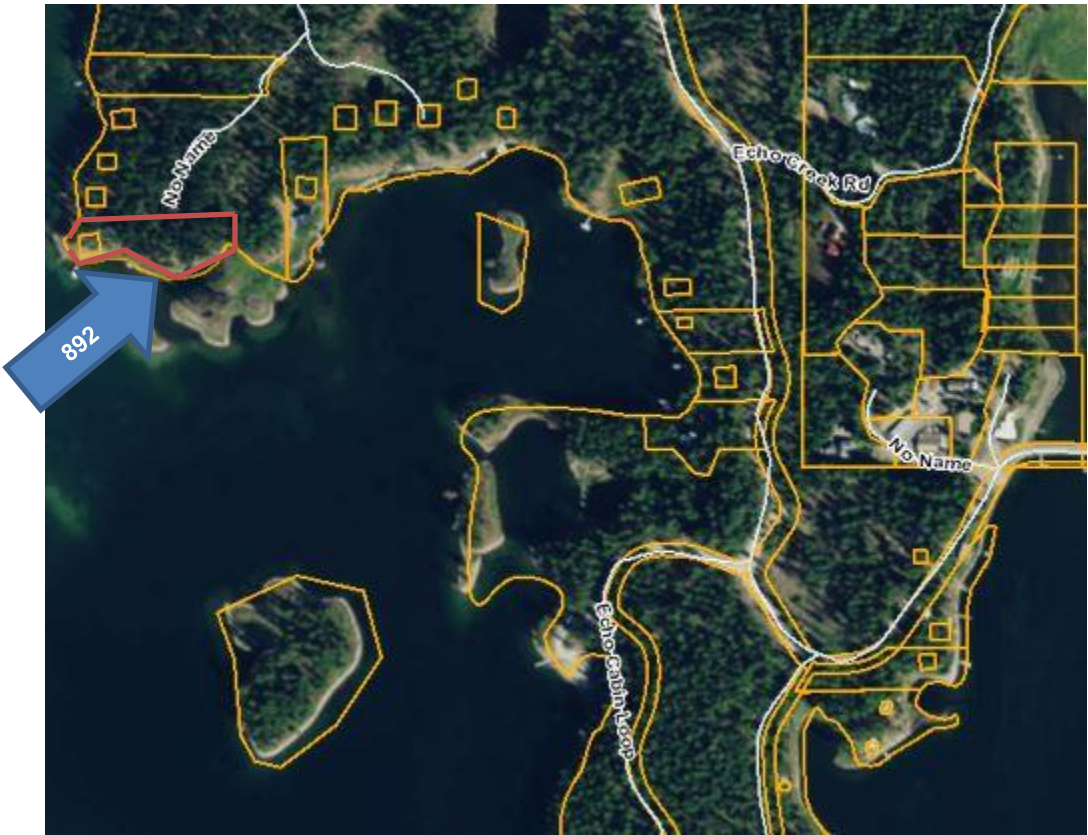
The definition of market value is that as defined in 70-30-313 M.C.A.

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

Sale Location Map



Echo Lake Lots



Sale Parcel Survey

