

McGinnis Real Estate Appraisal Group, LLC

Appraisal Report

Lot 10 and Lot 11 East Shore Flathead Lake
Summer Home Tracts
26242 Montana Highway 35
Polson, MT 59860

Jennifer L. McGinnis, MAI

LOT 10

1,634 SF above grade 1.5 story residence with 408 SF basement and 384 SF tuck-under garage originally built in 1950 on a 1.182 acre wooded cabin site parcel with MT Highway 35 frontage and Flathead Lake views.

LOT 11

1,200 SF pole frame building with metal siding and roof built in 1996 on a 0.909 acre wooded cabin site with MT Highway 35 frontage and Flathead Lake views.

Date of Valuation
June 28, 2017

FOR

**State of Montana
Montana Board of Land Commissioners
Department of Natural Resources and Conservation
Trust Land Management Division
P.O. Box 201601
1539 11th Avenue
Helena, MT 59620-1601**

DNRC No.175168

DNRC Sale #871 & #872

Our File No. 1733

McGinnis Real Estate Appraisal Group, LLC

July 10, 2017

Montana DNRC
Emily Cooper, Lands Section Supervisor
P.O. Box 201601
Helena, MT 59620-1601
(406)444-4165

RE: Charles & Myrna Hall, Lessee
Lot 10 & Lot 11 East Shore Flathead Lake Summer Home Tracts
26242 MT Highway 35
Polson, MT 59860

DNRC No. 175168
DNRC Sale #871 & #872
Our File No. 1733

Dear State of Montana DNRC Trust Land Management Division,

At your request I have prepared an appraisal on the above described properties. The purpose of the appraisal is to develop a **current fair market value (MCA 70-30-313)** appraisal of the entire property with the **hypothetical condition** that land and improvements are in fee simple ownership, with one owner, including a separate market value for the State-owned land, as if vacant, as well as a separate market value for non-State-owned improvements.

The appraisal complies with The Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board. The attached report details among other important factors, appraiser certification, scope of work, definition of **current fair market value**, the highest and best use of the property, all applicable approaches to value, and assumptions and limiting conditions. Acceptance of this appraisal constitutes an agreement whereby the

user acknowledges and accepts all conditions provided herein. I hereby submit the following appraisal report containing 84 pages and Addenda.

I have appraised the property with the ***Hypothetical Condition of fee simple ownership*** subject to easements or restrictions of record, and the ***Extraordinary Assumption and Limiting Condition*** of access on gravel driveway through State lands. The use of a Hypothetical Condition and Extraordinary Assumption and Limiting Condition affects assignment results. I assume no responsibility for the marketability of the title to the property. An interior and exterior site visit was completed June 28, 2017.

A Phase I Environmental Site Assessment was not provided to me; however, a visual inspection of the property revealed no materials stored on site which would constitute hazardous wastes. However, your appraiser is not an expert in this field and if some questions exist a qualified professional should be contacted.

I have complied with the Competency Provision as required in the Uniform Standards of Professional Appraisal Practice, based on my education and experience in appraising similar properties throughout western Montana.

As a result of my investigations, studies and analyses, I have formed the opinion that the ***current fair market value(s) (MCA 70-30-313)*** of the subject properties, with consideration to the ***Hypothetical Condition and Extraordinary Assumption and Limiting Condition*** stated in this report and a cash sale, as of June 28, 2017 is:

<i>Fair Market Value indications by Cost & Sales Comparison approaches</i>		
Description	Lot 10 Sale #872	Lot 11 Sale #871
Land-segregated value	\$60,000	\$60,000
Improvements-segregated value	\$180,000	\$10,000
Total fee simple market value (hypothetical Condition)	\$240,000	\$70,000

I direct your attention to the data, discussions and conclusions which follow.
Thank you for the opportunity to be of service.

Respectfully submitted,



Jennifer L. McGinnis, MAI
MT Certified General Appraiser
REA-RAG-LIC-714

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Certification Statement

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the 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.
- I have made a personal inspection of the property that is the subject of this report and all comparable sales.
- No one provided significant real property appraisal assistance to the person signing this certification.
- I have provided no services as an appraiser or in any other capacity of the subject property within the three years prior to this assignment.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

- As of the date of this report, I have completed the continuing education program of the Appraisal Institute.
- As of the date of this report, I have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Members.

A handwritten signature in dark ink, reading "J McGinnis". The signature is written in a cursive, flowing style.

Jennifer L. McGinnis, MAI
MT Certified General Appraiser
REA-RAG-LIC-714

General Assumptions and Limiting Conditions

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

1. No responsibility is assumed for matters that are legal in nature nor is any opinion rendered on title of property appraised which is assumed to be marketable. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
2. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
3. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
4. Unless expressly specified in this Agreement, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of McGinnis Real Estate Appraisal Group, LLC, is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
5. Where the values of the land and the improvements are shown separately, the value of each is segregated only as an aid to better estimate the value which it lends to the whole parcel, rather than value of that particular item if it were by itself.
6. The dates of value to which the opinions expressed in this report apply are set forth in this report. I assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
7. All maps, areas, plans, specifications, and other data furnished your appraiser are assumed to be correct. No survey of the property was made by this firm. Furthermore, all numerical references to linear

measurements, area, volume or angular measurements should be assumed to be “more or less” (\pm), and are accurate to a degree consistent with their use for valuation purposes.

8. Neither the employment to make the appraisal nor the compensation for it is contingent upon the amount of valuation reported.
9. The information, estimates and opinions which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
10. To the best of my knowledge and belief, the statements of fact contained in this appraisal report upon which the analysis, opinions, and conclusions expressed herein are based are true and correct. Furthermore, no important facts have been withheld or overlooked.
11. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraiser is connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraiser.
12. This appraisal was prepared for the sole and exclusive use of the client. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of McGinnis Real Estate Appraisal Group, LLC and Client. The appraiser assumes no liability for unauthorized use of the appraisal report by a third party.
13. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
14. The value opinion provided herein is subject to any and all predications set forth in this report.
15. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, I have not completed nor have I contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, she makes no guarantees, express or implied, regarding this determination.

16. If the appraisal is for mortgage loan purposes 1) I assume satisfactory condition of improvements if construction is not complete, 2) no consideration has been given rent loss during rent-up unless otherwise noted in the body of this report, and 3) occupancy at levels consistent with my "Income and Expense Projection" are anticipated.
17. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
18. My inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. I inspected the buildings involved and reported damage (if any) as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.
19. The appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or nation governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
20. When possible, I have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to me, I have relied upon my own measurements of the subject improvements. I follow typical appraisal industry methods; however, I recognize that some factors may limit my ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple-story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
21. I have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and /or reliable are used within this report. While the measurements and any accompanying sketches are considered to be

reasonable accurate and reliable, I cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). I reserve the right to use an alternative source of building size and amend the analysis, narrative or concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.

22. In the absence of being provided with a detailed land survey, I have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, I reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
23. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and I reserve the right to amend this appraisal if substantial differences are discovered.
24. The appraiser is not qualified to detect hazardous wastes and/or toxic materials. Any comment by the appraiser that might suggest the possibility of presence of such substances should not be taken as confirmation of the presence of hazardous wastes and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, petroleum products or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover such conditions. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
25. I have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the Americans with Disabilities Act (ADA) which became effective January 26, 1992. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.

26. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment or subsurface rights (minerals, gas and oil) were not considered in this appraisal unless specifically stated to the contrary.
27. If any claim is filed against any of McGinnis Real Estate Appraisal, LLC affiliates, partners or employees, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
28. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
29. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
30. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from my estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, I strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determining insurance coverage and I make no warranties regarding the accuracy of this estimate.
31. It is your responsibility to read the report and to inform the appraiser of any errors or omissions of which you are aware, prior to utilizing the report.
32. All disputes shall be settled by binding arbitration in accordance with then then-existing commercial arbitration rules of the American Arbitration Association (the "AAA").
33. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions

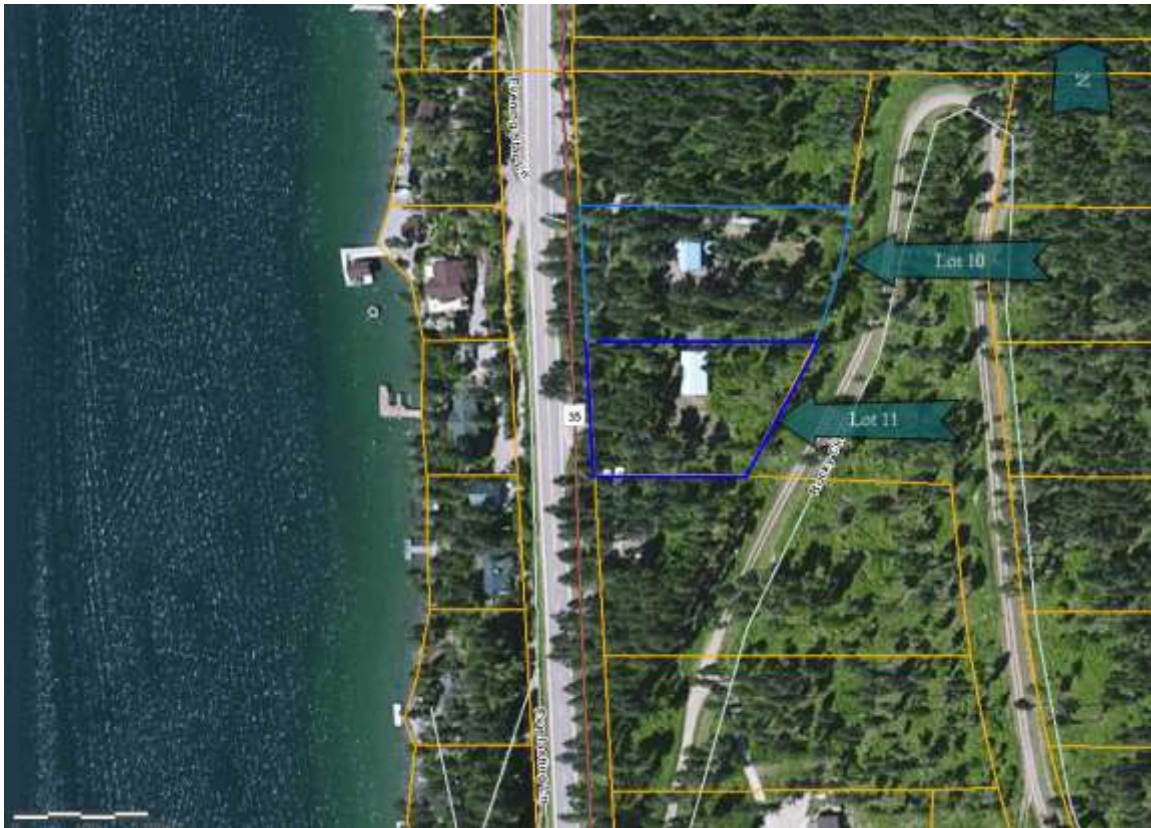
Summary of Conclusions

Current Owners-Land Leasehold Improvements	State of Montana Charles A.S. & Myrna H.P. Hall
Location of Property	26242 MT Highway 35 Polson, MT 59860
Legal Description-Residence #872 Legal Description-Pole Bldg #871	Lot 10, E Shore Flathead Lake Summer Home Tracts Lot 11, E Shore Flathead Lake Summer Home Tracts COS 6338 RT, Section 16, T24N-R19W P.M.M. Lake County Montana
Property Rights Appraised	Hypothetical Fee simple, subject to easements and restrictions of record
Present Use	Single family residence & pole building Leasehold improvements
Highest and Best Use	Single family residential homesites
Extraordinary Assumptions	Access on private drive through State lands
Hypothetical Conditions	Fee Simple ownership
Site Area-Lot 10 Sale #872 Site Area-Lot 11 Sale #871	1.182 acres .909 acre
Date of Valuation	June 28, 2017

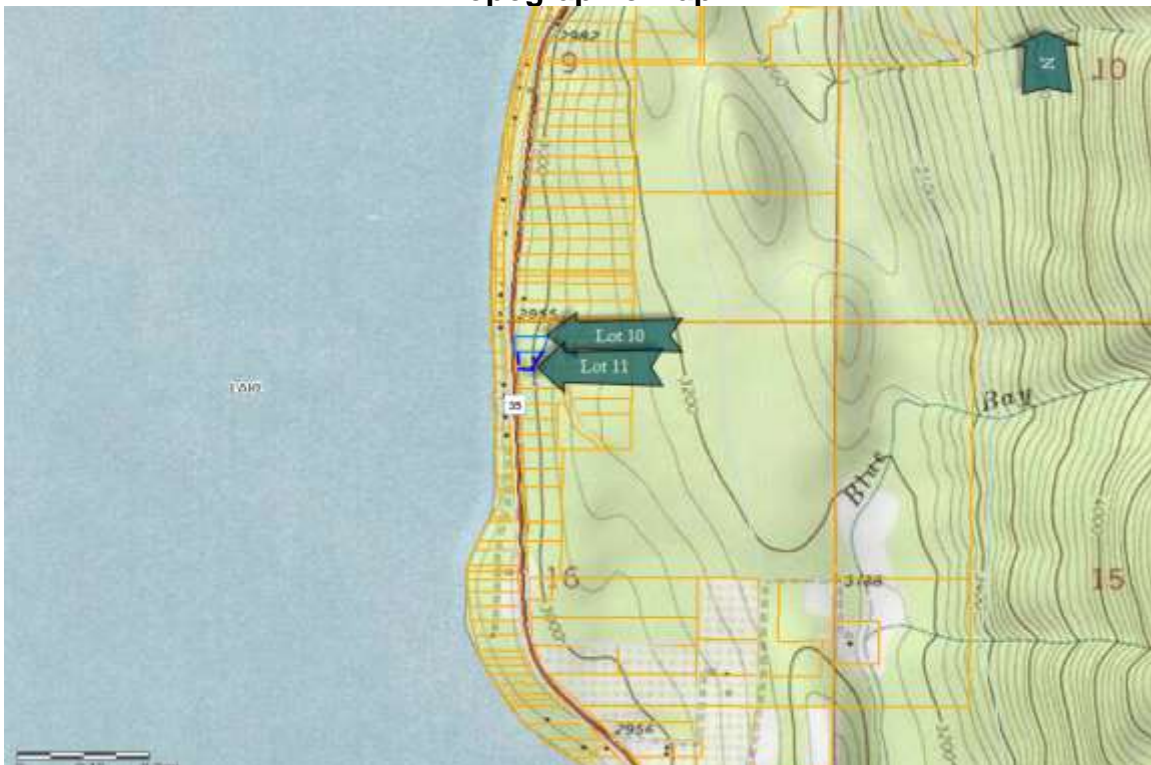
<i>Fair Market Value indications by Cost & Sales Comparison approaches</i>		
Description	Lot 10 Sale #872	Lot 11 Sale #871
Land-segregated value	\$60,000	\$60,000
Improvements-segregated value	\$180,000	\$10,000
Total fee simple market value (hypothetical Condition)	\$240,000	\$70,000

Subject Property Photographs

Aerial view



Topographic Map



SUBJECT PROPERTY PHOTOGRAPHS
Photos taken 6/28/2017 by Jennifer McGinnis



Subject MT Highway 35 frontage and access facing north



Subject Lot 10 gravel driveway access –Based on aerial photograph, road appears to partially go through adjacent State owned lot to the north.

SUBJECT PROPERTY PHOTOGRAPHS



Subject Lot 10 residential improvements-front



Subject Lot 10 residential improvements-rear

SUBJECT PROPERTY PHOTOGRAPHS



Subject Lot 10 residential improvements-living room with wood stove insert



Subject Lot 10 residential improvements-updated kitchen

SUBJECT PROPERTY PHOTOGRAPHS



Subject Lot 10 residential improvements-sunroom



Subject Lot 10 residential improvements-1st floor bathroom

SUBJECT PROPERTY PHOTOGRAPHS



Subject Lot 10 residential improvements-1st floor laundry/mud room



Subject Lot 10 residential improvements-1st floor laundry/mud room

SUBJECT PROPERTY PHOTOGRAPHS



Subject Lot 10 residential improvements-2nd floor bedroom #1



Subject Lot 10 residential improvements-2nd floor bedroom #2

SUBJECT PROPERTY PHOTOGRAPHS



Subject Lot 10 residential improvements-2nd floor bath



Subject basement family room interior and exterior access through tuck-under garage.

SUBJECT PROPERTY PHOTOGRAPHS



Subject basement tuck-under 1-car garage interior



Subject basement tuck-under 1-car garage exterior

SUBJECT PROPERTY PHOTOGRAPHS



Subject Lot 10 facing east gentle slope to moderate slope topography



Subject Lot 10 Flathead Lake views facing west

SUBJECT PROPERTY PHOTOGRAPHS



Subject Lot 11 gravel drive access through adjacent State owned land to the south to MT Highway 35.



Subject Lot 11 pole building improvements with folding doors

SUBJECT PROPERTY PHOTOGRAPHS



Subject Lot 11 pole building improvements interior, 13' side walls



Subject Lot 11 Flathead Lake views west

Introduction

Identification of the client, Intended users, Purpose and Intended Use

The report has been prepared for 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 and the Department of Natural Resources and Conservation (DNRC) and Charles and Myrna Hall. The purpose of the appraisal is to provide the clients with a credible opinion of current fair market value of the appraised subject properties and is intended for use in the decision making process concerning the potential sale of said subject properties. No other party may use or rely on the information in this report without written consent of the preparer.

Significant Dates of Appraisal

The effective date of the appraisal is June 28, 2017. The report was completed and delivered on July 10, 2017.

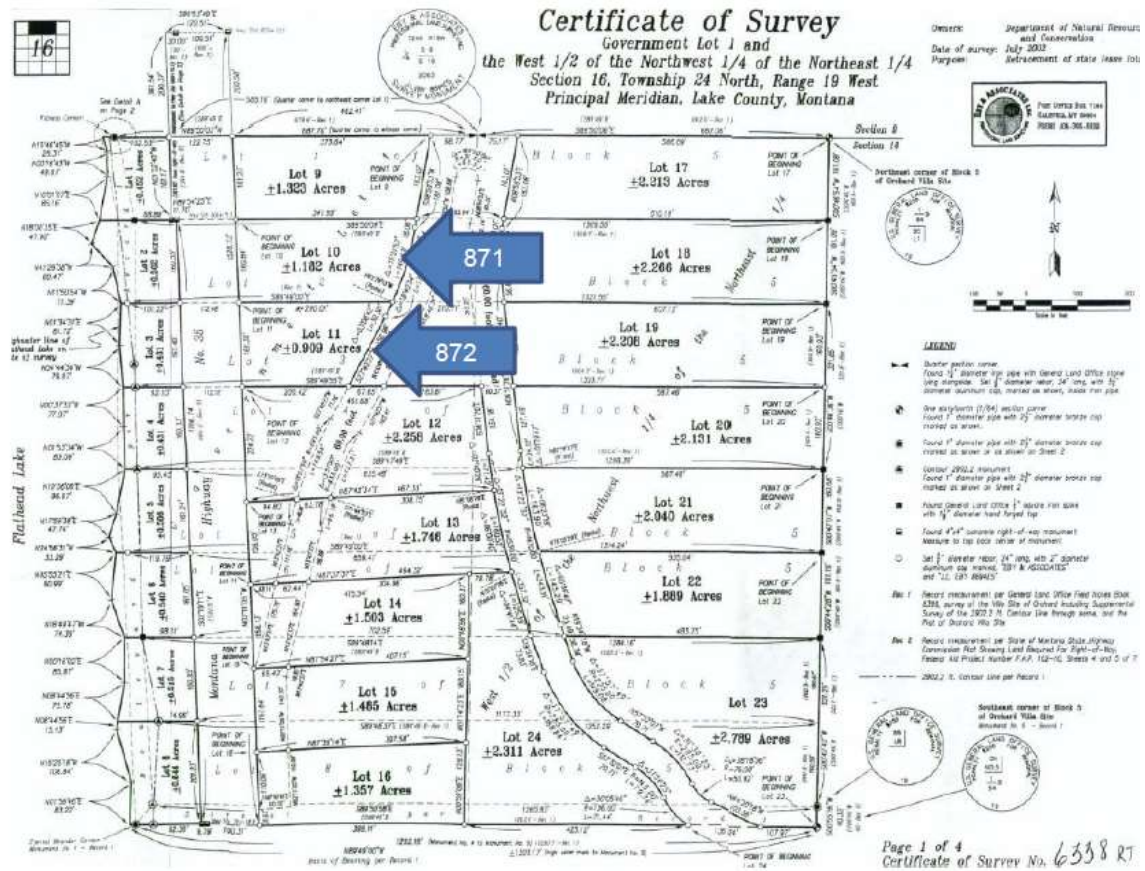
Identification of the subject real estate and the property rights appraised

This appraisal is made with the ***Hypothetical Condition*** that present ownership of the subject property includes all rights that may be lawfully owned, and is, therefore, title in fee simple, subject to all easements and restrictions of record. The use of a ***Hypothetical Condition*** that the lease does not exist affects assignment results.

The properties are legally described as:

Legal Description-Residence	Lot 10, E Shore Flathead Lake Summer Home Tracts
Legal Description-Pole Barn	Lot 11, E Shore Flathead Lake Summer Home Tracts
	COS 6338 RT, Section 16, T24N-R19W
	P.M.M. Lake County Montana
Latitude/Longitude	Lat 47.8472848
	Long -114.03991930000001

Plat Map



Inset:



Subject location map



Definition of Current Fair Market Value

The purpose of this appraisal is to provide the appraiser's best estimate of the current fair market value of the subject real property as of the effective date. Current Fair Market value, as used in this report, is defined in *Montana Code Annotated 2013*, as:

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.

Scope of Work

The following is the Scope of Work provided by the client:

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), and Charles & Myrna Hall. The purpose of the appraisal is to provide the clients with a credible opinion of current fair market value of the appraised subject properties and is intended for use in the decision making process concerning the potential sale of said subject properties.

DEFINITIONS:

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

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

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

PROPERTY RIGHTS APPRAISED:

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

EFFECTIVE DATE OF VALUATION AND DATE OF INSPECTION:

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

SUBJECT PROPERTY DESCRIPTION & CHARACTERISTICS:

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

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

ASSIGNMENT CONDITIONS:

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

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

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

The appraisal will be an Appraisal Report as per USPAP, that will describe adequately, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions. All hypothetical conditions and extraordinary assumptions must be noted. The appraiser will provide one appraisal report that included analysis and appraised values of the three (3) cabin sites 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 properties.

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

The appraisal report must list all real property improvements that were considered when arriving at the appraised value for the improvements. Improvements means a home or residence, outbuildings and structures, sleeping cabins, utilities, water systems, septic systems, docks, 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 raw land exclusive of real property improvements.
3. Allocate a separate market value for the non-state-owned improvements, from the total market value derived in 1 above.
4. Valuation of the improvements must account for all forms of obsolescence.

MONTANA DNRC TRUST LAND MANAGEMENT DIVISION
Supplemental Appraisal Instructions

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

Subject Property (Located in Lake County):

Sale #	Acres	Legal Description
871	0.909 ±	Lot 11, E Shore Flathead Lake, T24N-R19W, Sec. 16
872	1,182 ±	Lot 10, E Shore Flathead Lake, T24N-R19W, Sec. 16

DNRC Contact Information:

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

Lessees:

Sales 871 and 872
Charles & Myrna Hall
26242 MT Hwy 35
Polson, MT 59860
(315) 469-7291

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



Lake County Lots



This appraisal report employs the Cost and Sales Comparison Approach to value, which is necessary for credible results given the intended use, property characteristics and type of value sought. The Income Capitalization Approach is not developed, as there is insufficient data due to most properties in the area being owner occupied. The data collection and analysis followed the normal procedures as required by the Uniform Standards of Professional Appraisal Practice, as well as the Code of Ethics and Standards of Professional Practice of the Appraisal Institute.

Data was obtained from the following sources:

- Lake County website
- Montana Cadastral website
- Federal Reserve Economic Data website
- Site to do business
- Regional Montana Multiple Listing Service
- Data files of McGinnis Real Estate Appraisal Group, LLC.
- Real estate brokers and other appraisers in Lake and Flathead County.

Upon receiving the assignment, a file was prepared which included: certificate of survey, zoning information, courthouse research including owner of record for both land and leasehold improvements, real estate taxes, legal description, as well as a floodplain map.

An interior and exterior site visit was completed June 28, 2017 with the Lessee. The Sales Comparison Approach is employed to estimate the market value of the subject lots. Then, the Cost Approach is developed along with a physical depreciation estimate using the age-life method, to reflect the contributory value of the improvements. The Sales Comparison Approach is developed to estimate the overall value of the subject Lot 10 as improved, by comparing it to similarly improved residential properties. Comparables were viewed and photographed by the Appraiser; if the MLS photo is used in the sale data, the Appraiser photograph is included in the addenda. No similar sales of pole buildings on residential lots were found to complete a sales comparison approach for Lot 11,

therefore the cost approach was relied upon, along with market data on vehicle storage value.

Identification of personal property or other items that are not real property

No personal property is included in this report.

History/Last Sale of the Subject Property

The subject site has been under the same ownership for over three years. The Lessee, Charles and Myrna Hall purchased the leasehold improvements on Lot 10 and 11 for \$120,000 on 10/19/2011 (Quit Claim Deed 517131) and subsequently remodeled the residence on Lot 10. The subject is not currently listed for sale and there are no known offers to purchase the subject property at this time. The purpose of the appraisal is for decision making purposes concerning a potential sale of the said subject properties.

General Area Data



Location

Polson is the county seat of Lake County and is also within the Flathead Indian Reservation which is situated in northwestern Montana between the Cabinet Mountains on the west and the Mission mountains on the east. Four counties are included within the exterior boundaries of the Flathead reservation; Lake,

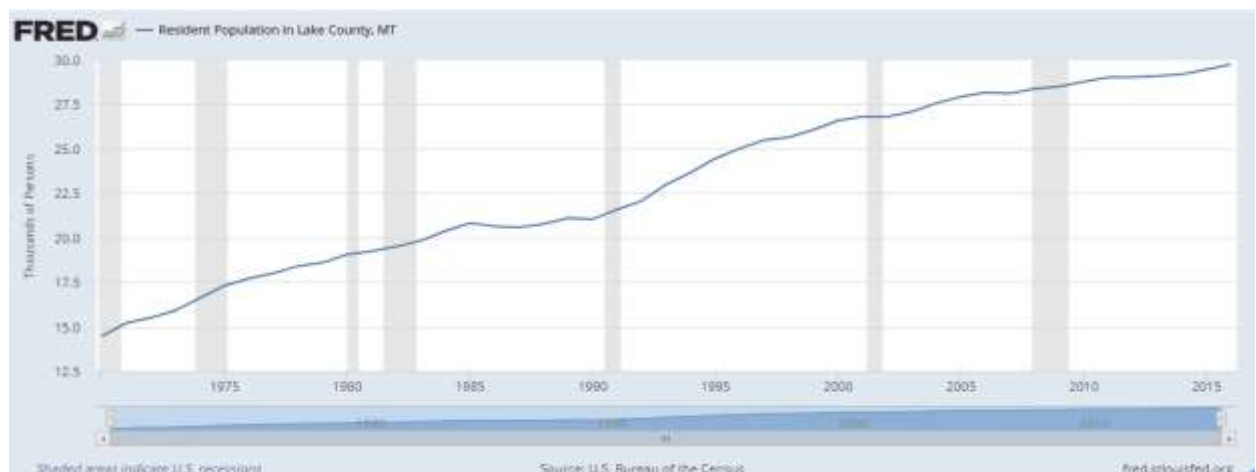
Sanders, Missoula and Flathead. The Mission mountains, located east of the subject property, are classified as a wilderness area, range upward approximately 9,000 feet. Smaller mountain ranges separate the major valleys and are generally in the 4,500 foot elevation range.

Flathead Lake and Mission mountains provide both aesthetic beauty and recreational opportunities; with many homes on the shores of the lake and at the base of the mountains. Recreational sports include hiking, river rafting, boating, fishing and skiing.

The regional business and economic centers are Kalispell, MT located approximately 50 miles north and Missoula, MT located approximately 65 miles south, with national retail outlets, the University of Montana and regional medical centers.

Population

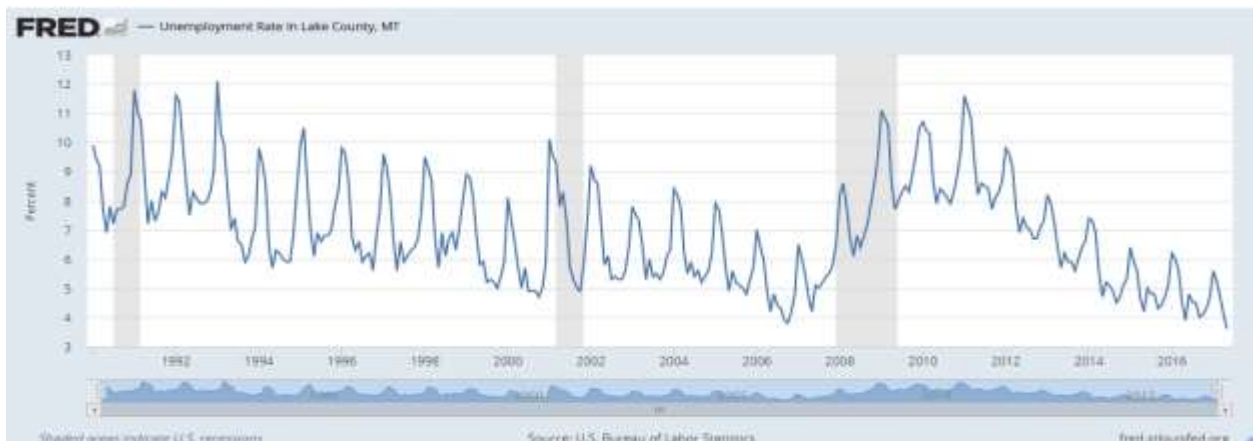
The overall population of Lake County has grown quickly, during the 1990's the growth rate increased by almost five percent per year. From 1990 to 2000, the county grew by 26 percent, or 5,466 persons. During that same time period, the Montana population grew by almost 13 percent. In 2016 the population for Lake County was approximately 29,758 people.



Employment

Commercial growth is expanding 15+/- miles south in Polson, the County seat, with a new Wal-Mart Super Center at the southern edge of Polson, on the east side of Highway 93. Pablo, located 20+/- miles north is the government headquarters for the Confederated Salish and Kootenai Tribes and is also the location of the Salish and Kootenai College, with over 1,000 students enrolled.

The service sector employs more workers and produces more personal income than any other sector in Lake County. Services include medical care, auto repair, legal representation and tourism. There are many people moving to the area to retire, increasing the demand for services. Lake County's economy is diverse; approximately one third of the workforce is self-employed. Personal income is relatively low, poverty rates are high and education levels are average compared to state figures. Personal income is growing faster than State and national averages, although people are more likely to hold two jobs in this area compared to other areas. The unemployment rate in Lake County is currently 3.6% which is lower than the 10% shown from 2010-2011 and the same as the overall Montana unemployment rate which is currently 3.6%.



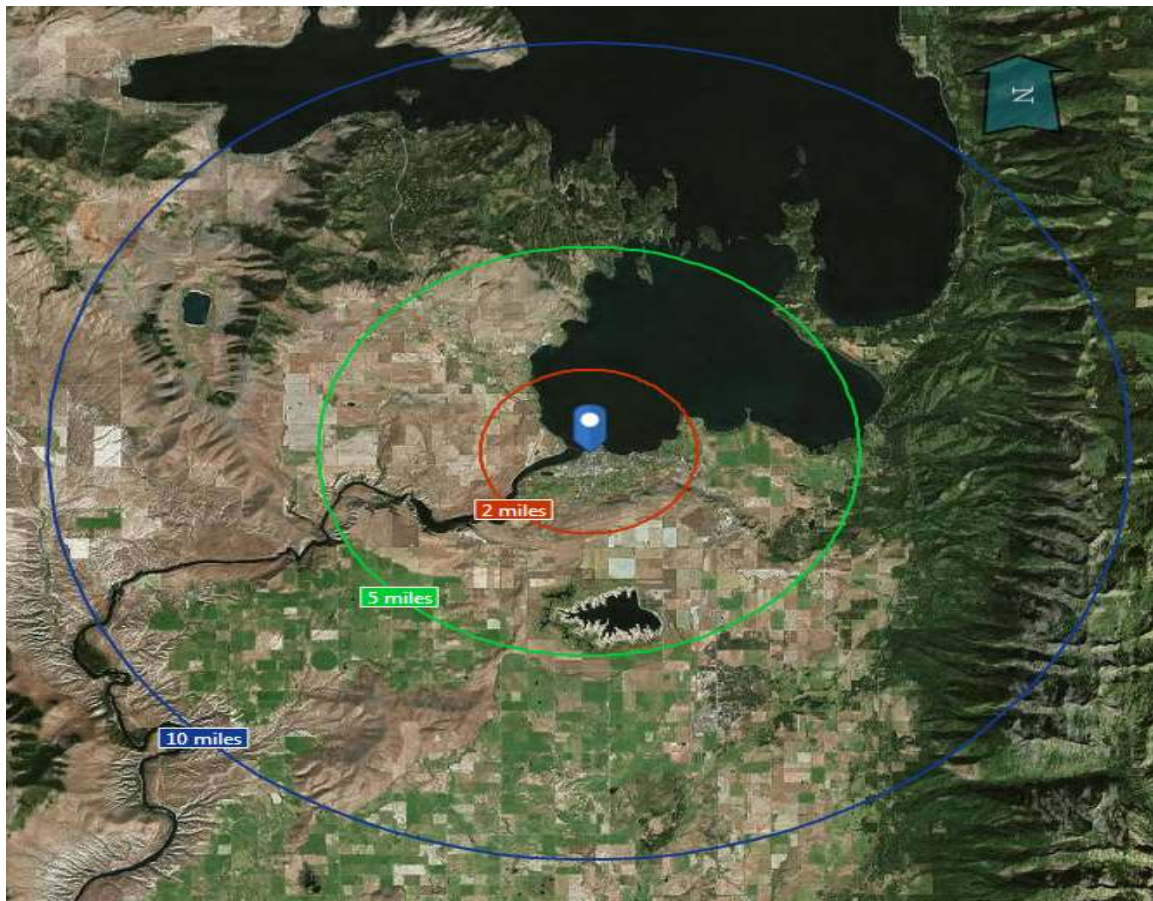
Social considerations

Polson has public schools for grades K-12, medical facilities and shopping. Police protection is good, with Tribal, and Polson police departments working together to maintain the safety of the area.

Transportation facilities are adequate with Glacier International Airport 50+/- miles northwest and Missoula International Airport 70+/- miles south, and a small airport in Polson for personal aircraft. Bus service is also available to and from Polson.

Recreational aspects within the area are excellent. Water recreation and fishing can be enjoyed at Flathead Lake and winter sports such as skiing can be found at Blacktail Mountain 40+/- miles NW in Lakeside and Whitefish Mountain Resort located in Whitefish, Montana, 70+/- miles north. Glacier National Park is also a tremendous economic asset, a portion of the 2,800,000 annual visitors travel through Polson on their way to Glacier Park, where the western gateway is 80+/- miles north of the subject.

Nighborhood Data and forecasts



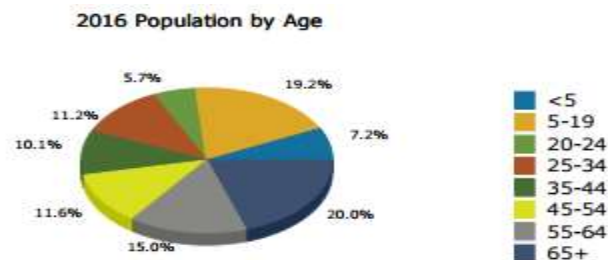
The subject is located 15+/- miles NE of Polson and has frontage on MT Highway 35 with mostly residential and cherry orchard development along the highway and lake. The Mission Mountains are east and Flathead Lake is west with minimal population along the shoreline. Recent commercial development has occurred in Polson along the US Highway 93 corridor with Super Wal-Mart, Murdock's Farm & Ranch, Safeway and Walgreen's near the intersection with MT Highway 35, next to Eagle Bank. Commercial lots selling in the corridor area have recently been developed with retail, hotel, restaurant and medical clinics. Mission Valley Aquatics opened an indoor public swimming pool in 2013 near the new development. The downtown area of Polson is located northwest of the new commercial activity, with many commercial properties developed along Highway 93 to Main Street. The subject is located on MT Highway 35, with shopping, employment, medical services and recreation within a 15 mile radius.

Population forecast 2021

Following is the esri population, housing and income forecast for the Polson area within a 2, 5 and 10 mile radius:

	2 miles	5 miles	10 miles
Population			
2000 Population	4,788	6,896	12,141
2010 Population	5,036	7,391	13,270
2016 Population	5,284	7,751	13,806
2021 Population	5,470	8,026	14,226
2000-2010 Annual Rate	0.51%	0.70%	0.89%
2010-2016 Annual Rate	0.77%	0.76%	0.64%
2016-2021 Annual Rate	0.69%	0.70%	0.60%
2016 Male Population	48.3%	48.4%	49.2%
2016 Female Population	51.7%	51.6%	50.8%
2016 Median Age	38.8	42.5	41.6

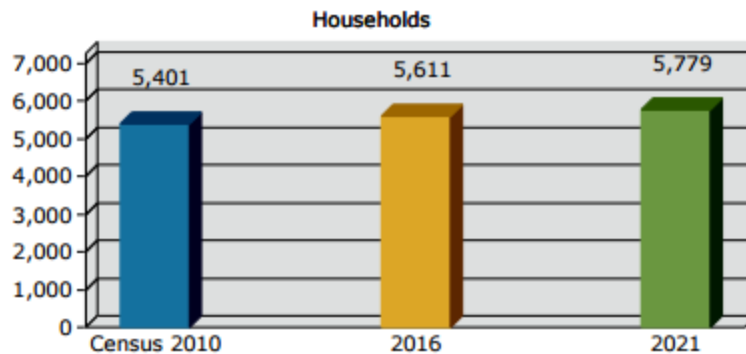
In the identified area, the current year population is 13,806. In 2010, the Census count in the area was 13,270. The rate of change since 2010 was 0.64% annually. The five-year projection for the population in the area is 14,226 representing a change of 0.60% annually from 2016 to 2021. Currently, the population is 49.2% male and 50.8% female.



Household forecast 2021

	2 miles	5 miles	10 miles
Households			
2000 Households	2,017	2,832	4,750
2010 Households	2,179	3,146	5,401
2016 Total Households	2,283	3,291	5,611
2021 Total Households	2,361	3,403	5,779
2000-2010 Annual Rate	0.78%	1.06%	1.29%
2010-2016 Annual Rate	0.75%	0.72%	0.61%
2016-2021 Annual Rate	0.67%	0.67%	0.59%
2016 Average Household Size	2.28	2.33	2.43

The household count in this area has changed from 5,401 in 2010 to 5,611 in the current year, a change of 0.61% annually. The five-year projection of households is 5,779, a change of 0.59% annually from the current year total. Average household size is currently 2.43, compared to 2.43 in the year 2010. The number of families in the current year is 3,695 in the specified area.



Income forecast 2021

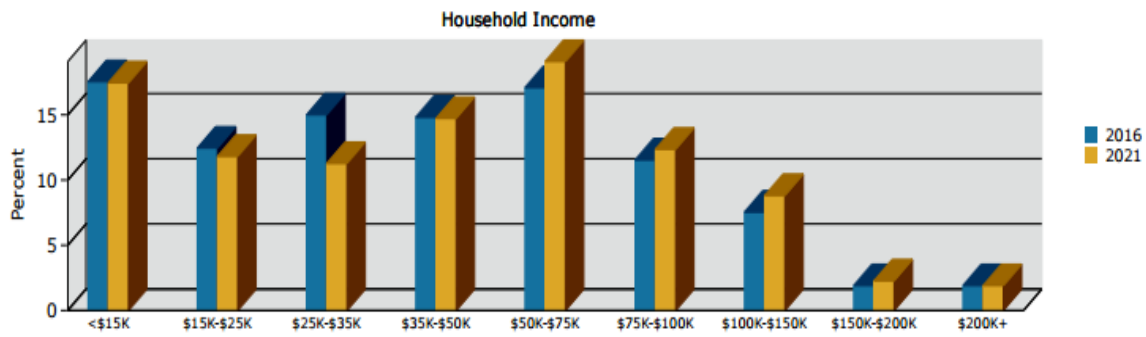
	2 miles	5 miles	10 miles
Median Household Income			
2016 Median Household Income	\$31,614	\$35,333	\$38,896
2021 Median Household Income	\$35,297	\$38,746	\$43,332
2016-2021 Annual Rate	2.23%	1.86%	2.18%
Average Household Income			
2016 Average Household Income	\$44,571	\$50,403	\$54,268
2021 Average Household Income	\$47,428	\$53,913	\$58,824
2016-2021 Annual Rate	1.25%	1.36%	1.63%
Per Capita Income			
2016 Per Capita Income	\$19,218	\$21,543	\$22,191
2021 Per Capita Income	\$20,406	\$22,994	\$24,022
2016-2021 Annual Rate	1.21%	1.31%	1.60%

Households by Income

Current median household income is \$38,896 in the area, compared to \$54,149 for all U.S. households. Median household income is projected to be \$43,332 in five years, compared to \$59,476 for all U.S. households

Current average household income is \$54,268 in this area, compared to \$77,008 for all U.S. households. Average household income is projected to be \$58,824 in five years, compared to \$84,021 for all U.S. households

Current per capita income is \$22,191 in the area, compared to the U.S. per capita income of \$29,472. The per capita income is projected to be \$24,022 in five years, compared to \$32,025 for all U.S. households

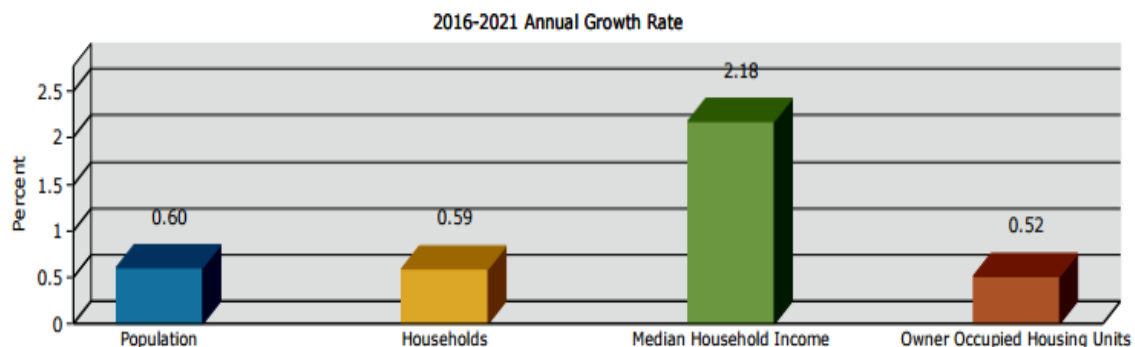


Housing forecast 2021

	2 miles	5 miles	10 miles
Housing			
2000 Total Housing Units	2,305	3,342	6,420
2000 Owner Occupied Housing Units	1,271	1,870	3,262
2000 Renter Occupied Housing Units	747	961	1,488
2000 Vacant Housing Units	287	511	1,670
2010 Total Housing Units	2,664	4,065	7,927
2010 Owner Occupied Housing Units	1,251	2,021	3,679
2010 Renter Occupied Housing Units	928	1,125	1,722
2010 Vacant Housing Units	485	919	2,526
2016 Total Housing Units	2,820	4,288	8,334
2016 Owner Occupied Housing Units	1,238	2,020	3,674
2016 Renter Occupied Housing Units	1,045	1,271	1,938
2016 Vacant Housing Units	537	997	2,723
2021 Total Housing Units	2,927	4,443	8,621
2021 Owner Occupied Housing Units	1,272	2,080	3,770
2021 Renter Occupied Housing Units	1,089	1,323	2,009
2021 Vacant Housing Units	566	1,040	2,842

Currently, 44.1% of the 8,334 housing units in the area are owner occupied; 23.3%, renter occupied; and 32.7% are vacant. Currently, in the U.S., 55.4% of the housing units in the area are owner occupied; 32.9% are renter occupied; and 11.7% are vacant. In 2010, there were 7,927 housing units in the area - 46.4% owner occupied, 21.7% renter occupied, and 31.9% vacant. The annual rate of change in housing units since 2010 is 2.25%. Median home value in the area is \$237,394, compared to a median home value of \$198,891 for the U.S. In five years, median value is projected to change by 1.11% annually to \$250,816.

Neighborhood Summary



Polson is a popular summer recreational destination due to Flathead Lake, with the seasonal population fluctuating approximately three fold during the summer months, which accounts for the higher percentage of vacant housing units reported. Forecasts for population, number of households and income all show positive trends in the next four years. U.S. Highway 93 is highly trafficked with the current average annual daily traffic count of 15,110 vehicles per day in 2015 according to the Montana Department of Transportation.

Market analysis

Lake County Residential Data

Real estate sales slowed considerably after the national economic downturn in the fall of 2008, with the volume of residential sales in Lake County down 40% in 2008 compared to 2007. Similar slowing trends were apparent in 2009 with the number of residential sales down 12% compared to 2008. The number of residential sales increased 26% in Lake County in 2010 compared to 2009; however values declined. 2011 saw an increase of 16% in sales volume over 2010, with dollar volume down 37%, indicating that prices were still falling. The number of residential sales increased 32% in 2012, with a median sale price of \$187,000. In 2013, the number of residential sales increased minimally at 4% and the dollar volume was down 7% implying market stabilization, however the median sale price was lower than 2012 at \$157,000. 2014 saw a slight decrease in residential sales volume of - 6% as well as a -2% decline in dollar volume, suggesting market stabilization, with a median sale price of \$304,000. In 2015 the market was stable with the number of residential sales increasing 16% and the dollar volume up 20%, however the median sale price was lower than 2014 at \$206,000. 2016 saw an increase in number of sales by 17%, with a 22% increase in dollar volume. The median sale price was \$250,000 and the median list price was \$370,000.

The following table illustrates residential sales volume in Lake County through 6/2017 compared to one year ago has decreased -13%, with a -22% decrease in dollar volume. The median sale price is \$237,750 and the median list price is \$389,900 with the average days on market for sales being 213 days. The average list to sale price ratio of closed residential sales is 94%. The data reveals a decrease in residential sale volume and prices are relatively stable with an oversupply of 444 listings.

MR MLS Residential Sale Data for Lake County through 6/2017

Residential		Lake County	
		No of Sales	Dollar Volume
\$1	\$99,999	16	\$1,201,000
\$100,000	\$199,999	47	\$7,097,000
\$200,000	\$299,999	47	\$11,852,000
\$300,000	\$399,999	24	\$8,231,000
\$400,000	\$499,999	7	\$3,049,000
\$500,000	\$999,999	14	\$10,227,000
\$1,000,000	\$2,999,999	2	\$3,200,000
\$3,000,000	\$5,999,999	0	\$0
\$6,000,000	+	0	\$0
Through June 2017		157	\$44,857,000
Through June 2016		181	\$57,487,000
Percentage Change		-13%	-22%
Number of Sales for Period			104
Sales - Average Price			\$288,000
Sales - Average Days on Market			213
Median Price of Sales			\$237,750
Sale Price as Percent of List Price			94%
Number of Listings			444
Listings - Average Price			\$791,000
Listings - Average Days on Mar			177
Median Price of Listings			\$389,900
Total Listing Asking Price			\$351,103,000

Lake County Vacant Land Data

There have been 79 land sales in the first half of 2017, and there were 135 total sales in 2016, an increase of 34% over the 101 lots sold in 2015. 85 lots sold in 2014, which was a 10% increase over the 77 lots sold in 2013. There are currently 490 land listings in Lake County, suggesting a 3+/- year supply. Vacant

land data is shown in the following table, with the highest inventory of vacant land available in the up to 0.49 acre site size with 112 listings and an average list price of \$71,510 with an 89% average list to sale price ratio:

MR MLS Land sales and listing data for Lake County through 6/2017

Vacant Land		% of List Price
Number of Sales for Period	42	89%
Sales through June 2017	79	
Number of Listings (EOM)	490	\$103,755,248
Average List Price		\$212,000
Average Listing Site Size (Acre)		16.43
Months supply @ 2016 Sale Rate		44
		No Average Price
Land Listings	up to 0.49 Ac	112 \$71,510
	0.5 to 0.99 Ac	54 \$135,095
	1 to 1.99 Ac	63 \$204,567
	2 to 4.99 Ac	83 \$160,678
	5 to 19.99 Ac	100 \$168,646
	over 20 Ac	78 \$581,571
Land Sales in	2005	239
	2006	180
	2007	123
	2008	67
	2009	47
	2010	44
	2011	41
	2012	57
	2013	77
	2014	85
	2015	101
	2016	135
	2017	

Lake County Commercial Data

Polson's commercial land sales have been strong in Ridgewater subdivision in the past 3+ years, in addition to the land sale to Walgreen's for the development of their store near Safeway. New commercial development is primarily in Ridgewater subdivision with the construction of O'Reilly's Auto Parts, Kalispell Regional Medical Center's medical clinic, Valley Glass, Red Lion Hotel/McKenzie River restaurant, Taco Bell, St. Luke's medical clinic, two dialysis clinics and two mixed use commercial buildings all built in the past 3+/- years.

Existing commercial sales have been minimal in Lake County with 14 sales in the past year ranging from a low of \$44,000 to the highest sale at \$1,175,000 for a gas station/convenience store/carwash/residence. There are currently 42 active commercial listings in Lake County ranging from \$39,900 to as high as \$1,800,000.

Existing Commercial Sale/Listing Data for Lake County

Statistical Market Analysis

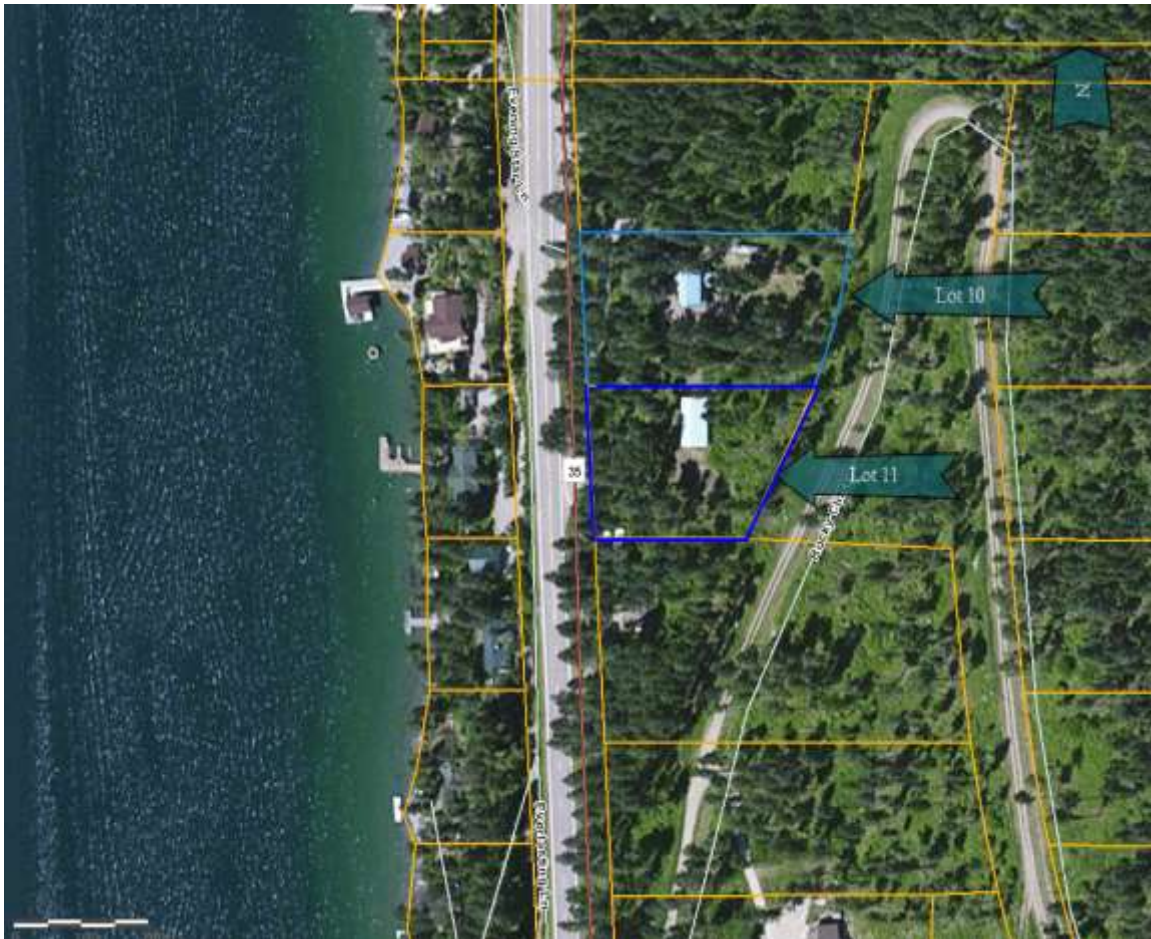
Status #	List	Sold	List Price	Sold	Sale/List	Total	List Price Per	Sold Price Per	Days on	Cumulative		
Listings	Volume	Volume		Price	Price	Sq. Ft.	Total Sq. Ft.	Total Sq. Ft.	Market	Days on Market		
Active	42	16,346,499	0	Low	39,999	0	0.00	960	1.24	0.00	4	4
				Avg	389,202	0	0.00	15,764	108.28	0.00	281	374
				Med	287,000	0	0.00	3,475	79.65	0.00	142	264
				High	1,800,000	0	0.00	445,183	420.09	0.00	1,250	1,250
Closed	14	4,468,400	3,945,408	Low	44,000	44,000	0.82	600	13.90	13.34	58	77
				Avg	319,171	281,815	0.92	4,156	92.55	82.90	221	278
				Med	191,250	187,250	0.94	3,920	80.14	70.00	140	174
				High	1,400,000	1,175,000	1.00	9,260	281.67	241.67	669	1,000
Overall	56	20,814,899	3,945,408	Low	39,999	44,000	0.82	600	1.24	13.34	4	4
				Avg	371,695	281,815	0.92	12,917	104.42	82.90	266	350
				Med	266,500	187,250	0.94	3,502	80.14	70.00	142	239
				High	1,800,000	1,175,000	1.00	445,183	420.09	241.67	1,250	1,250

Selection Criteria for Comparable Properties

Specified listings from the following search: Property type Commercial; Status of 'Active', 'Closed'; County like Lake; Sold Date between '6/26/2016' and '6/26/2017'.

In summary, the volume of residential sale activity in Lake County decreased in the past year, with values stable, while the number of vacant land sales have increased substantially in the past two years. Active commercial development is strong in the Polson market, primarily due to the new construction near Super Wal-Mart; however there is an oversupply of existing commercial properties.

Site Description



General Data

Location	Polson, MT
Street Address	26242 MT Highway 35
Assessor Parcel #	Residence #2486 Pole Building #36225
Legal Description-Residence	Lot 10, E Shore Flathead Lake Summer Home Tracts
Legal Description-Pole Barn	Lot 11, E Shore Flathead Lake Summer Home Tracts
	COS 6338 RT, Section 16, T24N-R19W P.M.M. Lake County Montana
Latitude/Longitude	Lat 47.8472848 Long -114.03991930000001
Adjacent Land Uses	
North	MT State Lands-SF residential
South	MT State Lands-SF residential
East	MT State Lands-SF residential, Mission Mountains
West	MT Highway 35, MT State lands SF residential, Flathead Lake

Physical Characteristics

Site Area-Lot 10 Sale #872	1.182 acres
Site Area-Lot 11 Sale #871	.909 acre
Shape	irregular but mostly rectangular
Topography	Gentle slope to moderate slope
Parcel Type	Single family residential site with Flathead Lake views and Highway frontage

Access

Street Name	MT Highway 35 and gravel driveway
Street Type	Public, paved
Curb Cuts	one for each driveway
Alley Access	none
Signalized Intersections	none

Site Improvements

Utilities- Lot 10 Sale #872	well, individual septic, power
Utilities- Lot 11 Sale #871	power
Parking Spaces	3+
Sidewalks	none
Landscaping-TR 10 Sale #872	grass lawn, trees, stone terracing
Landscaping-TR 11 Sale #871	deer fence around garden, watering system

Flood Zone Data

FEMA MAP No.	30047C0375C
Date	02/06/13
Flood zone	X or C Zone
	Not within a flood prone area

Other Site Conditions

Soils	No formal soil survey provided. Appears to be adequate based on surrounding development
Environmental Issues	Environmental site assessment not provided Assumption that no contamination exists
Easements & Encroachments	Typical utility easements and assumed driveway easement through adjacent lots

Site Ratings

Location	Good; Flathead Lake views
Size, Shape, Topography	Average size and shape, sloped topography
Access	Average
Exposure	Average
Site Improvements	Average
Overall Site Rating	Average/good

Zoning Designation

Zoning Code	East Shore Zoning District-Does not apply to State owned land.
Permitted Uses	Residential single family use, including manufactured homes Accessory structures, one guest house per tract for private use no larger than 1,000 SF. Agricultural & forestry uses. Impervious surface area covering up to 29% of the buildable area of the lot. Short term vacation rental of the property as a whole if a State Licenses is obtained in conjunction with the use. No short term independent rental without approval of the governing body.
Conditional Uses	Bed and breakfast, Home Occupation, Expansion of Existing business, more than one guest house per tract for private use. mobile homes, guest houses larger than 1,000 AD. Duplex, retreat, Church camp, Structures over 30' in height, fruit processing, Disturbance of slopes greater than 25% , conversion of existing use.
Prohibited Uses	Residential multifamily units, condominium development, Industrial, RV campgrounds, Mobile home parks, Commercial use.
Setbacks	50' from high-water mark of Flathead Lake 100' from centerline of Hwy 35 or 50' from the right of way 20' from other property lines 50' from neighboring orchards.

***See full zoning in the addenda**

Legal/Conforming Status

Legally Permitted Use	Yes
Conforms to Parking Standards	Yes
Conformity Conclusion	Both lots are conforming with residence and accessory structure, assumption that septic meets DEQ standards

Flood Map



MAP DATA

Panel Date February 6, 2013

FIPS Code 48141

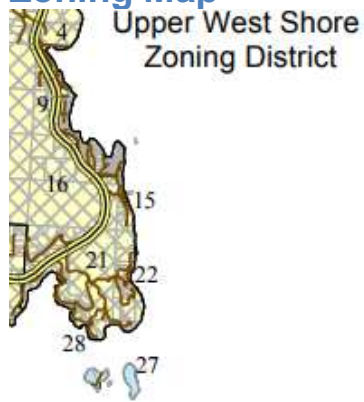
Map Number 30047C0375C

Census Tract 0034.02

Geocoding Accuracy S8 (Most Accurate) - single valid address match, point located at a single known address point candidate (Parcel)

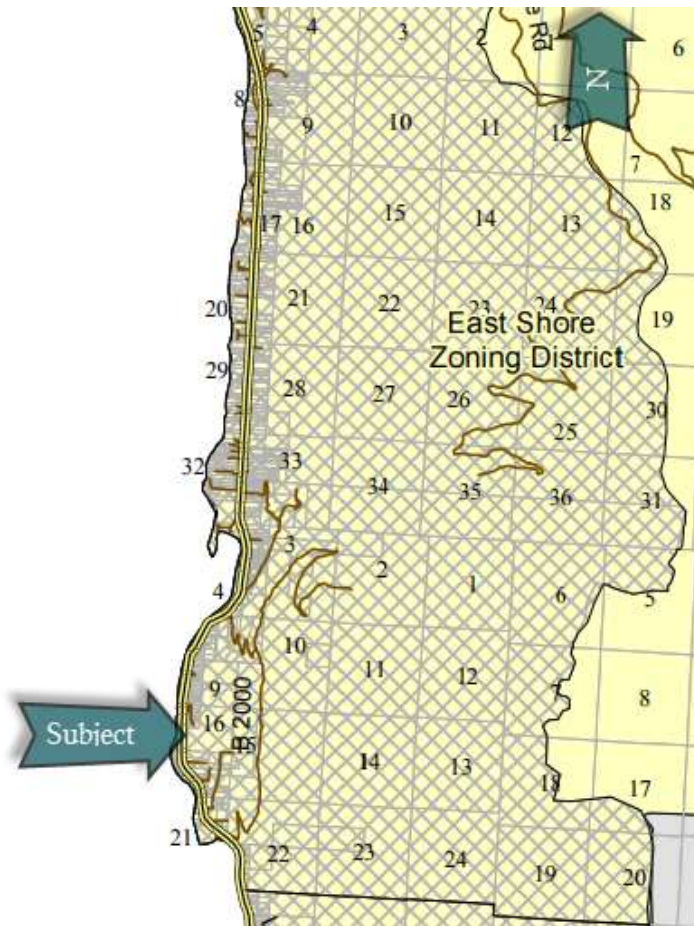
Flood	
	X or C Zone
	X500 or B Zone
	A Zone
	V Zone
	D Zone
	Area Not Mapped

Zoning Map

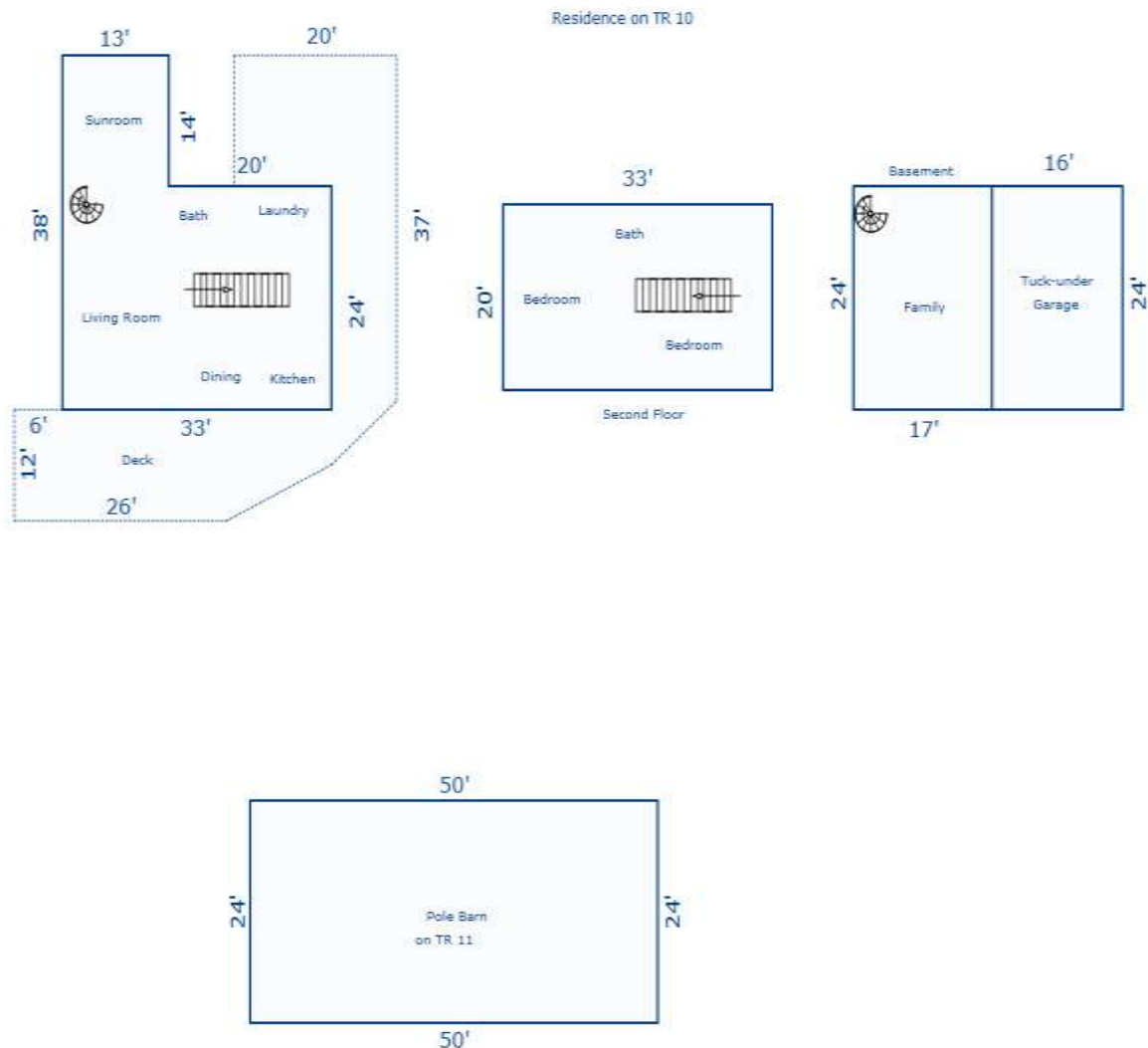


Flathead Lake

lita Island/LaBella Lane
Zoning District



Improvement Description



Code	Description	Net Size	Net Totals
GLA1	First Floor	974.00	
	Second Floor	660.00	1634.00
BSMT	Basement	408.00	408.00
GAR	Garage	384.00	384.00
P/P	Deck	921.00	921.00
OTH	Pole Barn	1200.00	1200.00

General Data-Lot 10

Property Type-Lot 10 Sale #872	Single family residence
Number of Buildings	one
Number of Stories	1.5 story residence with basement
Number of Units	one

Building Area Sources

Appraiser measurements/SF

Residence/SF	1,634
Basement/SF	408
Basement garage/SF	384
Footprint/SF	974

Age/Life

Year Built	Originally Built in 1950
Actual Age	67 years
Effective Age	15 years
Typical Building Life	55 years
Remaining Economic Life	40 years
Renovations	Residence remodeled in 2012

Exterior

Construction Class	Average quality log & frame home
Foundation	concrete/average/gd
Frame/Walls	log/average/gd
Exterior Wall Finish	log and wood siding/average/gd
Roof Cover	metal/average/gd
Windows	wood/average/gd
Deck/SF	921

Interior

Floors	wood, tile, carpet/good
Walls	DW, chipboard, tile, laminate/avg/gd
Ceiling Finish	acoustic tile/avg
Lighting fixtures	average residential
Number of bedrooms	2
Number of bathrooms	2
Finishes	average/good granite counter tops, flooring
Furniture, fixtures & equipment	Range/oven, dishwasher, refrigerator

Mechanical Systems

Electrical	Typical residential
HVAC	Electric radiant wall heaters
Fireplace	wood stove insert in fireplace

Improvement Ratings

Quality	average/good
Condition	average/good
Repairs needed	None noted, 2012 remodel
Functional Utility	Average
Overall Rating	Average/good

General Data-Lot 11

Property Type-Lot 11 Sale #871 Pole Building

Building Area Sources

Appraiser measurements/SF 1,200

Age/Life

Year Built 1996
Actual Age 21 years
Effective Age 15 years
Typical Building Life 35 years
Remaining Economic Life 20 years

Exterior

Construction Class Pole construction 13' wall height
Foundation concrete/average/gd
Frame/Walls wood pole/average/gd
Exterior Wall Finish metal siding/average/gd
Roof Cover metal/average/gd
Doors Folding doors on each end

Interior

Floors concrete, no insulation or finish

Mechanical Systems

Electrical power only

Improvement Ratings

Quality average
Condition average/good
Repairs needed None noted
Functional Utility Average
Overall Rating Average/good

Strengths, Weaknesses, Opportunities and Threats

Strengths and weaknesses are internal to the subject; opportunities and threats are external to the subject.

Strengths of the subject are that it is located near Flathead Lake with lake views and access from MT Highway 35 via gravel driveways to each lot. The improvements are in average/good remodeled condition with no deferred maintenance noted.

A weakness is that on Lot 10 both bedrooms are on the second floor of the residence, and there is some highway noise due to the proximity to MT Highway 35. Also, the location of the pole building on Lot 11 limits where a residence could be built and still maintain lake views.

Opportunities exist due to buyers purchasing homes and vacant lots for both primary and secondary vacation residences. Threats mainly have to do with current economic conditions, as there is an oversupply of both residential and vacant land properties in Lake County. However, due to the large amount of land in Tribal ownership on the East Shore and the steep topography of the mountains, there are a limited number of properties available on the East Shore of Flathead Lake.

In summary, the subject location has Flathead Lake views and easy access, but also includes highway noise. The improvements are average/good in quality and average/good remodeled condition, and there is an oversupply of available properties in Lake County.

Taxes and assessment data

Assessor #	Improvements	Taxes	AV Land	AV Imps.	AV Total
2486	Lot 10-Residential	\$822.81	\$0	\$90,970	\$90,970
36225	Lot 11-Pole Building	\$187.29	\$0	\$23,650	\$23,650
Total		\$1,010.10	\$0	\$114,620	\$114,620

This tax amount is based on a total assessed improvement value of \$90,970 for the residence on Lot 10 and \$23,650 for the pole building on Lot 11 with no taxes assessed on the State land which is tax exempt.. The subject improvement real estate taxes total \$822.81 for the residence on Lot 10 and \$187.29 for the pole building on Lot 11, and is within the comparable properties tax amounts therefore is considered reasonable.

Highest and Best Use

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

Improved properties may have a highest and best use that is different than the existing use. The existing use will generally continue until land value exceeds the total value of the property in its existing use plus demolition costs.

Analysis of Highest & Best Use as Vacant

In determining the highest and best use of the property as though vacant, an appraiser focuses on: 1) the existing use, 2) a projected development, 3) a subdivision, 4) an assemblage, or 5) holding the land as an investment.

Legally Permissible

A threshold of highest and best use is what is legally permissible. This analysis considers private restrictions, existing zoning, likely zoning, building codes, historic district controls, urban renewal ordinances, and other encumbrances because they may preclude many potential uses.

LEGALLY PERMISSABLE	
Characteristic	Conclusion
Classification:	East Shore Zoning District-Does not apply to State owned land
Permitted Uses	Residential single family use, including manufactured homes Accessory structures, one guest house per tract for private use no larger than 1,000 SF. Agricultural & forestry uses. Impervious surface area covering up to 29% of the buildable area of the lot. Short term vacation rental of the property as a whole if a State License is obtained in conjunction with the use. No short term independent rental without approval of the governing body.
Conditional Uses	Bed and breakfast, Home Occupation, Expansion of Existing business, more than one guest house per tract for private use. mobile homes, guest houses larger than 1,000 AD. Duplex, retreat, Church camp, Structures over 30' in height, fruit processing, Disturbance of slopes greater than 25% , conversion of existing use.
Prohibited Uses	Residential multifamily units, condominium development, Industrial, RV campgrounds, Mobile home parks, Commercial use.
Setbacks	50' from high-water mark of Flathead Lake 100' from centerline of Hwy 35 or 50' from the right of way 20' from other property lines 50' from neighboring orchards. **See full zoning in the addenda
Probability of Change	Unlikely

Physically Possible

Multiple factors affect the uses with which the land may be developed. These factors are considered in the following table, followed by a conclusion of the legally permissible uses that are also physically possible.

PHYSICALLY POSSIBLE	
Characteristic	Conclusion
Site Area-Lot 10 Sale #872	1.182 acres
Site Area-Lot 11 Sale #871	.909 acre
Shape	irregular but mostly rectangular
Topography	Gentle slope to moderate slope
Parcel Type	Single family residential site with Flathead Lake views and Highway frontage
Utilities	well, septic system, public power
Visibility	Average/gd
Flood Plain	none
Soil Conditions	Appears good for development based on surrounding use
Environmental Concerns	None noted
Other	Gentle slope to moderate slope
Physically possible uses	single family residential on each lot

Financially Feasible

After determining the uses that are physically possible and legally permissible, an appraiser considers the uses that are likely to produce an adequate return on investment. All uses that yield a positive return are financially feasible. Feasibility is tested through a cost/benefit analysis or through direct market observation. Based on the recent similar sales and listings, and surrounding use of developed sites, it appears that owner occupied residential use is both feasible and maximally productive. There is stable demand and an oversupply of available residential homesites. The use that indicates financial feasibility is single family residential development based on current use of similar properties in the area.

FINANCIALLY FEASIBLE		
	residential	vacant lot
Demand	stable	weak
Supply	oversupply	oversupply
Feasibility	average	average
Support	active listings	active listings

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. The subject consists of two residential lots. Therefore, single family residential development use is maximally productive.

Conclusion of Highest and Best Use as though Vacant

The conclusion of the highest and best use as though vacant, as analyzed in the previous section, is as follows:

CONCLUSION AS THOUGH VACANT	
Characteristic	Conclusion
Use:	residential
Timing:	Now
Participants (User):	owner occupied
Participants (Buyer):	owner occupied

Analysis of Highest & Best Use as improved

After taking into consideration the four tests of highest and best use, it is physically possible to occupy the subject improved property as a single family residence, permissible since the zoning allows for residential development with guest house, financially feasible based on development of surrounding sites, therefore this use will be maximally productive. Highest and best use as improved is the continued use as a single family residence for Lot 10 and development of a single family residence on Lot 11 with the existing pole building.

Conclusion of Highest and Best Use as improved

The current use as a single family residence on Lot 10 meets the general tests for highest and best use and is considered maximum site utilization. Given the attributes of the subject real estate, the conclusion of highest and best use is based on logic and observed evidence. Therefore, the highest and best use, as improved, is a continuation of the existing single family residential use on Lot 10 and single family residence on Lot 11.

Most Probable Buyer/User

As of the date of value, the most probable buyer of the subject lots is an owner occupant.

Appraisal Methodology

The following definitions were taken from *The Dictionary of Real Estate Appraisal, fifth addition, 2010* sponsored by The Appraisal Institute.

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value.

Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.

Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.

Income Capitalization Approach

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

Methods and/or Techniques Employed

Whenever possible, all three basic approaches to value are employed. The resulting indications of value are then correlated into a final estimate of market value. In the course of investigating the marketplace where this analysis is made, sufficient data was found to employ the sales comparison approach and the cost approach; however, there was insufficient data to complete the income capitalization approach.

Land Valuation

Methodology

Land is valued using the Sales Comparison Approach. This approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same utility. In the Sales Comparison Approach, the opinion of market value is based on closed sales, listings, and pending sales of properties similar to the subject property.

A systematic procedure for applying the Sales Comparison Approach includes the following steps:

- Researching and verifying transactional data
- Selecting relevant units of comparison
- Analyzing and adjusting the comparable sales for differences in various elements of comparison
- Reconciling the adjusted sales into a value indication for the subject site.

Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison for the site analysis is price per home site or economic unit.

Elements of Comparison

Elements of comparison are property characteristics that cause the prices of real estate to vary. The following are the main elements of comparison:

Transaction adjustments

- Real property rights conveyed
- Financing terms
- Condition of sale
- Expenditures immediately after purchase
- Market conditions

Property adjustments

- Location
- Physical characteristics
- Economic characteristics
- Zoning/use
- Non-realty components of value

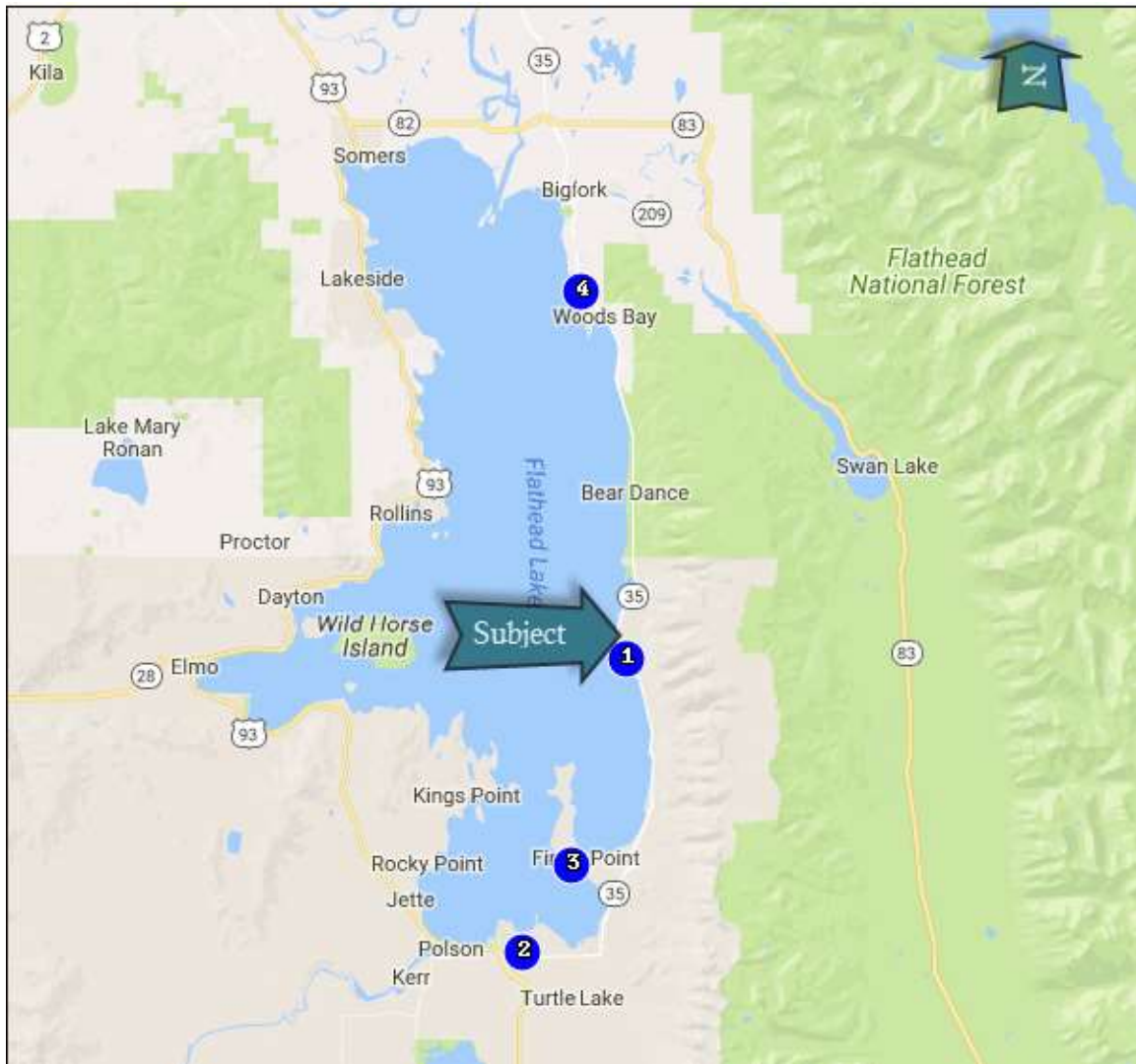
Comparable Land Sales Data

In searching for comparable land sales, all land sales and listings, lot to 5 acres in size in the Lake County/Bigfork area are reviewed that occurred in the past year. The following four sales bracket the subject lots 10 & 11 in size, view amenity, topography and location, and are analyzed for the purpose of indicating what a well-informed buyer or seller would consider in forming an opinion of value for a site. The most pertinent data and value indications from these sales are shown on the Land Sales Synopsis Chart to follow.

Land Sales Synopsis for both Lot 10 and Lot 11

LAND SALES SYNOPSIS for Lot 10 and Lot 11					
General Data	subject	Sale 1	Sale 2	Sale 3	Sale 4
Lot 10 & 11	26242	NHN	228 Pheasant	NHN South	NHN
Address	MT Hwy 35	MT Hwy 35	Ridge Lane	Finley Point Rd.	Westview Dr.
City, MT	Polson	Polson	Polson	Polson	Bigfork
Sale Date	Jun-17	Aug-16	Nov-16	Mar-17	May-17
MLS or Doc#		336264	21600302	21600589	21605062
Market Time		400	300	401	364
Land size/AC	1.182 & 0.909	2.35	0.91	2.00	0.70
List Price		\$74,900	\$99,900	\$87,500	\$62,000
Sale Price		\$65,000	\$60,000	\$73,250	\$55,000
List to sale %		87%	60%	84%	89%
Price/Site		\$65,000	\$60,000	\$73,250	\$55,000

Comparable Land Sale Location Map



Land Sales Data

Land Sale No. 1



NHN MT Highway 35, Polson, MT 59860

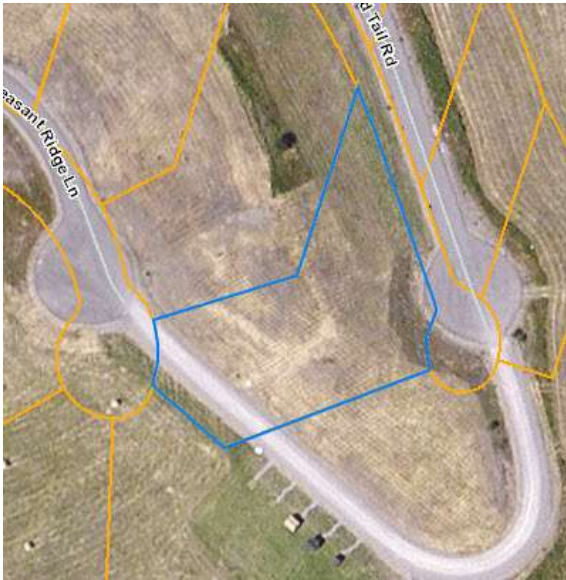
Appraiser Photo

Transaction			
Property ID	808	Sale Date	08-26-2016
Address	NHN MT HIGHWAY 35	Sale Price	\$65,000
City	Polson	Price per lot	\$65,000
State	Montana	Sale Status	Closed
Seller	Drane	Sale Conditions	See Comments
Buyer	WHITE LIVING TRUST	Rights Conveyed	Fee Simple
Financing Terms	Cash to Seller		
Recording Number	550198	Confirmed Phone	406-253-7333
Tax Parcel Number	2403	Confirmed With	Bill Leininger
Legal Description	S16, T24 N, R19 W, C.O.S. 2708, ACRES 2.348, TR IN LT 4 TR A		
MLS#	336264		
Asking Price	\$74,900		
Sale/List Price Ratio	87%		

Site			
Land Acres	2.34800	Topography	Gently Sloping
Land Sq Ft	102,279	Zoning	E Shore
Frontage	Paved public highway	In Flood Plain?	No
Shape	Rectangular	Encumbrances	No MDOT access to highway
Utilities	power	Environ. Issues?	Unknown

Remarks
2.35 acres of gently sloped land on the East shore of Flathead Lake with lake views. According to the Realtor, there is no approval in place with MDOT for access to MT Highway 35, however the parcel has frontage on the highway. Adjacent property owner purchased the property, therefore plans to use his access.

Land Sale No. 2



228 Pheasant Ridge Lane, Polson, MT 59860

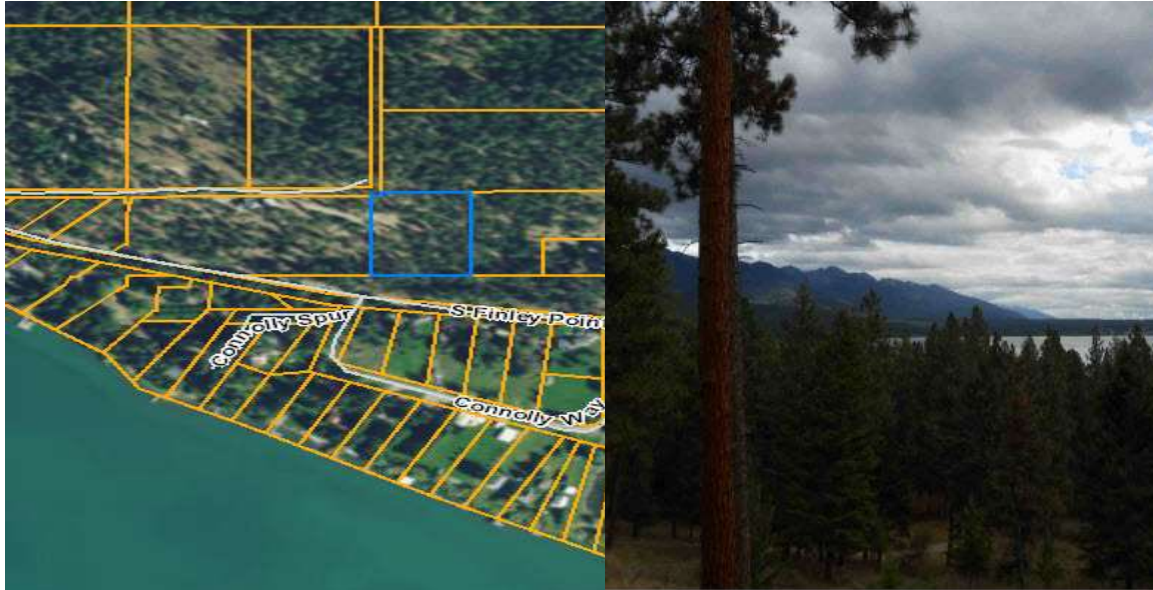
Appraiser photo

Transaction			
Property ID	809	Sale Date	11-22-2016
Address	228 PHEASANT RDG	Sale Price	\$60,000
City	Polson	Price per lot	\$60,000
State	Montana	Sale Status	Closed
Seller	Lookback LLC	Sale Conditions	Typical
Buyer	LANKTREE JASON BRIAN & BECKY J	Rights Conveyed	Fee Simple
Financing Terms	Conventional		
Recording Number	551898	Confirmed Phone	406-883-1730
Tax Parcel Number	ASSR#0000024143	Confirmed With	Dennis Duty/Jan Meyers
Legal Description	MISSION BAY PRESERVE PH II-C, S01, T22 N, R20 W, Lot 212, 39816 SQUARE FEET, (.914 AC)		
MLS#	21600302		
Asking Price	\$99,900		
Sale/List Price Ratio	60%		

Site			
Land Acres	0.91400	Topography	Gently Sloping
Land Sq Ft	39,814	Zoning	LRZD
Frontage	Paved public street	In Flood Plain?	No
Shape	Irregular	Encumbrances	unknown
Utilities	City water, sewer, power	Environ. Issues?	Unknown

Remarks
.91 acre site with Flathead Lake views in Mission Bay Preserve subdivision with amenities including lake access, clubhouse with swimming pool, tennis courts and gym.

Land Sale No. 3

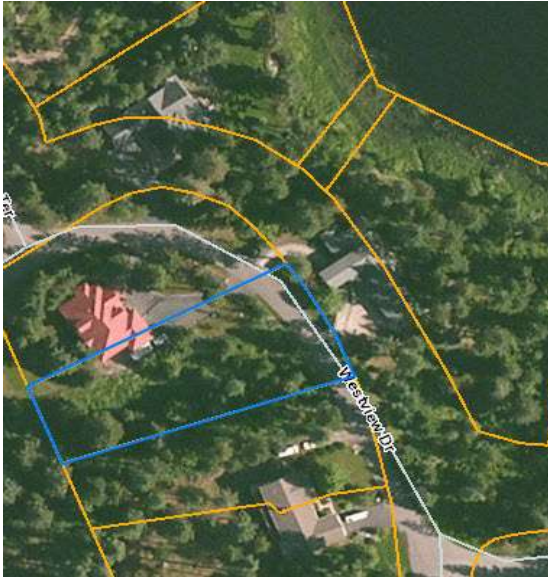


NHN S Finley Pt Rd., Polson, MT 59860

Appraiser photo

Transaction			
Property ID	810	Sale Date	03-20-2017
Address	NHN S Finley Point Rd	Sale Price	\$73,250
City	Polson	Price per lot	\$73,250
State	Montana	Sale Status	Closed
Seller	Bromley	Sale Conditions	Typical
Buyer	NAVE JENNIFER M	Rights Conveyed	Fee Simple
Financing Terms	Conventional		
Recording Number	554012	Confirmed Phone	406-260-2114
Tax Parcel Number	3164	Confirmed With	Linda Graf
Legal Description	CLIFFORD BEACH ORCHARD HOMES, S19, T23 N, R19 W, Lot 07A, COS 4916 TR A		
MLS#	21600589		
Asking Price	\$87,500		
Sale/List Price Ratio	84%		
Site			
Land Acres	2.00000	Topography	Sloped
Land Sq Ft	87,120	Zoning	Finley Point interior
Frontage	Paved public road	In Flood Plain?	No
Shape	Rectangular	Encumbrances	unknown
Utilities	power	Environ. Issues?	Unknown
Remarks			
Wooded, sloped 2 acre parcel with Flathead Lake views located on Finley Point.			

Land Sale No. 4



NHN Westview Dr, Bigfork, MT 59911

Appraiser photo

Transaction			
Property ID	811	Sale Date	05-17-2017
Address	NHN Westview Drive	Sale Price	\$55,000
City	Bigfork	Price per lot	\$55,000
State	Montana	Sale Status	Closed
Seller	Sanford	Sale Conditions	Typical
Buyer	MARCILLAC GEORGE E TRUST	Rights Conveyed	Fee Simple
	ETAL		
Financing Terms	Cash to Seller		
Recording Number	555108	Confirmed Phone	406-253-4115
Tax Parcel Number	15301	Confirmed With	Tara Harbin
Legal Description	STERLING ESTATES, S18, T26 N, R19 W, Lot 031, ACRES 0.7		
MLS#	21605062		
Asking Price	\$62,000		
Sale/List Price Ratio	89%		

Site			
Land Acres	0.70000	Topography	Gently Sloping
Land Sq Ft	30,492	Zoning	County density
Frontage	Paved public street	In Flood Plain?	Unknown
Shape	Rectangular	Encumbrances	unknown
Utilities	power, community water	Environ. Issues?	Unknown

Remarks
Gently sloping wooded 0.70 acre lot in Ridgewood subdivision with community water and limited Flathead Lake views. Located 4 mile south of Bigfork.

Adjustments

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

However, in the market it is often difficult, and sometimes impossible to accurately isolate a given factor. In short, one very seldom finds sales which are identical in all respects but one, and thus is able to prove conclusively the value, or lack of it, for any one factor due to a difference in sale price. Often, there are plus and minus factors which offset each other. Nevertheless, the differences in values are real, and an attempt, based on as much fact as can be found, will be made to determine the value of these factors. Then, the appraiser may call upon her experience to make subjective judgments. The following generalities are cited to acquaint the reader with a background for the appraiser's reasoning and judgment to follow:

1. Value increases per unit of comparison as the size of the parcel decreases.
2. Value tends to decrease as distance from an urban center increases. An exception to this generalization might be certain recreational properties.
3. Value tends to decrease as the topography becomes steeper, more rocky, more barren, more arid, etc.
4. Value tends to decrease as access becomes more difficult.
5. Value tends to increase with amenities such as creek or lake frontage, or a good view.

6. Value tends to increase when zoning allows greater density and/or a more optimum use of the land.

The opposite may be said of each of the above illustrations.

Analysis of Sales

Market Conditions

Adjustments employed in this analysis recognize changing market conditions, or the passage of time. All of the sales have occurred in the past 9 months, with limited information to extract an adjustment for time, therefore no adjustment is applied.

Property Rights/ Condition of Sale/Financing Terms of Sale

All sales are fee simple ownership, arms-length transactions with typical cash or cash equivalent financing terms with no adjustment necessary.

Location

The next adjustment is for location/and locational amenities, with consideration given to exposure, access, shape/topography, site utility, zoning, utilities and view, where the sales bracket the subject lot's characteristics. Sale No. 1 is adjusted 10% upward for inferior access based on paired sales, and Sale No. 4 is adjusted upward 10% for inferior view based on paired sales. No location adjustment is necessary for Sale 2 and 3.

Size

The final adjustment indicates a size/price relationship. This relationship reflects that larger tracts of land tend to sell for more while smaller tracts will sell for less per site/unit of comparison. In this analysis, the unit of comparison is value, or dollars per site. The sales bracket the subject lot 10 & 11 in size, with site utility of one home site; however larger Sale No. 1 and Sale No. 3 indicate a 15% downward adjustment for almost twice the site size.

Lot 10 analysis

Following is the comparable sale adjustment grid showing adjustments to each comparable as it relates to the subject Lot 10:

LAND SALES ADJUSTMENT GRID for Lot 10 Sale #872					
General Data	subject	Sale 1	Sale 2	Sale 3	Sale 4
Lot 10	26242	NHN	228 Pheasant	NHN South	NHN
Address	MT Hwy 35	MT Hwy 35	Ridge Lane	Finley Point Rd.	Westview Dr.
City, MT	Polson	Polson	Polson	Polson	Bigfork
Sale Date	Jun-17	Aug-16	Nov-16	Mar-17	May-17
MLS or Doc#		336264	21600302	21600589	21605062
Market Time		400	300	401	364
Land size/AC	1.182	2.35	0.91	2.00	0.70
List Price		\$74,900	\$99,900	\$87,500	\$62,000
Sale Price		\$65,000	\$60,000	\$73,250	\$55,000
List to sale %		87%	60%	84%	89%
Price/Site		\$65,000	\$60,000	\$73,250	\$55,000
Transaction Adjustments					
Property Rights		fee simple	fee simple	fee simple	fee simple
		\$0.00	\$0.00	\$0.00	\$0.00
Financing terms		cash	conv.	conv.	cash
		\$0.00	\$0.00	\$0.00	\$0.00
Condition of sale		arms length	arms length	arms length	arms length
		\$0.00	\$0.00	\$0.00	\$0.00
Expenditures immediately after purchase		none	none	none	none
		\$0	\$0	\$0	\$0
Sale Date	Jun-17	Aug-16	Nov-16	Mar-17	May-17
# months		9	7	3	1
Market Conditions adj.		0%	0%	0%	0%
Price/Site		\$65,000	\$60,000	\$73,250	\$55,000
Property Adjustments					
Location Characteristics:					
Exposure	avg/gd	avg/gd	avg/gd	avg/gd	avg/gd
Access	avg/gd	inferior	avg/gd	average	average
Shape/Topography	rect/sloped	similar	similar	similar	similar
Site Utility	avg/gd	similar	similar	similar	similar
Zoning	East Shore	East Shore	LRZD	Finley Point	Co. density
Utilities	power	power	w/s/power	power com.	water/pwr
View/amenity	Flathead Lake	similar	similar	similar	inferior
Overall Adjustment		inferior	similar	similar	inferior
		10%	0%	0%	10%
Physical Characteristics					
Land size/AC	1.182	2.35	0.91	2.00	0.70
		-15%	0%	-15%	0%
Net Adjustment %		-5%	0%	-15%	10%
Gross Adjustment %		25%	0%	15%	10%
Final Adjusted \$/Site		\$61,750	\$60,000	\$62,263	\$60,500
<u>Statistics</u>	<u>Unadjusted \$/Site</u>	<u>Adjusted \$/Site</u>			
Low	\$55,000	\$60,000			
High	\$73,250	\$62,263			
Median	\$62,500	\$61,125			
Average	\$63,313	\$61,128			

Lot 11 analysis

Following is the comparable sale adjustment grid showing adjustments to each comparable as it relates to the subject Lot 11:

LAND SALES ADJUSTMENT GRID for Lot 11 Sale #871					
General Data	subject	Sale 1	Sale 2	Sale 3	Sale 4
Lot 11	NHN	NHN	228 Pheasant	NHN South	NHN
Address	MT Hwy 35	MT Hwy 35	Ridge Lane	Finley Point Rd.	Westview Dr.
City, MT	Polson	Polson	Polson	Polson	Bigfork
Sale Date	Jun-17	Aug-16	Nov-16	Mar-17	May-17
MLS or Doc#		336264	21600302	21600589	21605062
Market Time		400	300	401	364
Land size/AC	0.909	2.35	0.91	2.00	0.70
List Price		\$74,900	\$99,900	\$87,500	\$62,000
Sale Price		\$65,000	\$60,000	\$73,250	\$55,000
List to sale %		87%	60%	84%	89%
Price/Site		\$65,000	\$60,000	\$73,250	\$55,000
Transaction Adjustments					
Property Rights		fee simple	fee simple	fee simple	fee simple
		\$0.00	\$0.00	\$0.00	\$0.00
Financing terms		cash	conv.	conv.	cash
		\$0.00	\$0.00	\$0.00	\$0.00
Condition of sale		arms length	arms length	arms length	arms length
		\$0.00	\$0.00	\$0.00	\$0.00
Expenditures immediately after purchase		none	none	none	none
		\$0	\$0	\$0	\$0
Sale Date	Jun-17	Aug-16	Nov-16	Mar-17	May-17
# months		9	7	3	1
Market Conditions adj.		0%	0%	0%	0%
Price/Site		\$65,000	\$60,000	\$73,250	\$55,000
Property Adjustments					
Location Characteristics:					
Exposure	avg/gd	avg/gd	avg/gd	avg/gd	avg/gd
Access	avg/gd	inferior	avg/gd	average	average
Shape/Topography	rect/sloped	similar	similar	similar	similar
Site Utility	avg/gd	similar	similar	similar	similar
Zoning	East Shore	East Shore	LRZD	Finley Point	Co. density
Utilities	power	power	w/s/power	power com.	water/pwr
View/amenity	Flathead Lake	similar	similar	similar	inferior
Overall Adjustment		inferior	similar	similar	inferior
		10%	0%	0%	10%
Physical Characteristics					
Land size/AC	0.909	2.35	0.91	2.00	0.70
		-15%	0%	-15%	0%
Net Adjustment %		-5%	0%	-15%	10%
Gross Adjustment %		25%	0%	15%	10%
Final Adjusted \$/Site		\$61,750	\$60,000	\$62,263	\$60,500
<u>Statistics</u>	<u>Unadjusted \$/Site</u>	<u>Adjusted \$/Site</u>			
Low	\$55,000	\$60,000			
High	\$73,250	\$62,263			
Median	\$62,500	\$61,125			
Average	\$63,313	\$61,128			

The four comparable sales analyzed have unadjusted values ranging from a low of \$55,000 as shown by Sales No. 4 with inferior view amenity, to the highest unadjusted indication of \$73,250 shown by larger Sale No. 3 located on Finley Point. Adjusted value indications for the subject Lot 10 consisting of 1.182 acres and Lot 11 which is 0.909 acre with Flathead Lake views are from a low of \$60,000 to as high as \$62,263. The mathematical median or central tendency of the adjusted comparables is \$61,125/site and the average is \$61,128/site. Equal weight is placed on all four comparables as adjusted because they bracket the subject Lot 10 and Lot 11 characteristics. Based on this analysis, the estimated value indication of the subject Lot 10 and Lot 11 is \$60,000 (R) each.

Lot 10 Land Value indication by the Sales Comparison Approach: \$60,000

Lot 11 Land Value indication by the Sales Comparison Approach: \$60,000

Cost Approach

The Cost Approach to value consists of estimating the replacement cost new of improvements and deducting therefrom any loss in value as a result of physical deterioration, functional and external economic obsolescence. To that figure is then added the value of the site, recognizing the size and utility of the site. The Cost Approach to value is employed and relied upon in this report.

The following is replacement cost new estimate from *Marshall & Swift Valuation Service*, a cost service which is based on the improvement's quality, construction features and similar items. The subject Lot 10 1950 residence is of average/good quality log construction and is in average/good remodeled condition with an effective age of 15 years, economic life of 55 years and remaining economic life of 40 years. The subject Lot 11 pole building was built in 1996 with an effective age of 15 years and an economic life of 35 years with 20 year remaining. Applicable multipliers are for cost, local and story height adjustments; calculations follow for the residence on Lot 10 first, then the pole building on Lot 11:

Cost Approach -Single Family Residence on Lot 10

ITEM	UNITS	RATE	COST	Sub-Total	TOTAL
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Site Improvements

Marshall Valuation pg. C-13

Well/Power			\$7,000		
Septic			\$7,500		
Irrigation/stone terrace			<u>\$2,500</u>		

Total Site

Improvements Cost New					\$17,000
------------------------------	--	--	--	--	-----------------

Single Family Residence

Rustic Log 1.5 story

Average/good Quality

Base Cost		\$100.50			
Metal roof		\$1.13			
Energy Adj- ext. climate		\$1.90			
Flooring		\$11.00			
Floor insulation		\$1.35			
Lpg HVAC		<u>(\$0.52)</u>			
Adjusted Base Cost/SF		\$115.36			
Cost multiplier x		1.04			
Local multiplier x		<u>0.95</u>			
Adjusted Base Cost/SF	1,634	\$113.98		\$186,236	

Basement

Base Cost		\$29.25			
Rec room finish		<u>\$17.90</u>			
Adjusted Base Cost/SF		\$47.15			
Cost multiplier x		1.04			
Local multiplier x		<u>0.95</u>			
Adjusted Base Cost/SF	408	\$46.58		\$19,006	

Basement Garage

Base Cost		\$29.25			
Cost multiplier x		1.04			
Local multiplier x		<u>0.95</u>			
Adjusted Base Cost/SF	384	\$28.90		\$11,097	

Add:

Appliances			\$3,225		
Fireplace	1	\$4,625	\$4,625		
Deck	921	\$12.45	\$11,466		
Total Additions				<u>\$19,316</u>	

Lot 10

Total Residential Improvements Cost New					\$235,656
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Depreciation Estimates-Residence Lot 10

Based on the observation of the subject's site improvements, physical depreciation is estimated to be typical for its age due to the average condition of the site improvements. Physical depreciation is estimated at roughly 30%.

The subject house was originally built in 1950 and is in average/good remodeled condition, with an effective age of 15+/- years and estimated economic life of 55 years for an average quality home, indicating physical depreciation of 27% rounded.

There does not appear to be any functional obsolescence or negative off-site influences which impact value. Therefore, no other forms of obsolescence will be estimated. Entrepreneurial incentive is not indicated in the current market, and is not included in the Cost Approach. Following is the summary of the Cost approach, applying physical depreciation to each component of the subject improvements on Lot 10 and adding the estimated site value, resulting in the overall value indication by the Cost approach.

COST APPROACH SUMMARY-Residence LOT 10			
ITEM	UNITS	RATE	COST
Total Cost New Site Improvements			\$17,000
Total Cost New Residential Imps	1,634	\$144.22	\$235,656
Total estimated Cost New			\$252,656
<u>Depreciation</u>			
Physical			
Site Improvements	30%		(\$5,100)
Residence Imps 15/55	27%		(\$68,906)
Functional Obsolescence	0%		0%
External Obsolescence	0%		0%
Total Depreciation	-29%		(\$74,006)
Depreciated Value of Improvements (R)			\$178,650
Anticipated Entrepreneurial incentive 0%			\$0
Land Value			\$60,000
TOTAL VALUE AS INDICATED BY COST APPROACH			\$238,650

Next is the cost new estimate for the pole building on Lot 11:

<i>Cost Approach -Pole building on Lot 11</i>					
ITEM	UNITS	RATE	COST	Sub-Total	TOTAL
LOT 10					
Site Improvements-Power/fence			\$2,500		\$2,500
<u>Pole Building-Lot 11</u>					
Base Cost		\$11.75			
Cost multiplier x		1.04			
Local multiplier x		0.95			
Story height multiplier x		<u>1.058</u>			
Adjusted Base Cost/SF	1,200	\$12.28		<u>\$14,739</u>	
<u>Lot 11</u>					
Total Pole building Improvements Cost New					\$14,739

Depreciation Estimates

Based on the observation of the subject's site improvements, physical depreciation is estimated to be typical for its age due to the average condition of the site improvements. Physical depreciation is estimated at roughly 30%.

The subject average quality pole building was originally built in 1996 and is in average condition, with an effective age of 15+/- years and estimated economic life of 35 years for a building of this type, indicating physical depreciation of 43% rounded.

There does not appear to be any functional obsolescence or negative off-site influences which impact value. Therefore, no other forms of obsolescence will be estimated. Entrepreneurial incentive is not indicated in the current market, and is not included in the Cost Approach. Following is the summary of the Cost approach, applying physical depreciation to each component of the subject improvements on Lot 11 and adding the estimated site value, resulting in the overall value indication by the Cost approach.

COST APPROACH SUMMARY-Pole building LOT 11			
ITEM	UNITS	RATE	COST
Total Cost New Site Improvements			\$2,500
Total Cost New Pole Bldg Imps	1,200	\$12.28	<u>\$14,739</u>
Total estimated Cost New			\$17,239
 <u>Depreciation</u>			
Physical			
Site Improvements	30%		(\$750)
Pole bldg imp 15/35	43%		(\$6,317)
Functional Obsolescence	0%		0%
External Obsolescence	0%		<u>0%</u>
Total Depreciation	-41%		(\$7,067)
Depreciated Value of Improvements (R)			\$10,172
Anticipated Entrepreneurial incentive 0%			\$0
Land Value			\$60,000
TOTAL VALUE AS INDICATED BY COST APPROACH			\$70,172

Summary of the Cost Approach:

<i>Fair Market Value indications by Cost approach</i>		
Description	Lot 10 Sale #872	Lot 11 Sale #871
Land-segregated value	\$60,000	\$60,000
Improvements-segregated value	<u>\$178,650</u>	<u>\$10,172</u>
Total fee simple market value	\$238,650	\$70,172
Total fee simple market value (R) (hypothetical Condition)	\$240,000	\$70,000

Sales Comparison Approach

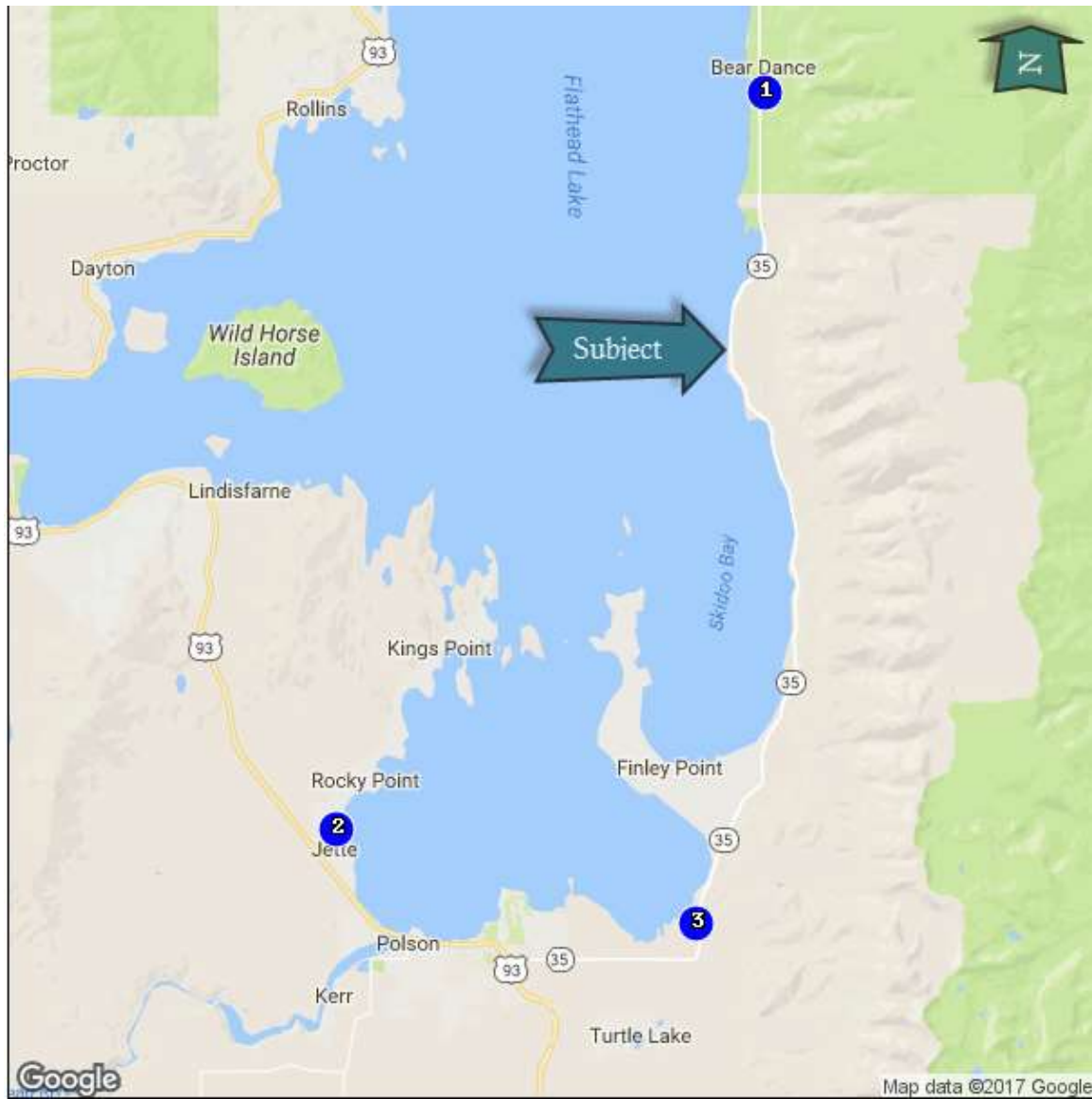
In the Sales Comparison Approach, the appraiser arrives at an indication of value by comparing the relative utility and desirability of the subject property with comparable properties recently sold. These properties should have approximately the same physical characteristics as the subject, be in the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

Basic to this approach is the principle of substitution which states that "when a property is replaceable in the market, its value tends to be set by the price required to acquire an equally desirable substitute property."

Three nearby improved sales from within 10 months of the effective date of appraisal have been found and analyzed to estimate the market value of the subject property. Inadequate sales/re-sales information is available upon which to base a current adjustment for time. Adjustment for above grade square footage is made at \$25/SF above grade, below grade area at \$10/SF and below grade finish at \$5/SF. Adjustment for quality of construction and condition are based on differences in actual age between the subject and sales comparables, interior and exterior MLS photos, exterior viewing, and discussions with the parties involved for each comparable sale. In searching for comparables, all sales in the past year were researched. The following three sales are the best comparable sales available.

Following is the improved comparable sale location map and data for each comparable sale:

Improved Sales Location Map



Improved Sales

Improved Sale No. 1



21688 MT 35, Bigfork, MT 59911

MLS photo due to gated property. Appraiser roadside photo in the addenda.

Transaction			
Property ID	812	Date of Sale	06-22-2017
Name		Adjusted Sale Price	\$290,000
Address	21688 MT HIGHWAY 35	Price Per SF	\$150.41
City	Bigfork		
State	Montana	Sale Conditions	Typical
Seller	Thomas H Chadwick	Rights Conveyed	Fee Simple
Buyer	Aletheia McCurry	Days on Market	67
Financing Terms	Conventional	Confirmed Phone	406-407-2988
Recording Number	555744	Confirmed With	Patrick Nagle
Legal Description	S21, T25 N, R19 W, TR IN SW4SW4 (Tract 1 COS 7215)		
Tax Parcel Number	15584		
Property Use	Single Family Home		
MLS #	21703736		
Asking Price	\$309,500		
Sale Status	Closed		
Site			
Land Acres	6.20000	Topography	Sloped
Land Sq Ft	270,072	Zoning	East Shore
Frontage	Paved public highway	In Flood Plain?	No
Shape	Rectangular	Encumbrances	unknown
Utilities	power, well, septic	Land/Bldg Ratio	140.08
Improvements and Financial Data			
GBA	1,928	Site value-est.	\$120,000
Year Built	1930		
Building Condition	Average		
Construct. Quality	Average		
Ancillary Area	none		
Basement Type	None		
Remarks			

2BR/1BA 1.5 story log home originally built in 1930 and updated over the years. Located on 6.2 acres with 50+tree orchard and lake views. MT Highway 35 access and frontage.

Improved Sale No. 2



33766 Westshore Dr, Polson, MT 59860

Transaction			
Property ID	813	Date of Sale	08-01-2016
Name		Adjusted Sale Price	\$275,000
Address	33766 WESTSHORE DR	Price Per SF/abv gr.	\$186.82
City	Polson		
State	Montana	Sale Conditions	Typical
Seller	Schieke	Rights Conveyed	Fee Simple
Buyer	SCHOENKOPF REBECCA	Days on Market	77
Financing Terms	Conventional	Confirmed Phone	406-250-6445
Recording Number	549590	Confirmed With	Shirley Tyler
Legal Description	FERGUSON HEIGHTS, S29, T23 N, R20 W, BLOCK 1, Lot 6,		
Tax Parcel Number	3472		
Property Use	Single Family Home		
MLS #	21604961		
Asking Price	\$275,000		
Sale Status	Closed		
Site			
Land Acres	1.00000	Topography	Level
Land Sq Ft	43,560	Zoning	RR
Frontage	paved public street	In Flood Plain?	No
Shape	Rectangular	Encumbrances	unknown
Utilities	well, septic, power	Land/Bldg Ratio	29.59
Improvements and Financial Data			
GBA	1,472	Site Value-est.	\$60,000
Rentable Area	1,472		
Year Built	1975		
Building Condition	Good		
Construct. Quality	Average to Good		
Ancillary Area	616 SF basemt, 2-car garage, shop		
Basement Type	Partial - Finished		
Remarks			

3BR/2BA 1.5 story home with 616 SF finished basement with bedroom. Recent remodel with custom kitchen granite counter tops. Detached 2-car garage and work shop. Partial lake views, mountain views.

Improved Sale No. 3



37167 MT 35, Polson, MT59860

MLS Photo best represents the property. Appraiser roadside photo in the addenda.

Transaction			
Property ID	814	Date of Sale	12-14-2016
Name		Adjusted Sale Price	\$245,000
Address	37167 MT HIGHWAY 35	Price Per SF	\$101.91
City	Polson		
State	Montana	Sale Conditions	Typical
Seller	Nelson	Rights Conveyed	Fee Simple
Buyer	NARDI TERA R	Days on Market	134
Financing Terms	Cash to Seller	Confirmed Phone	406-471-3303
Recording Number	552288	Confirmed With	Christine Nelson
Legal Description	S05, T22 N, R19 W, ACRES 3.63, TR IN S2SE4NE4		
Tax Parcel Number	1360		
Property Use	Single Family Home		
MLS #	21608828		
Asking Price	\$250,000		
Sale Status	Closed		
Site			
Land Acres	3.43000	Topography	Level to Sloping
Land Sq Ft	149,411	Zoning	RR
Frontage	Paved public highway	In Flood Plain?	Unknown
Shape	Rectangular	Encumbrances	unknown
Utilities	Well, septic, power	Land/Bldg Ratio	62.15
Improvements and Financial Data			
GBA	2,404	Site value-est.	\$50,000
Rentable Area	2,404		
Year Built	1975		
Renovations	Updated kitchen in 2014		
Building Condition	Average to Good		
Construct. Quality	Average to Good		
Ancillary Area	2-car garage, sun room		
Basement Type	None		
Remarks			

4BR/2BA home originally built in 1975 and remodeled in 2014, with master bedroom addition in 2011. Located on MT Highway 35 with Flathead Lake views and the west portion of the parcel in wetlands. 4+/- miles east of Polson.

Analysis of Improved Sales

All of the comparable arm's length sales are located in the greater Polson/Bigfork area within a 15 mile radius of the subject and bracket the subject property in site size, improvement size, basement area, effective age, location, number of baths and bedrooms, site improvements, vehicle storage, quality and condition. The comparable sales require adjustments to reflect these characteristics.

Financing

All sales are cash, conventional or FHA financing with no adjustment necessary.

Market Conditions

All sales have occurred in the past 10 months; however there is insufficient data for a market conditions adjustment. No adjustment will be made for time or changing market conditions.

Site Value/Location

The next adjustment is for the site value of each comparable as it relates to the subject Lot 10, based on recent sales of similar lots. The comparable sales bracket the subject in size and location with adjustments ranging from -\$60,000 for larger Sale No. 1 with 6.20 acres, to \$10,000 for inferior located Sale No. 3 with MT Highway 35 frontage and wetlands.

Quality/Condition/Effective age

Quality and condition adjustments are based on observation of each comparable as it relates to the subject property, as well as discussions with the Realtors in which they detail the overall condition of the property, remodeling or deficiencies. The sales bracket the subject's quality and condition, with Sale No. 1 being inferior in condition with a +\$5/SF per square foot adjustment made and Sale No. 2 being in superior condition with a -\$15/SF adjustment applied to the above grade square footage. Sale No. 3 is in similar remodeled condition.

Number of bedrooms and baths

The comparables bracket the subject in number of bedrooms and baths.

Bedrooms are accounted for in the square footage adjustment and baths are adjusted at \$5,000 for a full bath.

Improvement size

The next adjustment consideration is one for size. Sales are adjusted at \$25/SF for above grade square footage differences based on sales similar in quality and condition. Basement area is adjusted at \$10/SF and basement finish at \$5/SF.

Car Storage

Sales bracket the subject's 1-car garage, with comparables adjusted -\$5,000 per stall for additional vehicle storage or shop based on paired sales.

Landscaping

Sale No. 1 has a superior 50 fruit tree orchard with irrigation resulting in a \$-5,000 downward adjustment.

The following adjustment grid details the adjustments to each comparable sale as it relates to the subject property:

Comparable Sale Adjustment Grid

SALES COMPARISON ADJUSTMENT GRID							
ITEM	SUBJECT	COMPARISON 1		COMPARISON 2		COMPARISON 3	
Address: 26242 MT Hwy 35 Polson, MT 59860		21688 MT Hwy 35 Bigfork, MT 59911		33766 Westshore Drive Polson, MT 59860		37167 Mt Hwy 35 Polson, MT 59860	
Data Source/ Verification		MLS#21703736 Realtor		MLS# 21604961 Realtor		MLS# 21608828 Realtor	
List Price			\$309,500		\$275,000		\$250,000
Sale Price			\$290,000		\$275,000		\$245,000
List to sale %			94%		100%		98%
Closing Date			6/23/2017		8/1/2016		12/14/2016
Days on Market			67		77		134
Price/GLA SF		\$150.41		\$186.82		\$101.91	
Adjustments	Description	Description	Adjustment	Description	Adjustment	Description	Adjustment
Financing type	na	FHA	\$0	Conventional	\$0	cash	\$0
Concessions	na	none	\$0	none	\$0	none	\$0
Date of sale	Jun-17	Jun-17	\$0	Aug-16	\$0	Dec-16	\$0
Locaton	E Shore	E shore	\$0	W shore	\$0	S Shore	\$0
Site Size/AC	1.182	6.2	-\$60,000	1.00	\$0	3.43	\$10,000
Site appeal	Lake views	similar	\$0	similar	\$0	similar	\$0
Design & appeal	log/1.5 story	log/1.5 story	\$0	wd/1.5 story	\$0	wd/ranch	\$0
Quality construct.	avg/gd	similar	\$0	similar	\$0	similar	\$0
Age	67a/15e	87a/15e	\$0	42a/15e	\$0	42a/15e	\$0
Condition	avg/gd	inferior/\$5/SF	\$9,640	superior/\$15/SF	-\$22,080	similar	\$0
Above grade Bedroom	2	2	\$0	3	\$0	4	\$0
Above grade Baths	2	1	\$5,000	2	\$0	2	\$0
GLA/SF	1,634	1,928	-\$7,350	1,472	\$4,050	2,404	-\$19,250
Below grade SF	408	0	\$4,080	616	-\$2,080	0	\$4,080
Below grade finish	408	0	\$2,040	616	-\$1,040	0	\$2,040
Other Area	none	none	\$0	none	\$0	none	\$0
Functional utility	avg	similar	\$0	similar	\$0	similar	\$0
Heating Cooling	elec wall	similar	\$0	lpg HW/sim	\$0	elec FA/sim	\$0
Car storage	1-tuck under	none	\$5,000	2-car +shop	-\$10,000	2-car garage	-\$5,000
Landscaping	avg/gd	superior/orchard	-\$5,000	similar	\$0	similar	\$0
Porch/deck	deck	similar	\$0	similar	\$0	similar	\$0
Other	fireplace	lpg stove	\$0	fireplace	\$0	fireplace	\$0
Net Adjustment			-\$46,590		-\$31,150		-\$8,130
Net Adjustment %		-16%		-11%		-3%	
Gross Adjustment %		32%		14%		16%	
Adjusted Sale Price			\$243,410		\$243,850		\$236,870
						Average	\$241,377
						Median	\$243,410

Summary of Improved Sales-Lot 10

The three sales analyzed have adjusted values ranging from a low of \$236,870 as shown by Sale No. 3 to a high of \$243,850 indicated by Sale No. 2 and are within a 15+/- mile radius of the subject and are the best, most recent comparables available. Equal weight is placed on all three comparable sales as they bracket the subject's characteristics. The estimated value indication with the ***hypothetical condition*** of whole fee simple ownership is as follows of improved Lot 10 is:

Lot 10 Value Indication by the Sales Comparison Approach

\$240,000 (R)

Lot 10 Segregated as follows:

Site	\$ 60,000
Improvements	\$ 180,000

Improved Sales-Lot 11

There were no sales available of a similar pole building on a 1+/- acre lot; therefore the cost analysis is relied upon as the best indicator for the subject 21 year old pole building on Lot 11. The depreciated cost of \$10,000 (R) is supported by the paired sales in the Sales Comparison approach which indicate \$5,000 per stall for vehicle storage and the subject pole building could accommodate two vehicles.

Lot 11 Value Indication by the Sales Comparison Approach

\$70,000 (R)

Lot 11 Segregated as follows:

Site	\$ 60,000
Improvements	\$ 10,000

Reconciliation

The two approaches employed in this report have produced the following results with the hypothetical condition of whole fee simple ownership:

<i>Fair Market Value indications by Cost & Sales Comparison approaches</i>		
Description	Lot 10 Sale #872	Lot 11 Sale #871
Land-segregated value	\$60,000	\$60,000
Improvements-segregated value	\$180,000	\$10,000
Total fee simple market value (hypothetical Condition)	\$240,000	\$70,000

Both approaches as they are developed have support from the available market data. The Cost Approach is developed by estimating the replacement costs of the improvements less all forms of depreciation. To that has been added the underlying value of the land as it equates to its highest and best use.

The Sales Comparison Approach is developed by analyzing three sales of similar properties in Polson/Bigfork that have occurred within 10 months. The sales are adjusted to reflect the subject's size, location, amenities, vehicle storage and overall quality/condition. The value indication from this approach is reasonably indicative of the investor attitudes in the Flathead Lake influence area.

Based on the data contained in this report, the final estimate of market value for the subject Lot 10 leans equally on the Sales Comparison and Cost approaches. The Cost approach is relied upon for the pole building improvements on Lot 11 due to lack of improved sales. Final current fair market value estimate with the ***hypothetical condition of whole fee simple*** ownership as of June 28, 2017 with consideration to the hypothetical condition and extraordinary assumption within this report and a cash sale is:


<i>Fair Market Value indications by Cost & Sales Comparison approaches</i>		
Description	Lot 10 Sale #872	Lot 11 Sale #871
Land-segregated value	\$60,000	\$60,000
Improvements-segregated value	\$180,000	\$10,000
Total fee simple market value (hypothetical Condition)	\$240,000	\$70,000

Exposure Period

Based on the Highest and Best use of the subject, market evidence indicates an exposure period of up to six months may be required to sell the subject improved property as a whole. Comparable improved sales had days on market ranging from a low of 67 days to the highest indication of 134 days. The average days on market of all residential sales in Lake County from the past six months is 213 days. A six month exposure period assumes an aggressive marketing effort, and similar economic conditions to the current real estate market. An additional 30 to 60 days may be required for sale consummation. Exposure Period and marketing time are synonymous in this discussion.

Addenda

- Contract
- Appraiser comparable photographs if MLS photo is used in comp data
- Zoning
- Qualifications of Jennifer L. McGinnis, MAI
- Privacy Notice

FOR DNRC USE ONLY			<div style="text-align: right; margin-bottom: 5px;">Approved</div> <div style="margin-bottom: 5px;">No. 175168</div> <div style="margin-bottom: 5px;">Division <u>ma</u></div> <div style="margin-bottom: 5px;">Legal <u>ma</u></div> <div style="margin-bottom: 5px;">F.S.O. <u>ma</u></div> 
Amount under this Agreement: <u>\$2,500.00</u>			
<u>Source of Funds</u>			
<u>Fund Name</u>		<u>Fund No.</u>	
Cabin Site Sale Private Closing Costs		02031	
Trust Administration Account		02938	
<u>Subclass</u>	<u>Org. No.</u>	<u>Percent</u>	
555HA	6049-59	50%	
	6048DR-01	50%	

TRUST LAND MANAGEMENT DIVISION
APPRAISAL OF POTENTIAL CABIN & HOME SITE SALE PROPERTY IN LAKE COUNTY

THIS CONTRACT is entered into by and between the State of Montana, Department of Natural Resources and Conservation, (hereinafter referred to as "the State"), whose address and phone number are P.O. Box 201601, 1539 11th Avenue, Helena, MT 59620-1601, (406) 444-2074 and McGinnis Real Estate Appraisal Group, LLC, (Contractor), whose address and phone number are P.O. Box 996, Polson, MT 59860 and (406) 883-1659.

1. EFFECTIVE DATE, DURATION, AND RENEWAL

1.1 Contract Term. The contract's initial term is upon contract execution, through August 30, 2017, unless terminated earlier as provided in this contract. In no event is this contract binding on the State unless the State's authorized representative has executed it in Section 34. The appraisal report is to be completed and forwarded to DNRC, Emily Cooper, at P.O. Box 201601, 1539 11th Avenue, Helena, MT 59620-1601 by July 31, 2017.

1.2 Contract Renewal.

N/A

2. COST ADJUSTMENTS – N/A

2.1 Cost Increase by Mutual Agreement. – N/A

3. SERVICES AND/OR SUPPLIES

Contractor shall provide the State the following: the contractor shall be responsible for providing a credible appraisal, for the parcel in Lake County, as described in Attachment B, Montana DNRC Trust Land Management Division Supplemental Appraisal Instructions. The appraisal will be an Appraisal Report, conducted and prepared in compliance with the Uniform Standards of Professional Appraisal

FSO-PC-013
Rev 201610

Practice that will describe adequately, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions.

Attachment A and B are attached hereto and incorporated herein by reference.

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

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

4. WARRANTIES

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

5. CONSIDERATION/PAYMENT

5.1 Payment Schedule. In consideration of the successful submission of the appraisal report to be provided, the State shall pay Contractor \$2,500.00. The contractor shall, at no additional expense to the State, correct unsatisfactory work before payment is made.

In No case shall the State's total cumulative payment under this contract exceed two thousand five hundred dollars and No/100 (\$2,500.00)

5.2 Withholding of Payment. N/A

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

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

5.5 Fuel Surcharge – N/A

6. PREVAILING WAGES REQUIREMENTS – N/A

7. ACCESS AND RETENTION OF RECORDS

7.1 Access to Records. Contractor shall provide the State, Legislative Auditor, or their authorized agents access to any records necessary to determine contract compliance. The State may terminate this contract under section 20, without incurring liability, for the Contractor's refusal to allow access as required by this section. (18-1-118, MCA.)

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

8. ASSIGNMENT, TRANSFER, AND SUBCONTRACTING

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

9. HOLD HARMLESS/INDEMNIFICATION

9.1 Claims under this provision also include any claim arising out of or in any way connected with Contractor's breach of this contract, including any claims asserting that any of the Contractor's employees are actually employees of the state or common law employees of the state or any of its agencies or political subdivisions, including but not limited to excise taxes or penalties imposed on the State under Internal Revenue Code §§ 4980H, 6055 or 6056 and any subsequent amendments or additions to these Sections. Contractor shall be responsible for implementation of all aspects of the Affordable Care Act as this Act may apply to Contractor and shall be responsible for any violations including any sanction, penalty, fee or tax and shall indemnify the State and hold harmless and defend the State for any omission or failure of Contractor to meet its obligations under Sections 13 and 14.

9.2 Contractor agrees to protect, defend, and save State, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, causes of action of any kind or character, including the cost of defense thereof, arising in favor of Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of Contractor and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of State, under this Contract.

10. CONTRACTOR REGISTRATION (for construction) – N/A

11. CONTRACTOR WITHHOLDING (for construction) – N/A

12. REQUIRED INSURANCE

12.1 General Requirements. Contractor shall maintain for the duration of this contract, at its cost and expense, insurance against claims for injuries to persons or damages to property, including contractual liability, which may arise from or in connection with the performance of the work by Contractor, agents, employees, representatives, assigns, or subcontractors. This insurance shall cover such claims as may be caused by any negligent act or omission.

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

12.3 Specific Requirements for Commercial General Liability. N/A

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

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

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

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

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

13. COMPLIANCE WITH WORKERS' COMPENSATION ACT

Contractor shall comply with the provisions of the Montana Workers' Compensation Act while performing work for the State of Montana in accordance with 39-71-401, 39-71-405, and 39-71-417, MCA. Proof of compliance must be in the form of workers' compensation insurance, an independent contractor's exemption, or documentation of corporate officer status. Neither Contractor nor its employees are State employees. This insurance/exemption must be valid for the entire contract term and any renewal. Upon expiration, a renewal document must be sent to the State, PO Box 201601, Helena, MT 59620-1601.

14. COMPLIANCE WITH LAWS

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

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

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

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

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

14.3 Any partial or whole assignment, transfer or subletting or subcontracting by Contractor subjects subcontractors to the same provisions of this Section and it is the responsibility of the

Contractor to ensure any agreement to assign, transfer, sublet or subcontract binds any successor to this Contract in whole or in part or binds any subcontractor to all the terms and conditions of this Contract as if a party to the Contract from inception.

14.4 In accordance with 49-3-207, MCA, Contractor agrees that the hiring of persons to perform this contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin of the persons performing this contract.

15. DISABILITY ACCOMMODATIONS

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

16. REGISTRATION WITH THE SECRETARY OF STATE

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

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

17. INTELLECTUAL PROPERTY/OWNERSHIP

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

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

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

17.4 Copy of Work Product. Contractor shall, at no cost to the State, deliver to the State, upon the State's request during the term of this contract or at its expiration or termination, a current copy of all Work Product in the form and on the media in use as of the date of the State's request, or such expiration or termination.

17.5 Ownership of Contractor Pre-Existing Materials. Contractor retains ownership of all literary or other works of authorship (such as software programs and code, documentation, reports, and similar works), information, data, intellectual property, techniques, subroutines, algorithms, methods or related rights and derivatives that Contractor owns at the time this contract is executed or otherwise developed or acquired independent of this contract and employed by Contractor in connection with the services provided to the State (the "Contractor Pre-existing Materials"). Contractor Pre-existing Materials are not Work Product. Contractor shall provide full disclosure of any Contractor Pre-Existing Materials to the State before its use and to prove its ownership. If, however, Contractor fails to disclose to the State such Contractor Pre-Existing Materials, Contractor shall grant the State a nonexclusive, worldwide, paid-up license to use any Contractor Pre-Existing Materials embedded in the Work Product to the extent such Contractor Pre-Existing Materials are necessary for the State to receive the intended benefit under this contract. Such license shall remain in effect for so long as such Pre-Existing Materials remain embedded in the Work Product. Except as otherwise provided for in **Section 17.3** or as may be expressly agreed in any statement of work, Contractor shall retain title to and ownership of any hardware it provides under this contract.

18. PATENT AND COPYRIGHT PROTECTION – N/A

19. CONTRACT PERFORMANCE ASSURANCE – N/A

20. CONTRACT TERMINATION

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

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

20.3 Reduction of Funding. The State must by law terminate this contract if funds are not appropriated or otherwise made available to support the State's continuation of performance of this contract in a subsequent fiscal period. (18-4-313(4), MCA.) If state or federal government funds are not appropriated or otherwise made available through the state budgeting process to support continued performance of this contract (whether at an initial contract payment level or any contract increases to that initial level) in subsequent fiscal periods, the State shall terminate this contract as

required by law. The State shall provide Contractor the date the State's termination shall take effect. The State shall not be liable to Contractor for any payment that would have been payable had the contract not been terminated under this provision. As stated above, the State shall be liable to Contractor only for the payment, or prorated portion of that payment, owed to Contractor up to the date the State's termination takes effect. This is Contractor's sole remedy. The State shall not be liable to Contractor for any other payments or damages arising from termination under this section, including but not limited to general, special, or consequential damages such as lost profits or revenues.

21. EVENT OF BREACH – REMEDIES

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

- Products or services furnished fail to conform to any requirement;
- Failure to submit any report required by this Contract;
- Failure to perform any of the other terms and conditions of this Contract, including but not limited to beginning work under this Contract without prior State approval or breaching Section 26.1, obligations; or
- Voluntary or involuntary bankruptcy or receivership.

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

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

- Terminate this contract under section 20.1; or
- Treat this contract as materially breached and pursue any of its remedies under this contract, at law, or in equity.

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

- Terminate this Contract under Section 20.2 and pursue any of its remedies under this Contract, at law, or in equity; or
- Treat this Contract as materially breached and, except as the remedy is limited in this Contract, pursue any of its remedies under this Contract, at law, or in equity.

22. FORCE MAJEURE

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

23. WAIVER OF BREACH

Rev 201610

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

24. CONFORMANCE WITH CONTRACT

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

25. LIAISONS AND SERVICE OF NOTICES

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

Emily Cooper, Lands Section Supervisor is the State's liaison.
(Address): PO Box 201601
(City, State, ZIP): Helena, MT 59620-1601
Telephone: (406) 444-4165
Fax: (406) 444-2684
E-mail: ecooper@mt.gov

Jennifer L. McGinnis, MAJ, is Contractor's liaison.
(Address): P.O. Box 996
(City, State, ZIP): Polson, MT 59860
Telephone: (406) 883-1659
E-mail: Jennifer@mreag.com

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

25.3 Identification/Substitution of Personnel. – N/A

26. MEETINGS

26.1 Technical or Contractual Problems. Contractor shall meet with the State's personnel, or designated representatives, to resolve technical or contractual problems occurring during the contract term or to discuss the progress made by Contractor and the State in the performance of their respective obligations, at no additional cost to the State. The State may request the meetings as problems arise and will be coordinated by the State. The State shall provide Contractor a minimum of three full working day notice of meeting date, time, and location. Face-to-face meetings are desired;

however, at Contractor's option and expense, a conference call meeting may be substituted. Consistent failure to participate in problem resolution meetings, two consecutive missed or rescheduled meetings, or failure to make a good faith effort to resolve problems, may result in termination of the contract.

26.2 Progress Meetings. - N/A

26.3 Failure to Notify. - N/A

26.4 State's Failure or Delay. - N/A

27. Transition Assistance

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

28. CHOICE OF LAW AND VENUE

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

29. TAX EXEMPTION

State of Montana is exempt from Federal Excise Taxes (#81-0302402) except as otherwise provided in the federal Patient Protection and Affordable Care Act [P.L. 111-148, 124 Stat. 119].

30. AUTHORITY

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

31. SEVERABILITY CLAUSE

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

32. SCOPE, ENTIRE AGREEMENT, AND AMENDMENT

32.1 Contract. This contract consists of 11 numbered pages, Attachment A – Scope of Work and Attachment B – Supplemental Appraisal Instructions, pages 12-16. In the case of a dispute or ambiguity arising between or among the documents, the order of precedence of document interpretation is the same.

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

33. WAIVER

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

34. EXECUTION

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

A scanned copy or facsimile copy of the original has the same force and effect as the original document.

STATE OF MONTANA
Dept. Natural Resources & Conservation
Trust Land Management Division
P.O. Box 201601
1539 11th Avenue
Helena, MT 59620-1601

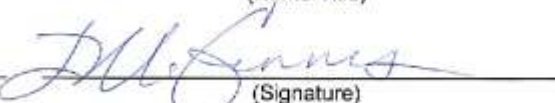
McGinnis Real Estate Group, LLC
P.O. Box 996
Polson, MT 59860

FEDERAL ID #: 46-3596360

BY: Michael Atwood, Chief – Real Estate Mgt Bureau
(Name/Title)

BY: Jennifer McGinnis, MAI
(Name/Title)


(Signature)


(Signature)

DATE: 6/21/17

DATE: 6/19/2017

ATTACHMENT A

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

CLIENT, INTENDED USERS, PURPOSE AND INTENDED USE:

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

DEFINITIONS:

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

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

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

PROPERTY RIGHTS APPRAISED:

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

EFFECTIVE DATE OF VALUATION AND DATE OF INSPECTION:

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

SUBJECT PROPERTY DESCRIPTION & CHARACTERISTICS:

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

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

ASSIGNMENT CONDITIONS:

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

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

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

The appraisal will be an Appraisal Report as per USPAP, that will describe adequately, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions. All hypothetical conditions and extraordinary assumptions must be noted. The appraiser will provide one appraisal report that included analysis and appraised values of the two (2) cabin sites 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 properties.

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

The appraisal report must list all real property improvements that were considered when arriving at the appraised value for the improvements. Improvements means a home or residence, outbuildings and structures, sleeping cabins, utilities, water systems, septic systems, docks, 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 raw land exclusive of real property improvements.
3. Allocate a separate market value for the non-state-owned improvements, from the total market value derived in 1 above.
4. Valuation of the improvements must account for all forms of obsolescence.

MONTANA DNRC TRUST LAND MANAGEMENT DIVISION
Supplemental Appraisal Instructions

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

Subject Property (Located in Lake County):

Sale #	Acres	Legal Description
871	0.909 ±	Lot 11, E Shore Flathead Lake, T24N-R19W, Sec. 16
872	1.182 ±	Lot 10, E Shore Flathead Lake, T24N-R19W, Sec. 16

DNRC Contact Information:

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

Lessees:

Sales 871 and 872
Charles & Myrna Hall
26242 MT Hwy 35
Polson, MT 59860
(315) 469-7291

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



Lake County Lots



Certificate of Survey
 Government Lot 1 and
 the West 1/2 of the Northwest 1/4 of the Northeast 1/4
 Section 10, Township 24 North, Range 19 West
 Principal Meridian, Lake County, Montana

Lot 9: 21.323 Acres
 Lot 10: 21.102 Acres
 Lot 11: 21.809 Acres
 Lot 12: 21.256 Acres
 Lot 13: 21.246 Acres
 Lot 14: 21.093 Acres
 Lot 15: 21.485 Acres
 Lot 16: 21.357 Acres
 Lot 17: 22.213 Acres
 Lot 18: 22.256 Acres
 Lot 19: 22.280 Acres
 Lot 20: 22.131 Acres
 Lot 21: 22.243 Acres
 Lot 22: 21.809 Acres
 Lot 23: 22.769 Acres
 Lot 24: 22.313 Acres

Section 10, Township 24 North, Range 19 West, Principal Meridian, Lake County, Montana

Page 1 of 4
 Certificate of Survey No. 6358

Appraiser Comparable Photographs



Sale # 1 21688 MT Hwy 35 (Appraiser roadside photo)



Sale #3 37167 MT Hwy 35 (Appraiser roadside photo)



EAST SHORE ZONING DISTRICT AND REGULATIONS

CREATED SEPTEMBER 1, 1991
CREATED 1991 RESOLUTION # 831,
AMENDED 1995 RESOLUTION # 95-47
AMENDED 2008 RESOLUTION # 08-34
Effective December 1, 2008



I. Purpose

The purpose of the Zoning District and Regulations is to help guide growth and development in the area, to conform to the Lake County Growth Policy, to maintain the rural character of the area and allow for development that is consistent and compatible with the existing pattern of growth, to protect and enhance property values and amenities, and to protect and enhance the natural environment, water quality and wildlife habitat.

II. Boundary

The boundaries of the district shall be as follows:

North boundary - The north section lines of Sections 27, 28, and 29 of T.26N., R.19W. (South of Woods Bay)

East boundary - The Mission Mountain Divide

West boundary - The highwater mark of Flathead Lake

South boundary - The south section lines of Sections 22 and 23, of T.24N., R.19W (South of Blue Bay)

III. Applicability

The regulations shall apply to all lands within the District except land owned by the State, Local or Federal Government, unless it is a School Trust lease lot, as well as land owned by the Confederated Salish and Kootenai Tribes which lie within the boundaries of the Flathead Indian Reservation.

A. Property owners should be aware that other local and state laws may apply to the use and/or development of their property. It is the responsibility of the property owner and their hired contractors to obtain all required state and local permits. For information about permit requirements, the property owners should contact:

1. The Lake County Environmental Health Department for compliance with septic, and stormwater management rules and regulations (when applicable).
2. The Lake County Planning Department for compliance with the Lakeshore Protection, Floodplain and Zoning District Regulations.
3. The Confederated Salish and Kootenai Tribe for all work below the high watermark of Flathead Lake for properties located on the Flathead Indian Reservation.
4. The Montana Department of Commerce for compliance with state building, electrical, plumbing and mechanical codes.

IV. Permitted Uses

- A. Residential single family use, including manufactured housing
- B. Accessory Structures
- C. One guest house per tract for private use, which does not contain more than 1,000 square feet of living area.
- D. Agricultural Activities and forestry operations.
- E. Impervious surface area covering up to 29% of the buildable area of the lot
- F. Short-term vacation rental of the property as a whole if a State-license is obtained in conjunction with the use. No short-term independent rental or habitation of more than one living unit on a property within the district shall be allowed without approval of the governing body.

V. Conditional Uses

- A. Bed and Breakfast
- B. Home Occupation
- C. Expansion of existing business
- D. More than one guest house per tract for private use
- E. A guest house for private use containing more than 1,000 square feet of living area.
- F. Mobile homes
- G. Business sign in compliance with Section XI
- H. Duplex unit if the property meets the density requirements.
- I. A separate living facility within a single-family residential structure for family member use or live-in domestic help. This is not intended for creation of facilities for rental purposes.
- J. Any independent rental of more than one dwelling unit on a residential property if the use meets the density requirements for the district and also requires review and approval by the Board of Lake County Commissioners as a subdivision created by rent or lease.
- K. Retreat center and church camp
- L. Structures over 30 feet in average height
- M. Industrial use for processing local fruit
- N. Impervious surface area covering between 30 and 49 percent of the buildable area of the lot.
- O. Temporary Dwelling
- P. Disturbance of more than 500 square feet of slopes greater than 25% within 300 feet of the high water mark on lakefront lots
- Q. Disturbance of more than 2000 square feet of slopes greater than 25 % on interior lots
- R. Conversion of existing commercial use properties containing multiple uses and multiple units that were established prior to the creation of the East Shore Zoning District to individual condominium ownership, subject to compliance with all state and local subdivision and sanitation regulations.

VI. Prohibited uses:

- A. Residential multi-family units
- B. Condominium development or ownership other than that addressed in Section V

- C. Industrial other than that addressed in Section V
- D. Recreational vehicle campgrounds
- E. Mobile home parks
- F. Commercial uses, unless the landowner demonstrates to the Board of Adjustment that the property was an active commercial use, and assessed commercially by the Department of Revenue or County Assessor's Office for at least a continuous 5 year period since the time of adoption of the zoning regulations (1991), and the requested use is reviewed and approved as a variance by the Lake County Board of Adjustment pursuant to Section XVILD.3 of these regulations and Chapter 76, Part 2, MCA.
- G. Impervious surface area covering more than 49% of the buildable are of the lot. If the lot existed prior to the implementation of the zoning district regulations, a variance to this provision may be considered by the Board of Adjustment provided a written plan is submitted by a professional engineer demonstrating that concerns with storm drainage can be mitigated.
- H. Development or construction in areas designated as being subject to a flood of a 100-year frequency or within a Federally recognized wetland.

VII. Setbacks

- A. The required setbacks for buildings shall be measured from the projection of the structure, including foundation walls, eaves, and attached decks, walkways and patios that ends closest to the applicable property line, right-of-way, road surface or lake, and shall be a minimum of:
 1. 50 feet from the high water mark of Flathead Lake with required vegetative buffer
 2. 100 feet from the centerline of Hwy 35, or 50 feet from the right-of-way, whichever is greater.
 3. 20 feet from other property lines except for on lots that exist at the time zoning was adopted which contain an average width less than 200 feet the setback shall be 10% of the lot width, provided that no structure shall be located closer than 10 feet to a property line.
 4. 50 feet from neighboring orchards. For the purposes of this provision, the orchard must constitute an agricultural activity as defined by these regulations and must be a maintained orchard (irrigated, pruned, sprayed, etc).

VIII. Structures

- A. Structures shall not be located on slopes which exceed 25 percent. Structures, for the purpose of this restriction, shall not include stairways, walkways, or other access related improvements. A reasonable variance shall be granted to allow construction of a residence on lots that exist at the time zoning was adopted which cannot meet this requirement, provided a written plan is submitted by a professional engineer demonstrating that concerns with fire protection and access, slope stability, soil erosion and storm drainage can be mitigated.
- B. Accessory structures shall meet all setback requirements, except as described in C.

below.

- C. Only lake related structures are permitted within the Lakeshore Protection Zone, which is defined as the area within 20 feet landward from the high water mark. All work in this Zone is governed by the Lake County Lakeshore Protection Regulations. Lake related improvements built within the 50-foot vegetative buffer required by the regulations shall comply with the standards required by the Lakeshore Protection Regulations.
- D. Structures shall not exceed 30 feet in average height as measured from the natural grade, unless as permitted under Section V.
- E. Satellite dish antennae shall meet all setbacks for structures.

IX. Outdoor Lighting

All new and replacement nighttime outdoor lighting must be direct its light downward and be side-shielded to prevent glare beyond the boundary of the subject property.

X. Buffer Strips:

A vegetated buffer strip at least 50-foot wide is required of all newly developed and subdivided lakefront properties as of the 2008 update of these regulations. The buffer strip shall be located on the waterward side of all impervious surfaces except those governed by the Lake County Lakeshore Protection Regulations, and shall be measured from the highwater mark of Flathead Lake to the closest impervious surface. A buffer strip design plan, including the different types of vegetation, storm water runoff control measures, and scaled sketches, shall be reviewed as part of the Zoning Conformance Permit process.

A. Vegetation

1. Buffers shall consist of a mixture of trees, shrubs, native grasses and forest duff/leaf litter. Examples of areas that do not qualify as buffer strips include grass lawns, orchards or landscaped areas where the understory has been modified. (Note: Native vegetation is typically better adapted to area soils, rainfall and temperatures and will require no fertilization and less long-term maintenance than non-native vegetation. It also provides high quality habitat to native wildlife species.)
2. A diversity of tree species and size classes that are representative of undisturbed forest stands shall be maintained.
3. In order to promote a healthy and effective buffer strip, the clearing of vegetation shall be limited to the following:
 - a. Removal of dead, windblown, damaged or diseased trees and branches.
 - b. Replacement of lawns or other modified landscaping with a variety of species and sizes to increase the buffering capacity of the area.

- c. Removal of up to one-half of the live trees to improve the scenic view and to minimize fire danger provided that at least 75 percent of the trees $\geq 8''$ in diameter at breast height are maintained.
 - 4. Removal of vegetation less than four feet in height is limited to that necessary to create a winding footpath, defensible space around a home, boat access or to remove noxious weeds and plants such as poison ivy.
 - 5. Pruning of live tree branches is permitted provided that at least the top two-thirds of an individual tree's canopy is maintained.
 - 6. Areas with a slope of 25 percent or greater are too steep to be effective as a treatment buffer and shall be left undisturbed if fully vegetated. If the area has been modified, restoration of the area by the creation of a buffer strip is encouraged.
- B. Lake Access**
- 1. Footpaths shall not exceed six feet in width.
 - 2. Footpaths shall not run in a straight line directly to the water. Instead, they should meander and be designed to avoid the channelization of runoff.
 - 3. Footpaths and boat access ways must include features (e.g., shallow stone trenches) that spread runoff from the hard surface into the vegetated buffer strip without channelizing the runoff, which causes the ground surface to erode.
 - 4. Boat access shall be seeded or mulched to reduce erosion.
- C. Permitted Features and Activities:**
- 1. Within the buffer strip, permitted features include walking paths, boathouses, boat ramps and boat rail systems, as governed by the Lake County Lakeshore Protection Regulations.
 - 2. Landscaping and the planting of vegetation in the buffer strip is permitted and shall incorporate every feasible step to minimize erosion. Restoring an altered area to a vegetative buffer is encouraged. The clearing of vegetation, as described above, is also permitted.
 - 3. All vegetative buffers that exist within 50 feet of the highwater mark at the time of the adoption of these regulations shall be managed as vegetative buffer according to these regulations.
- D. Prohibited Activities:**
- 1. Except as necessary to access boat ramps and maintain docks and other recreational facilities, all driving of motorized vehicles in the buffer zone is prohibited to prevent soil compaction and erosion.
 - 2. Except as permitted under the Lake County Lakeshore Protection Regulations, the construction of impervious surfaces is prohibited.
 - 3. Removing a buffer strip that exists at the time of adoption of this regulation is prohibited.
 - 4. Removing vegetation that exceeds the stipulations described above is prohibited.

McGinnis Real Estate Appraisal Group, LLC

Qualifications of Jennifer L. McGinnis, MAI

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Montana State Certification
Mt Certified General Appraiser
REA-RAG-LIC-714
State of Montana Appraiser Mentor

Membership/Affiliations:

Member: Appraisal Institute- MAI Designation
President: Montana Chapter- Appraisal Institute 2016-17
Past Board Chair: Montana Board of Real Estate Appraisers
Appointed by Governor Brian Schweitzer (2007-2013)

EDUCATION:

University of Montana

B.A. Communication Studies-1991

Appraisal Institute Courses & Seminars

- Uniform Standards for Federal Land Acquisitions-2017
- Marketability studies-Advanced Considerations & applications-2017
- Marketability studies- 6 step process & basic applications-2017
- Real Estate finance, statistics, & valuation modeling-2015
- Uniform Standards of Professional Appraisal Practice Update-2016
- Business Practices and Ethics -2013
- Valuation of Conservation Easements -2012
- Appraising the Appraisal: Appraisal Review-2012
- Fundamental of Separating Real Property, Personal Property, & Intangible Business Assets-2012
- Advanced Spreadsheet Modeling for Valuation Applications-2011
- The Discounted Cash Flow Model: Concepts, Issues & Applications-2010
- Hotel Appraising-New techniques for today's uncertain times-2010
- Valuation by Comparison-2010
- Using Spreadsheet Programs in Real Estate Appraisals-2010
- Report Writing & Valuation Analysis-2009
- General Demonstration Report Writing-2009
- Advanced Applications-2009
- Advanced Income Capitalization-2008

- Uniform Appraisal Standards for Federal Land Acquisitions-2007
- Advanced Sales Comparison and Cost Approaches-2006
- Highest & Best Use and Market Analysis-2005
- The Professional's Guide to the URAR-2005
- General Applications-2004
- Basic Income Capitalization-2004
- Advanced Residential Form & Narrative Report Writing-2003
- Appraisal Procedures-2002
- Standards of Professional Practice, Part A & B-2002
- Appraisal Principles-2002
- 15 Hour USPAP Course 2002, 2006

Additional Seminars

- Annual Montana Economic Outlook Seminar-Bureau of Business & Economic Research, University of Montana
- The Technical Inspection of Real Estate –Beckman Group
- Spring AARO Conference-San Francisco, CA, 2008
- AARO Conference- Washington DC 2008, 2009, 2011
- Ted Whitmer's Comprehensive Exam seminar
- Managing and Procuring Commercial Appraisal Reports
- Appraisal Review: Sales Comparison and Cost Approaches
- Appraisal Review: Income Capitalization Approach
- Distressed and Depressed- Are Values Repressed? CRE Foreclosure/Workout Valuation
- Land, Condos and Subdivisions; Solutions to Hard to Value Assets
- How to Use Market Data: Solutions for Hard to Value CRE Assets

EXPERIENCE:

2013-Present

Partner, McGinnis Real Estate Appraisal Group, LLC

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Appraisal/valuation and consulting assignments include: commercial/retail buildings, office buildings, commercial/industrial properties, warehouse buildings, medical office buildings, development land, residential and commercial subdivisions, residential and commercial condominiums, high-end residential properties, apartment buildings, low income housing tax credit apartments, retirement homes, rural acreage, waterfront properties, Federal land acquisition (Yellow Book) appraisal reports, leased fee and leasehold valuations.

2003 - 2013

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Types of Nonpublic Personal Information We Collect

In the course of performing appraisals, we may collect what is known as “nonpublic personal information” about you. This information is used to facilitate the services that we provide to you and may include the information provided to us by you directly or received by us from others with your authorization.

Parties To Whom We Disclose Information

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A disclosure required by law would be a disclosure by us that is ordered by a court of competent jurisdiction with regard to a legal action to which you are a party.

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