

**APPRAISAL REPORT
IN A NARATIVE FEE SIMPLE FORMAT
OF THE CABIN AND HOME SITE
LOCATED ON PLACID LAKE (LOT 8 IN T16N,R15W,SEC.30)
MISSOULA COUNTY, MONTANA
FOR
THE STATE OF MONTANA, THE MONTANA BOARD OF LAND
COMMISSIONERS, THE DEPARTMENT OF NATURAL RESOURCES AND
CONSERVATION (DNRC), AND THE LESSEE'S ALAN DAVIS AND KAREN
COOPER**

**PREPARED BY:
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ADDENDA:

Assumptions and Limiting Conditions
Scope of Work Statement
Zoning regulations
Appraisers Qualifications

INTRODUCTION

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October 23, 2017

Ms. Emily Cooper
Lands Section Supervisor, DNRC
PO Box 201601
Helena, MT 59620-1601

RE: Appraisal report of the cabin and homesite located on Placid Lake in Missoula County, specifically identified as Lot 8, COS 6564, T16N, R15W, Sec. 30.

Dear Ms. Cooper:

In response to the engagement letter from DNRC, the following appraisal report in a narrative report format, defined by the Scope of Work, is hereby presented containing **80** pages plus addenda. Under general requirements, the appraisal has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation. In addition, the appraisal is presented in compliance with supplemental standards identified in the engagement letter and which are consistent with these client requirements. The Scope of Work is key to understanding this appraisal service and the report option requested. Please read that section carefully as it most clearly defines the service rendered. Essentially there are four primary components to the scope of work for this appraisal. They are: **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, form the total market value derived in 1. **4.** Valuation of the improvements must account for all forms of obsolescence.

Specific reference to the issue of competency is required. It is recognized that I, Matt S. Hall, has adequate current and practical experience in the appraisal of rural residential and recreational properties throughout the State of Montana. I am confident that I possess the expertise to complete this appraisal assignment competently.

The subject property is comprised of a 1.101 acre (47,960 SF) with 185.82' of frontage on Placid Lake. The site is currently leased land, but the appraisal includes a hypothetical condition that the property is to be appraised as Fee Simple interest.

The improvements are comprised of a one and a half story home with partial basement containing a total size of 2,418 SF above grade with 516 SF basement (Imp #1). There is a second guest cabin with 190 SF and an 80 SF attached storage area (Imp #2), a detached garage with 672 SF with covered lean-to stg on both sides (Imp #3), and a small shed that is included with the site improvements (minor value contribution). The home is good to very good quality construction with a covered porch on the front and a large deck off the back/side of the home. There is a movable dock and floating dock that are not affixed to the property and would not be considered part of the real property valuation. In addition there were some significant costs in site improvements that were necessary to provide adequate landscaping and foundation for the improvements. These would not be considered part of the raw land and would be additional site improvements.

Property rights appraised are assumed (hypothetical condition) to be an unencumbered fee simple title. This is based on the concept that any utility easements do not detrimentally impact the use or value of the property. **I am unaware of any environmental hazards associated with the historical use of this property or as to the probability of contamination from adjacent uses.** I know of no adverse easements or encroachments.

Based upon my investigations, studies and analyses, in full consideration of the Scope of Work presented & discussed herein, it is my opinion the fee simple market value of the subject property in its' "AS IS" condition (reflecting the valuation scenarios), as of the effective date of September 7, 2017 is:

Total Property Value:	\$825,000 EIGHT HUNDRED TWENTY FIVE THOUSAND DOLLARS
Raw Land Value	\$315,000 THREE HUNDRED FIFTEEN THOUSAND DOLLARS
Allocated Improvement Value	\$510,000 FIVE HUNDRED TEN THOUSAND DOLLARS

Please refer to the appropriate section for a brief discussion of marketing time. Pursuant to USPAP, it is necessary for this appraisal to consider & analyze exposure time when developing an opinion of market value.

-Extraordinary Assumptions: None

-Hypothetical Conditions: That the property is assumed to be in fee simple ownership to a single owner.

-Jurisdictional Exceptions: None

Your attention is invited to the data found within the body of this report which, in part, is the foundation of this conclusion. I wish to thank you for this opportunity; should you find need of this firm's services again, please do not hesitate to contact me.

Professionally yours,
HALL - WIDDOSS & COMPANY, P.C.

MATT S. HALL
MT General Certificate No. REA-REG-LIC-786
Expires 3/31/18

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Physical Address	:3860 South Placid Lake Road, Missoula County, MT
SCOPE OF WORK	:Opinion of market value for the real property described herein based on the following criteria: 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. 4. Valuation of the improvements must account for all forms of obsolescence.
DEFINITION OF VALUE	:Market value, as defined herein.
INTENDED USE/USER	: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./ The State of Montana, the Montana Board of Land Commissioners, the Department of Natural Resources and Conservation (DNRC) and the Lessee(s) Alan Davis & Karen Cooper
PROPERTY RIGHTS APPRAISED	:Fee simple ownership
EFFECTIVE DATE OF VALUE	:September 7, 2017
DATE OF REPORT	:October 23, 2017 originally submitted 10/12/17
PRESENT USE	:Rural recreational homesite
HIGHEST AND BEST USE	:Rural recreational homesite
PROPERTY DESCRIPTION	
Land Size	:1.101 acres or 47,960 SF of land with 185.82' of frontage
Shape/Configuration	:Irregular/Single Lot
Frontage/Access	:185.82' Placid lake frontage/South Placid Lake Road access. The quality of the lake frontage at the subject property is fairly shallow with muddy/swampy frontage.

Topography/Terrain	:Site has a light downslope from the access road to the frontage with a lower elevation drainage on the western portion of the site.
Soil Conditions	:Soils were not independently investigated but I have assumed there are no load bearing issues based on the landscaping and site work that was completed.
Utilities	:Electrical Power (public), private water well, private septic system and drainfield, propane (delivery)..
Zoning/Land Use	:Citizen Initiated Zoning District (No. 8), prohibits commercial and industrial uses, allows single family residential with accessory structures (see addenda).
Flood Hazard	:Non-Printed Panel – No floodmap or determination available
Hazardous Substances	:None noted.
Easements/Encroachments	:None.
Site Improvements	:Private Septic system and drainfield. Private water well (235' artesian @ 10GPM) Fill material for construction (rock, dirt, and gravel) Landscaping (lawn, landscaped beds) Small tool/storage shed
Building Improvements	:1)Class D (wood frame) one and one half story residence with partial basement; 2)second guest cabin w/attached storage; 3)detached garage.

#	Improvement Description	# of Stories	Size (SF)	Quality	Year Built/ Condition
1	Main Residence	1.5	1,501 SF main floor, 917 SF second floor, 2,418 SF above grade SF. There is a finished basement containing mechanical, storage and panty space with exterior access comprised of an additional 516 SF.	Very Good	2009/ Good
2	Guest Cabin	1	190 SF	Good	Rmdl-2011/ good
3	Detached Garage	1	672 SF plus 560 SF of covered lean-to storage (2 sides of 280 SF each)	Good	2012/ good

Additional Items :The main home has a covered front porch of 132 SF; and a large wrap around deck of 796 SF. The guest cabin has an attached storage area of 80 SF (unfin.) and a front porch of 132 SF. The detached garage has two covered lean-to storage areas that run along both sides of the garage. There is a 1,000 gallon underground propane tank. A built-in rock fire-pit/patio area overlooking the lake.

VALUATION:

Value Indications	
1-Total Property Valuation - Cost	\$840,000
1-Total Property Valuation – Sales Comparison Approach	\$820,000
1-Total Property Valuation – Conclusion	\$825,000
2-Vacant/Raw Land Valuation – Sales Comparison Approach	\$315,000
3-Allocation of market value for non-State owned components (inclusive of all forms of obsolescence)	\$510,000

THE REPORT

SCOPE OF WORK

The Scope of Work was previously defined as the Scope of the Appraisal. Based on requirements of the Uniform Standards of Professional Appraisal Practice (latest edition is USPAP - 2016/2017) promulgated by the Appraisal Standards Board of the Appraisal Foundation and the guide notes to the Standards of Professional Appraisal Practice adopted by the Appraisal Institute, this has become the primary element defining the appraisal conducted here. USPAP involves binding requirements and specific guidelines that deal with the procedures to be followed in developing an appraisal, an analysis or opinion and with the reporting or communication of that appraisal opinion defined as Standards 1 & 2. The appraisal service & reporting option must be consistent with the Scope of Work defining the appraisal service and how it is to be communicated. The appraisal has complied with the regulatory requirements of the State of Montana administered by the Montana Board of Appraisers based on compliance with Standards & Ethics defined within USPAP.

The scope of work rule states the appraiser must:

- 1.) identify the problem to be solved;*
- 2.) determine and perform the scope of work necessary to develop credible assignment results;*
- 3.) disclose the scope of work in the report.*

Pursuant to Problem Identification as found in USPAP, the appraisal assignment requires the appraiser to “gather and analyze” assignment elements necessary to adequately identify the appraisal problem to be solved. These are, at a minimum:

1. Client: The client is identified as The State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).
2. Intended user: The intended users are the same as the client noted above, The State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC) and the Lessee’s Alan Davis and Karen Cooper.
3. Intended use: 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.
4. Type of value: The type of value, as required for federally related financial transactions, is market value which is defined herein. (MCA 70-30-313).
5. Date of value: The effective date of value is identified and is consistent with the date of inspection which occurred on September 9, 2017. The date the report is identified in the letter of transmittal.
6. Property characteristics: Deals with the extent of the subject property such as inspection/property viewing, property rights appraised, etc. This requires further address which I have included in the paragraphs below.
7. Assignment conditions: Refers to hypothetical conditions, assumptions & limiting conditions. Please refer to the paragraphs below and other relevant sections of the report.
8. Prior Services: I have not appraised the subject property within the immediate past three years which USPAP requires as a disclosure of prior services performed involving the subject property

(6.) The extent of the Property Identification involves both physical characteristics of the property (land, site improvements and/or structural improvements) and legal characteristics such as the fee simple estate limited by easement, covenants, restrictions and other encumbrances) relevant to the valuation problem. For this appraisal, the extent of the subject inspection involved a viewing of the site and of the interior (subject space only) and exterior of the building as well as a review of the provided floorplans, elevations, and other documents related to the creation of the subject as a condominium unit. Additionally other items reviewed included an approximate overview of the boundaries of the site, review of courthouse records for identification of legal description, easements of record, CAMA data, assessments, taxes and zoning. The appraiser is not an inspector and no opinion is rendered as to compliance with health codes, building codes or other such regulations. I would like to note a discrepancy in the size as reported by CAMA and the size shown by my measurements. I have shown them in the following table for quick reference.

	Measurements	CAMA
Main Floor	1,501	1,528
Second Floor	917	1,320
Basement	516	352

The second floor measurements are clearly incorrect, CAMA shows a second floor size that is almost as large as the main floor with no accounting for the unusual shape/bumpouts that are reflective of the roof/pitch and design. The basement measurements I had taken were interior measurements and showed an interior N/S distance of slightly more than 20'; based on the location of the basement relative to the main floor above it, this area is 21.5' from exterior dimensions. The E/W distance from the western interior wall to the back of the storage room was 19', there is a hallway on the other side, so my total distance measured is 24'. This produces a dimension of 21.5' x 24' for a size of 516 SF. I have relied on personal measurements.

For the comparables, I attempted to view each of the improved and/or land sales used in this report. Big Sky Lake is a private *gated* community and I was not provided access to view the comparables. MLS records did provide a good representation of the property with multiple interior and exterior photographs of the property at the time of sale.

(7.) The client requested an estimate of market value for the property in its' "AS IS" condition. The date of value is as of the current date (consistent with the date of inspection). There is a hypothetical condition that the property is assumed to be in fee simple ownership to a single owner. The land value is based on a vacant/raw tract of land (assumed vacant and unimproved). There are no other hypothetical conditions or other assumptions as to change in zoning, proposed improvements, demolition of improvements, etc. The only other limiting conditions of any significance are reflective of the more typical assumptions & limiting conditions that are contained in the addenda to this appraisal.

For the readers edification, I have incorporated definitions for hypothetical conditions and extraordinary assumptions. These definitions are taken from the USPAP 2016/17.

Hypothetical Condition. *“That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may be used in an assignment only if:*

- *Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;*
- *Use of the hypothetical condition results in a credible analysis; and*
- *The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.”*

Extraordinary Assumption. *“An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinion or conclusion. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:*

- *It is required to properly develop credible opinions and conclusions;*
- *The appraiser has a reasonable basis for the extraordinary assumptions;*
- *Use of the extraordinary assumption results in a credible analysis; and*
- *The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.”*

It is my opinion that I am qualified to provide this appraisal service. Qualifications have been included within the addendum of the report and these identify or serve as evidence of the experience and expertise (competency) to provide this service. Specific to the property and location of the subject of this appraisal, it is recognized that I, Matt S. Hall, routinely provides appraisal services within this classification of residential/recreational real property throughout Western Montana. As such, the conclusion is expressed that sufficient knowledge and experience combined with my professional qualifications are adequate to comply with competency requirements of USPAP.

In terms of the appraisal service requested, this is defined as a rural residential/recreational property with frontage on Placid Lake. The property type and the age/condition of the property suggest that not all three approaches would be valid. The income approach would not be considered a credible valuation and has not been utilized. The cost and sales comparison approaches would both be considered applicable and credible, but the primary emphasis would be for a sales comparison approach. For the vacant land, only a sales comparison approach to other vacant tracts would be applicable. Peer review would expect to see a similar application in valuation methodology employed in providing an opinion of market value. As a result, I have utilized only the sales comparison and cost approaches as relevant valuation methodology.

Relevant to the preceding paragraph, factual market data gathered or researched for this appraisal includes land and improved sales which have also been researched and presented herein. This data is utilized in arriving at the Highest and Best Use for the subject property and to estimate the market value of the property based on that conclusion of highest and best use. It is recognized

that Montana is a non-disclosure State and verification of sales is commonly handled through real estate agent confirmation as well as buyer and/or seller verification. There are times when the confirming party does not wish to be identified or where the price is not to be divulged in an appraisal report. All of these elements are considered appropriate and common under peer review. There is an MLS service to assist in the appraisal research but private sources are also consulted as well as individual investor, owner/operators, management companies, etc. are contacted for market data.

It is acknowledge that I lack special expertise or knowledge with respect to the detection and measurement of hazardous substances. For this appraisal, I have not been provided either a Phase I or Phase II environmental audit relating to this topic. I have assumed there to be no environmental concerns relating to the subject property and this is a typical assumption & limiting condition.

The following identifies the individuals, companies and governmental agencies that have been contacted during this investigation. It should be noted that this is not considered to be an all-inclusive list although it does identify the primary contacts made.

Missoula County Treasurer
Missoula County Appraisal/Assessor
NW Board of Realtors MLS
Clearwater MT Properties
Keller Williams Western MT
Various real estate professionals

Missoula County Clerk and Recorder
Missoula County Planning
Nick Hogan, MAI
ERA Lambros
Main Street Realty

RECORD OWNER

According to the records of the Missoula County Clerk and Records office, the subject property is found to be under the ownership of DNRC SCHOOL TRUST LAND. This is reflective of the property as a leased site. The lessee (and owner of the improvements) is noted as Alan Davis and Karen Cooper.

LOCATION OF PROPERTY

The subject property is located on the south/west shore of Placid Lake, which is just south of the town of Seeley Lake. More specifically the property is located at an address of 3860 South Placid Lake Road in Missoula County, MT.

LEGAL DESCRIPTION

According to information provided by the client, the property will be more particularly described as follows:

Lot 8, COS 6564, T16N R15W, Sec. 30

DEFINITION OF VALUE

The purpose of this appraisal is to estimate the **market value** of the property described herein and commonly referred to as the subject property. At the request of the client, the definition of market value utilized in this report is the Current Fair Market Value as defined in MCA 70-30-313 which is as follows:

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 reasonable 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*

REASONABLE EXPOSURE TIME & MARKETING TIME

It is a requirement of the Uniform Standards of Professional Appraisal Practice (USPAP) to incorporate discussion & analysis of **Exposure Time** within a market value analysis of the subject property. As previously defined by the Appraisal Standards Board of the Appraisal Foundation, the term states:

"The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market."

It is often assumed that this is consistent with the concept of **Marketing Period (Time)**. This has been defined within the "**The Dictionary of Real Estate Appraisal, Fifth Edition**", published by The Appraisal Institute as follows:

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal (Advisory Opinion 7 or the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and market time.)

The simple issue between these two definitions is one of historical evidence (exposure time is always presumed to precede the effective date of the appraisal) and prospective or future occurrence (marketing time). These may be the same in a stable market or opposite trends in a changing market. The situation could be a relatively weak or soft market noted by historical evidence yet current trends reflect a strong demand and investor expectations for continued strong demand. That could present opposite exposure time and marketing time discussions/conclusions.

The market evidence found & discussed within this appraisal have shown historical evidence of exposure time, for this type of property, to be highly varied. Waterfrontage land sales (not all utilized in report) uncovered 11 waterfrontage sales between 10/1/2014 and current, reflected a bracketing between 36 days and 819 days. There are 12 listings which show a bracket between 99 and 187 days. This is somewhat misleading though. Nine of the listings are Emerald Lake lots, all showing a DOM of 110. The Emerald lake lots have been on and off the market for many years, dating back to pre-recession. There was financial distress to the development, which is currently bank owned. Excluding this one development, there would only be 3 active listings. There was 1 sale in 2015, 6 sales in 2016, and 4 sales/2 pending for 2017. Based on the supply/demand activity, the market appears to be in balance. As such the expectation would be for a similar conclusion for marketing and exposure time for the vacant land. Excluding outliers, the data would indicate a marketing and exposure time between 30 days and 200 days.

The improved sales reflected a bracketing between 36 days and 819 days. The MLS shows 28 improved sales/pending between 2016 and current with a bracketing between 24 days and 1,416 days. Excluding the outlier, the next highest DOM is 717, then 725, then 592. These were for list prices (in similar order) of \$179,500, \$650,000, \$199,900, \$240,000. There does not appear to be a price point issue relative to the marketing and exposure time. This is a market with low conformity between properties that does not reflect any strong degree of consistency between marketing and exposure times. There are currently 12 active listings within this same market delineation (from Clearwater junction to just north of Lake Alva. DOM for the listings reflects a similar lack of consistency with a bracket between 42 days and 769 days with an average of 246. As an improved property, it is my conclusion for a marketing and exposure time between 6 months and 12 months.

PROPERTY RIGHTS APPRAISED

Property rights appraised are assumed to be a fee simple title. The subject property is currently leased land, but scope of work is to consider the property as fee ownership to a single ownership. It is routinely understood that utility easement(s) are common to most real property. I will address and provide a detailed discussion as to their existence on the subject property only if it is deemed they impact (presumed negatively) the valuation or use of the property. Otherwise, the specific notation of existing easements will be limited to discussion in this section of the report.

GENERAL AREA MAP



NEIGHBORHOOD MAP



GENERAL AREA & NEIGHBORHOOD DATA AND TRENDS

The subject property is located in a rural submarket just south of the town of Seeley Lake in Missoula, County, MT. I have not included a discussion of the general area in the sense of the property having influences associated with both the Missoula market and the Kalispell/Flathead market. Rather, I have concentrated only on a presentation of the neighborhood that is clearly indicated as the Seeley-Swan Valley ranging from Clearwater Junction on the South and Bigfork on the north.

This is an approximate 92 mile long valley that is formed by the Mission Mountains on the west and the Swan Mountains on the east. The Swan River Basin is said to be located within the Northern Rocky Mountain Physiographic Province. The Mission Range reaches elevations of 9,800 feet above mean sea level and the Swan Range reaches elevations of 9,400 feet AMSL. This neighborhood is a heavily forested area with mountains forming the west and east boundaries and the valley bottom reflecting lakes, rivers and streams as well as glacial moraine pot and kettle topography reflecting a myriad of small lakes, ponds, wetlands, etc.

The Clearwater River flows south within the south half of Seeley-Swan Valley from its source at Clearwater Lake and then empties into the Black foot River just SW of Clearwater Junction. The series of lakes found to the south end of the valley include Rainy Lake, Lake Alva, Lake Inez, Seeley Lake, Placid Lake, Elbow Lake, Salmon Lake and Blanchard Lake. The north valley flows from Summit Lake and Lindberg Lake and this is the start of the Swan River which flows northwesterly through the Swan Valley to Flathead Lake at Bigfork. The headwaters of the Swan River include several lakes including Lindbergh Lake, Cygnet Lake and Holland Lake to the south and Swan Lake to the north that is a highly prized recreational resource. The subject's primary neighborhood is the southern corridor.

This is a very sparsely populated neighborhood. The town of Seeley Lake is the service and trade center for the Clearwater drainage and the south part of Swan Valley. Seeley Lake provides basic services while medical and major shopping and services are found in either Missoula or Kalispell. There are also some limited public services for light groceries, restaurants and gasoline at several other locations in the Swan Valley along Highway 83. The town of Bigfork, located at the north end of the neighborhood, provides limited public services. Bigfork is well known for its gift shops, art galleries and theater. Missoula and Kalispell are full service communities. Both Missoula County and Flathead County (Kalispell) have shown strong growth over the past three decades. Missoula and Kalispell have scheduled airline service, so they serve as a major entry point for the out-of-state visitor.

The Seeley Swan valley is served by a primary highway running north/south through the area from Clearwater Junction to Bigfork referred to as State Highway 83. Within the neighborhood, gravel surfaced county and Forest Service roads provide access from Highway 83 to the lakes and into the mountains. The 2 million acre Bob Marshall Wilderness area lies just 5-8 miles northeast of Highway 83. The Mission Mountain Wilderness lies just a few miles southwest of Highway 83. The Seeley-Swan area serves as a jumping-off point for guided horse pack and hiking trips into these wilderness areas. This area serves as a recreation area for the populations found in the major Montana communities of Missoula, Kalispell, Helena and Great Falls. The area also serves a much wider geographic population as many tourists recreate in the Seeley-Swan valley; many becoming residents after having visited the area. Many recreationists and

recreation land buyers are from out-of-state. The largest employer is found in Seeley Lake with Pyramid Mountain Lumber Company being a sawmill that provides good paying, year around employment for ~150 sawmill workers. As with any base industry, the “ripple-effect”, produces two to three times that in support businesses such as logging and equipment maintenance, accounting and legal services, etc. The northerly Swan Valley is a bedroom area for many people who work in the Bigfork and Kalispell area.

Tourism is an increasingly important part of the local economy, creating more jobs but usually these reflect lower paying and part-time jobs. Bigfork has a 27-hole golf course and resort community called Eagle Bend. Seeley Lake has an 18-hole golf course and resort called Double Arrow. These are an example of the other recreational attractions to the area. Mostly, the recreational characteristics have been associated with outstanding hunting, fishing, lake, river, stream and mountain recreating (hiking, biking, etc.). People/investors have been attracted to the amount of underdeveloped or lightly developed forested mountains in this area. The ownership patterns in the area reflect USDA Forest Service and Plum Creek Timberland for the majority of these mountainous areas in the Mission and Swan Mountain Ranges. The public lands provide recreation used such as hiking, hunting, fishing, camping, berry picking, firewood gathering, snowmobiling and cross country skiing. The lakes in the valley bottoms serve as locations for water oriented activities such as boating, canoeing, water skiing and fishing. White water rafting is a popular activity on the Blackfoot River and lower Swan River. There are State Parks on Salmon Lake and Placid Lake. The State also maintains fishing and camping facilities on the Clearwater River and the Blackfoot River. The U.S. Forest Service maintains public camp grounds on Seeley Lake, Lake Alva, Lindbergh Lake, Holland Lake and Swan Lake. The Forest Service also manages a canoe trail along the Clearwater River.

Fall recreation is mostly associated with hunting. The Montana Department of Fish, Wildlife and Parks manage the large Blackfoot-Clearwater Game Range near the southeast part of the neighborhood. Hunting is allowed for whitetail deer, mule deer, elk, moose, mountain goat, mountain lion, black bear and mountain grouse. The area around Lindbergh Lake is excellent whitetail deer summer range, with summer populations over 30 deer per square mile. Good duck hunting can be found in the Blackfoot area and on the southeast part of Swan Lake. Viewing and photographing wildlife is another popular recreation activity. This area harbors populations of rare wildlife species such as grizzly bear, wolverine, lynx, loons, bald eagles and bull trout. There is a national wildlife refuge at the south end of Swan Lake.

Winter recreation includes snowmobiling, cross country skiing, dog sledding and ice fishing. These add a winter dimension to recreation. The Seeley Lake area boasts of 15 groomed snowmobile trails covering 350 miles. There also are groomed snowmobile trails on Crane Mountain, northwest of Swan Lake.

Utility service includes electricity and telephone service available in all developed areas. Seeley Lake has both grade and high schools. There are two small grade schools in the Swan. High school students attend school in Seeley Lake or Bigfork. Mail service is generally limited to the Highway 83 area. A major economic focal point during the past few years in this area has been the Double Arrow Ranch. This major cattle ranch has been subdivided into 800 residential/recreation lots, a golf course, a lodge and related support business. All of these lots have been sold and about 30 new homes were being built each year prior to the Great Recession of 2008/2009. Since that point, construction activity has fallen sharply.

There are some signs of renewed construction activity at some of the higher price points, but not to pre-recessionary levels. The Double Arrow Ranch recently expanded their golf course to 18 holes and added another 50 new residential lots. There are also lodge and resort facilities on Seeley Lake, Swan Lake and Holland Lake. Swan Lake has experienced extensive development of its lakeshore for recreation homes and retirement homes since Champion International Corporation sold off its extensive lake frontage on this lake in the mid 1980's. Other corporate timber company lands fronting on Salmon Lake and Placid Lake have been sold to developers. Developers have subdivided most of the lakeshore. Many of these new lakeshore lots are now being developed with expensive vacation homes.

This area has experienced rapid expansion of its tourist oriented economy during the last few years, similar to what is happening all over western Montana. Many out-of-state people are choosing to buy recreation type of real estate for vacation use and retirement use. Many affluent buyers usually attempt to buy lakefront property. Recreational and residential property values increased very substantially from the late 1980's thru 2005. Seeley-Swan recreation land prices are some of the highest prices in western Montana. One of the unique aspects of this area is its location between two spectacular mountain ranges, offering excellent mountain views in two directions. The other is the abundance of lakes & streams for water based recreation.

Trends: The Great Recession of 2008/2009 had a strong impact on out of state buyers for recreational property. Sales volume of all property types in the valley fell significantly with almost no sales activity in 2009. In the following years sales activity has been sparse, but has shown some signs of improving. There has been greater activity in affordable price levels than for larger higher valued properties based on differing market segments (affordable prices are traditionally more local and regional based while higher priced properties are typically wealthy out of state buyers). Sales volume has remained low, but there has been some renewed construction by custom log home builders for some higher value properties. In the short term, I do not expect any drastic changes in market demand and activity. In the long term, the recreational amenities of the area will continue to drive a recreational/rural residential market.

In terms of commercial and industrial uses, population growth may drive some modest growth in these property types, but overall the location and linkages limit any major expectation for growth of commercial and industrial uses other than for commercial recreational use. There are no projections that would suggest any growth in industrial uses other than for small "niche" products such as construction, woodworking, etc.

Market Analysis:

The Appraisal of Real Estate, Thirteenth Edition, published by the Appraisal Institute deals with the term market analysis. The Page 173 shows a definition of this term as **“A process for examining the demand for and supply of a property type and the geographic market area for that property type. This process is sometimes referred to as a *use in search of a site*.”** In addition, there is a *marketability analysis*. This is defined as **“A process that investigates how a particular piece of property will be absorbed, sold, or leased under current or anticipated market conditions; includes a market study or analysis of the general class of property being studied. This process is sometimes referred to as a *site in search of a use*.”** The latter includes market analysis and an opinion of capture (sometimes referred to as fair share). As part of this analysis, the appraiser is required to analyze the two types of real estate markets; capital markets (buyers and sellers) and fundamental markets (user market).

The basics of marketability (measure of market support) tend to rely on an equilibrium between *supply* and *demand*; particularly as these terms apply to economic models. Therefore, if the subject is priced according to its location (land value) and physical attributes (improvements) where it will capture its share (fair share) of the market, there would be market support for the real estate. This is both a consideration of current or existing supply as well as the incorporation of future growth in competition (supply).

There are very clear issues involved in all three valuation approaches that deal with market/marketability analysis. The market analysis presented here is NOT intended to be a fundamental market analysis. Rather, it is a recognition of the appraisal analysis that identifies the subject property as to a particular real estate product (type) and the real estate market in which this property competes (location, MT). The reader is instructed that under a scope of work analysis, it is my opinion that I believe an inferred market analysis is adequate to allow for a credible appraisal result.

Inferred Market Analysis, as defined in the 13th Edition is “Demand projected on the basis of historic trends, current market conditions, rates of change, and absorption patterns.” Market study is defined as “A macroeconomic analysis that examines the general market conditions of supply, demand, and pricing or the demographics of demand for a specific area or property type. A market study may also include analyses of construction and absorption trends.

Again, citing The Appraisal of Real Estate, 13th Edition, Market Analysis Process is stated to be a six-step process. This is found on page 187, Table 9.4 which identifies these steps as follows:

1. Define the product (Property Productivity Analysis).

- There are 3 sub-headings that address physical attributes, legal and regulatory attributes, and location attributes.

2. Market Delineation.

- This reflects market area delineation concepts such as time-distance concepts and area over which equally desirable substitute properties tend to compete with the subject.

3. Demand Analysis.

- This includes 4 sub-headings which are a.) demand segmentation; b.) tastes and preferences (behavioral, motivational, and psychological factors); c.) inferred demand analysis; d.) fundamental demand analysis.

4. Supply Analysis (survey and forecast of competition).

- This also has 4 sub-headings which include a.) Existing competition; b.) competition under construction; c.) prospective competition; d.) attributes and characteristics of the competitive properties.

5. Analyze the Interaction of Supply and Demand.

- This includes analysis of the competitive environment and residual demand concepts.

6. Forecast Subject Capture (Market Penetration Concepts).

- There are 3 sub-headings included here which are: a.) Inferred methods; b.) Fundamental capture methods; c.) Reconcile subject capture indications by inferred and fundamental methods.

Scope of Work did not address these issues. The scope of work is to meet, at a minimum, what the appraisers' peers would expect to see for the same or similar assignment. Additionally, it must comply with the expectations of the client and intended user(s). For this appraisal, my scope of work requirements did not specifically address market studies and the need for inferred vs. fundamental market analysis. Peer review in this region would not expect to see a detailed fundamental market analysis unless it was specifically incorporated into the scope of work and detailed as to the intended use of that fundamental market analysis. Market studies (analysis) typically are very abbreviated in this region; often made a part of the general area data & trends.

As for the client and intended user, a minimum expectation for inferred market analysis would be required. Based on my analysis of the subject appraisal problem and the client/intended user minimum expectations, I have presented an inferred market analysis.

Under Item #1, the subject is defined herein as a rural residential/recreational property. For additional discussion, please refer to the highest and best use section of the report.

Under Item #2, the market for this property is geographically established as the Seeley/Swan valley in Missoula County. In addition, there are additional defined areas that could or do compete with the subject property. There are no other areas identified in this report.

Under Item #3, demand analysis is based on specific Demographic and Income Profiles that are found in the addenda. The source of this data is from the Site-To-Do-Business. I have shown information above for demographic information. Population and household income are the key points to a fundamental demand analysis for (property type such as retail) markets. As presented in the 13th Edition, cited previously, the important factors in demand analysis and these are summarized below:

- Population of trade area - size and number of households, rate of increase or decline in formation, age, etc.
- Per Capita and household income (mean and median)
- Percentage of household income spent on all retail purchases & % of disposable income spent on specific retail purchases
- Rate of sales retention in the trade area
- Required volume of sales for a retail facility to operate profitably (sales volume per SF)
- Retail vacancy rate and trends
- % of retail purchases captured from outside trade area
- Land use patterns and direction of city growth
- Accessibility and cost of transportation
- Factors that affect the appeal of the retail center (image, quality of goods, tenant reputation, etc.)

	1 mile	12 miles
Census 2010 Summary		
Population	9	2,108
Households	4	972
Families	3	630
Average Household Size	2.25	2.16
Owner Occupied Housing Units	3	782
Renter Occupied Housing Units	1	190
Median Age	45.0	50.0
2017 Summary		
Population	10	2,241
Households	4	1,036
Families	3	657
Average Household Size	2.25	2.16
Owner Occupied Housing Units	3	804
Renter Occupied Housing Units	1	232
Median Age	52.5	52.9
Median Household Income	\$41,089	\$41,636
Average Household Income	\$66,194	\$57,793
2022 Summary		
Population	10	2,358
Households	5	1,089
Families	3	683
Average Household Size	2.00	2.16
Owner Occupied Housing Units	3	845
Renter Occupied Housing Units	1	244
Median Age	52.5	54.4
Median Household Income	\$50,000	\$49,678
Average Household Income	\$63,985	\$68,126
Trends: 2017-2022 Annual Rate		
Population	0.00%	1.02%
Households	4.56%	1.00%
Families	0.00%	0.78%
Owner Households	0.00%	1.00%
Median Household Income	4.00%	3.60%

The demographic area shown is a 1 and 12 mile ring around the subject location; this covers from Clearwater junction to the south. As shown above, there is little population and /or

projected growth in the immediate 1 mile radius. This narrow segment is given no emphasis. The greater indicator can be derived from the 12 mile radius. The key segment to this group is that there is positive growth in population and incomes projected. Because of the residential/recreational motivation for lake front properties the actual demographic trends for population growth and income are of less relevance. Buyers of waterfront property are typically not from the local market, these buyers typically come from all over western Montana and from out of state as well.

Under Item #4, Supply analysis, the reader should understand there is no detailed, primary analysis of inventory or supply available in the (location and/or geographic area) outside of MLS listings. The rural location and significant inventory of undeveloped land (many large acreage parcels that could be developed at some point in the future) would limit any supply analysis that relied on just MLS data.

In terms of waterfront land, there are 24 sales and listings from January 1, 2013 to present. This includes river, lake, and creek frontage locations. There are 14 active listings, 9 are for Emerald Lake. There were 2 sales in 2017, 6 in 2016, 1 in 2015, none in 2014, and 1 in 2013. The sales activity has not presented any concise trends for just waterfront lots (with site sizes less than 5 acres.

For waterfrontage improved properties with site sizes under 5 acres, there are 48 sales/listings from Jan. 1 2013 to present. Fourteen of those are active listings/pending sales. There were four sales in 2017, 16 sales in 2016, 4 sales in 2015, 4 sales in 2014, and 6 sales in 2013. The sales data is somewhat similar to the land sales data for land (waterfront). There was limited sales activity from 2013 to 2015; 2016 saw an increase in sales activity for both land and improved, but 2017 has not shown similar sales activity. The most recent year's "lull" in sales activity could like be a result of the impact of this last season's Rice Ridge fire, which blanketed the area with heavy smoke and prompted evacuation notices due to air quality. This occurred during a period in which the market is typically fairly active, so it is not surprising that the most recent year reflects a decline in sales activity.

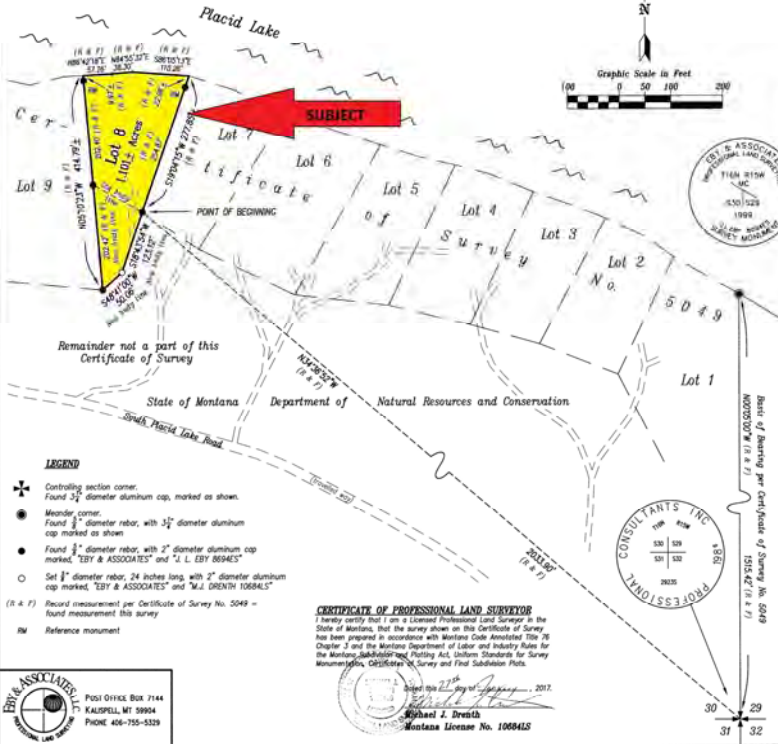
Under Items #5 & #6: The interaction of supply and demand is the most basic of economic principles. When there is a relative balance between supply (inventory) and demand, the market tends to react normally. When there is either too much inventory or too little demand, the market reaction tends to be driven by buyers and that generally follows a declining price trend. Conversely, when inventory is low and demand is high, periods of hyper-appreciation have been shown to occur.

The demographic patterns from STDB show some signs of positive growth in population and incomes over the next five years, but again waterfrontage buyers have not been any significant portion of the local population/demographics. The largest source for potential buyers would be from Missoula and Kalispell, the two largest nearby cities. For Missoula, the subject location is one of the closer lake front location to town and there is a larger impact from this community. Because the demand component is not readily identifiable by segments (because of the large amount of activity from both out of area and out of state buyers), the interaction of supply and demand has typically focused greater on the sales and listing activity. Regionally demographic patterns have pointed to rising incomes, especially for the more affluent segments with greater disposable income. This would suggest that the pool of potential buyers (demand) will likely increase in the following years. There may be some lingering “stigma” from the wildfire/smoke effect, but overall activity would be projected to rise.

PLAT MAP

Certificate of Survey

Government Lot 8, Section 30, Township 16 North, Range 15 West
Principal Meridian, Missoula County, Montana



Date of survey:
September 2016

Purpose of survey:
Relocation of common boundary

Owner and commissioned by:
Montana Department of Natural Resources and Conservation

1/4	Sec	T	R
	30	16N	15W

Principal Meridian, Montana
Missoula County

LEGAL DESCRIPTION - Lot 8

That portion of Section 30, Township 16 North, Range 15 West, Principal Meridian, Missoula County, Montana described as follows:

Beginning at a point which bears North 42°05'00" West 3033.00 feet from the southeast corner of Section 30, Township 16 North, Range 15 West, thence South 18°43'54" West 121.12 feet; thence South 48°41'00" West 50.06 feet; thence North 20°02'23" East 104.75 feet, more or less, to the high water mark of Placid Lake; thence along said high water mark of said Placid Lake the following three courses: North 88°42'15" East 57.28 feet, North 62°55'35" East 38.20 feet and South 88°05'17" East 103.26 feet; thence South 18°43'54" West 277.85 feet, more or less, to the Point of Beginning containing 1.037 acres of land, more or less, as shown on this Certificate of Survey which is herewith incorporated in and made a part of this legal description.

OWNERS CERTIFICATION AND PURPOSE OF SURVEY

We certify that the purpose of this survey is for divisions made outside of patrolled subdivisions for the purpose of relocating common boundary lines between adjoining properties and that no additional parcels are being created therefore. This survey is exempt from review as a subdivision pursuant to Section 76-3-207(1)(c) M.C.A. The adjusted common boundary is between several properties and unleased properties owned by the Montana Department of Natural Resources and Conservation. These two properties are not tracts of record pursuant to 76-3-103(1) M.C.A. until such time as a real property transfer is approved by the Montana Board of Land Commissioners and surveyed pursuant to Section 77-2-310 M.C.A.

The portion that is being removed from one property and joined with another property is not itself a separate property or tract of record. The portion shall not be available as a reference legal description in any subsequent real property transfer associated with this Certificate of Survey on which said portion is described, unless said portion is included with or excluded from adjoining properties.

MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

John E. Tabbs
Director
State of Montana
County of []

This record was acknowledged before me on 2-7-2017 by John E. Tabbs as the Director of the Montana Department of Natural Resources and Conservation.

Signature: [Signature]
Date: 2-7-2017
Notary Public for the State of Montana
Notary Expires: January 18, 2025

APPROVED BY: [Signature] 3-3-2017
Missoula County Department of Public Works

APPROVED BY: [Signature] 3-8-2017
Missoula City/County Health Department

This Certificate of Survey was not reviewed for adequate access, installation of utilities, feasibility or suitability of public services nor does this approval obligate Missoula County to provide road maintenance, dust abatement or other services.

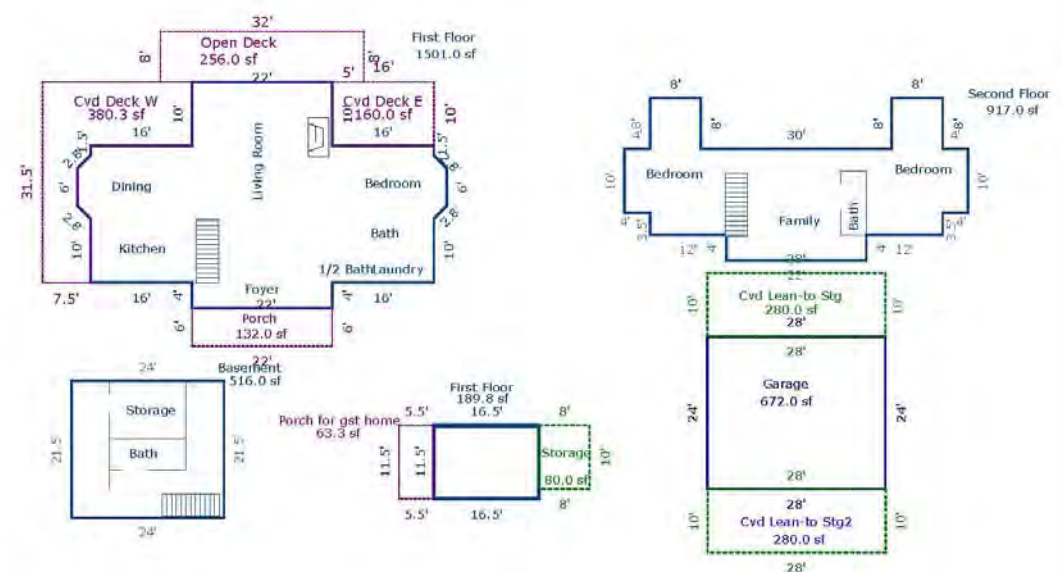
CONFORMS TO: 76-3-103(1) M.C.A.
SAC: Book 975 Page 1108
SPA: Book 975 Page 1108

Certificate of Survey No. 06541

HD 7380

SKETCH

SKETCH/AREA TABLE ADDENDUM

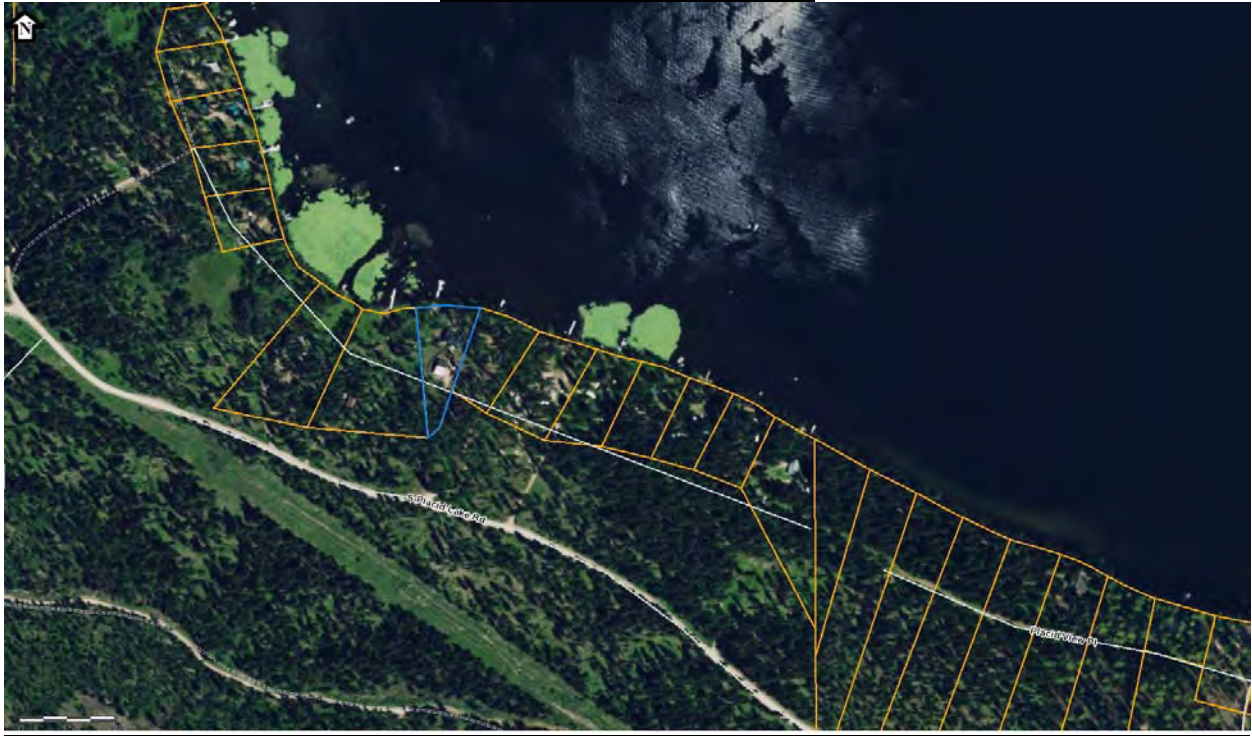
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Hall Widdoss & Company, P.C.

APEX SOFTWARE: 800-955-9958

Apex7100-v6 Apex v5

AERIAL PHOTOGRAPH:



SUBJECT PHOTOGRAPHS



Front view from southwest corner looking north 111720



Rear/side view of residence facing southwest 112112



Rear view of main residence looking southeast 112202



Exterior view of guest cabin and storage area (at back) 113118.



View of firepit seating area near frontage looking north, northeast 113156



View of waterfrontage from removable dock looking northwest. Shows the “swampy” shoreline conditions at the subject locale. 112334



Closeup view of shoreline and shorebottom (shows muddy shore and bottom) 112339



Interior view main residence – Living room



Interior view main residence – Kitchen



Interior view main residence – Dining area



Interior view main residence –master bedroom (main floor) 120521



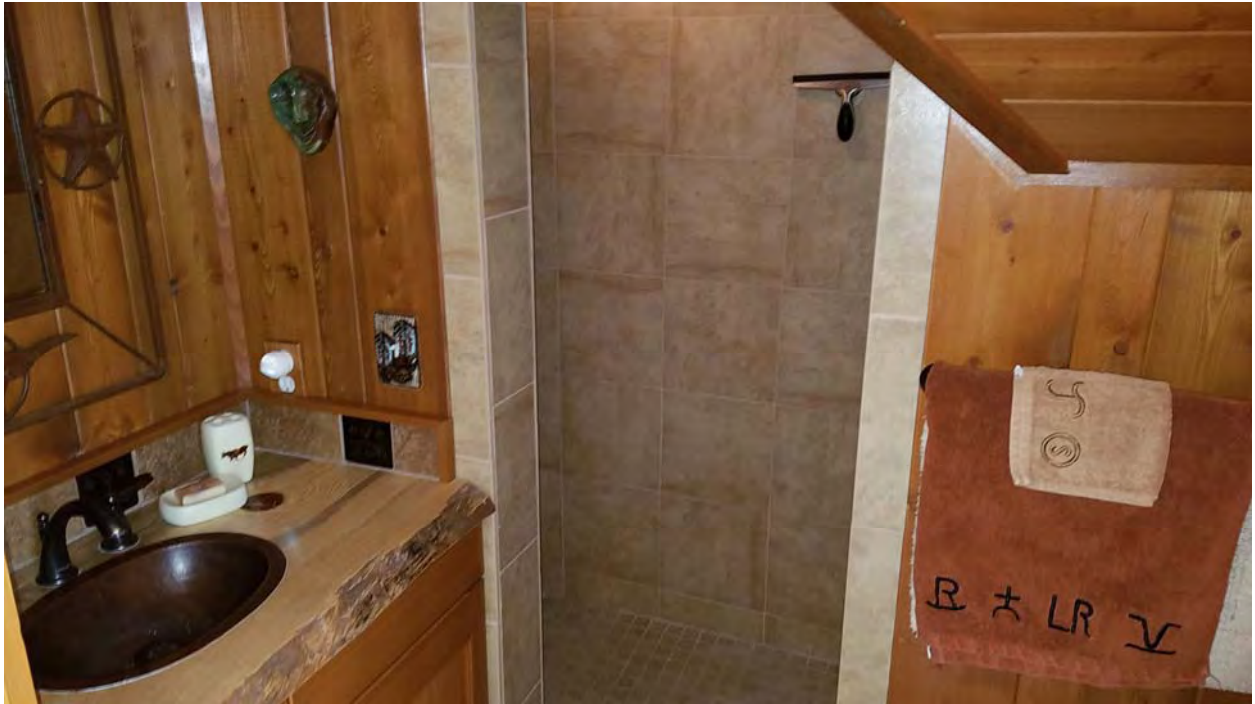
Interior view main residence – master bathroom (main floor) 120535



Interior view main residence – ½ bath / laundry room (main floor) 120604



Interior view main residence – 2nd floor loft/family room 115835



Interior view main residence – bathroom (second floor) 120604



Interior view main residence – 2nd floor bedroom 115845



Interior view main residence – bathroom (basement) 120414



Interior view main residence – basement storage area 120434



Interior view guest cabin 112910



Interior view guest cabin attached storage area 113033

PROPERTY DESCRIPTION

A rural residential/recreational property located on the south shore of Placid Lake.

Physical Address	:3860 South Placid Lake Road, Seeley Lake, Missoula County, MT
Land Size	:1.101 Acres or 47,960 SF
Shape/Configuration	:Mostly rectangular/single parcel
Frontage/Access	:185.82' of Placid Lake Frontage/gravel road access
Topography/Terrain	Site has a light downslope from the access road to the frontage with a lower elevation drainage on the western portion of the site. There is light to moderate timber coverage with landscaped areas around the home and native vegetation for the remainder of the site (grasses, bushes, trees); light to moderate coverage for bushes/trees.
Soil Conditions	:Soils were not independently investigated but I have assumed there are no load bearing issues. .
Utilities	:Electrical Power (public), private water well, private septic system and drainfield, propane (delivery).
Street Improvements	:South Placid Lake Road is a two lane gravel road with no curbing, walks, etc.
Zoning/Land Use	:The subject is zoned under a Citizen Initiated Zoning District. Commercial and industrial uses are prohibited. There is a 50' setback from the waterfrontage for new buildings.
Flood Hazard	:Unprinted panel
Hazardous Substances	:None observed or known.
Easements/Encroachments	:None
Site Improvements	Private Septic system and drainfield. Private water well (235' artesian @ 10GPM) Fill material for construction (rock, dirt, and gravel)* Landscaping (lawn, landscaped beds)* Small tool/storage shed 1,000 gallon buried propane tank. Rock patio/firepit near frontage

*discussed on following page

The fill material was comprised of two parts, landscaping and materially necessary for construction of the garage improvement. The site had a fairly “swampy” elevation during spring when there is greater precipitation. This required several loads of fill to ensure the garage would not flood or create flood risk issues for the rest of the property. The homeowner had a contractor estimate that detailed the costs and materials utilized. The costs detail the cost at time of construction as well as updated costs for these items. In total there were 8 load of large wall rock, 700 yard of fill for the garage, 24 hours excavation and labor. The landscaping was and additional 6 loads of 30, 30 yards of fine grade material and 20 hours excavation/labor. Additionally the landscaping includes a “vegetable garden” this type of improvement has not been shown to be an impact on value for recreational and rural properties. It can be seen as a positive or negative amenity based on the buyer and has not been shown to consistently impact value.

Improvement Description:

Description	Subject Information
General Property Class/Use	Main Residence (Improvement #1)
Number of Stories	One and ½ story
Type of Construction (e.g. C masonry, D frame)	Class D Wood Frame
Year Built (Actual Age)	2011
Effective Age	6 years
Gross Living Area (Total Above Grade)	1,501 SF Main floor, 917 SF 2 nd floor, 2,418 SF total.
Basement Area (GBA and Finished Area)	516 SF fully finished basement space.
Construction Quality	Very Good Quality
Building Condition	Good condition
Foundation	Concrete Basement/crawl space.
Framing	Mostly 2" x 6" wood stud wall framing with some 2" x 4" interior wall framing/partitioning.
Exterior Walls	The exterior of the building is comprised of wood siding.
Roof Structure/Cover	Metal Roof
Insulation	Styrofoam block foundation, high insulation in walls (unknown R-value). .
HVAC	Cadet Heating with no AC.
Electrical Service	Adequate for the existing residential use.
Fire protection	Smoke detectors, no alarm/sprinkler noted.
Interior Detail	The interior finish space is comprised primarily carpet , hardwood, and tile flooring. Walls are wood T&G with exposed beams (fir). There are open vaulted ceilings above the living room to the second floor loft area. The kitchen has custom cabinets (walnut) with Formica Counters. There is a breakfast bar mad with natural stone facing. The bathrooms are all tile floors with tile showers. The interior wood working utilizes mostly aspen with pine and fir in the bed/baths.

There is an additional guest cabin that I have not presented in the same tabular format. This improvement is 190 SF plus an 80 SF unheated attached storage area. This improvement is a single room with a murphy bed and electric FP for heating. The building has Styrofoam block foundation and is insulated. This improvement, by virtue of it's location to the waterfrontage, would be considered a legal non-conforming use. This improvement is in similar condition to the main residence and is only slightly inferior in regards to quality. The owner has indicated that they include this "bedroom" in the total bedroom count for the property.

The detached garage is of similar construction material/style as the home with wood siding and a metal roof. There are two 10' covered lean-to sections along both sides of the garage. The interior of the garage is unfinished.

Taxes and Assessments:

There is no current assessment for the subject property; the lot is tax exempt due to state ownership. The improvements are assessed under a slightly different geo-code (last four digits are 0099 rather than 0000). I have shown the assessments for the land and improvements in the following:

Land – 04-2540-30-1-02-07-0000

Tax Year	Land Value	Building Value	Total Value	Method	Taxes
2017	\$473,300	\$0	\$473,300	COST	\$0
2016	\$240,357	\$0	\$240,357	COST	\$0

Improvements - 04-2540-30-1-02-07-0099

Tax Year	Land Value	Building Value	Total Value	Method	Taxes
2017	\$0	\$370,530	\$370,530	COST	N/A
2016	\$0	\$361,710	\$361,710	COST	\$3,034

What is readily apparent is the state has substantially increased the assessed value of the land relative to the previous year. The market has not shown a similar level of price change and this increase is not warranted based solely on comparison to the previous year and market conditions. The improvement value has shown a slight increase from the previous year, but is fairly minor. I would like to note that the CAMA records do not show the guest cabin improvement, which may affect the assessed value of the improvements.

HIGHEST AND BEST USE

The following definition of Highest and Best Use is taken from The Appraisal Institute, "The Dictionary of Real Estate Appraisal, Fifth Edition."

"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. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternately, the probable use of land or improved property - specific with respect to the user and timing of the use - that is adequately supported and results in the highest present value."

As taken from this same source, the definitions of **highest and best use of land or a site as though vacant** and the definition of **highest and best use of property as improved** are presented for clarity of discussion.

AS VACANT:

"Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements."

AS IMPROVED:

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

Implied within this determination of Highest and Best Use is that the result is formed by the appraisers' interpretation of market evidence; e.g. that the use determined from analysis represents an interpretative opinion and not a fact to be found. In appraisal practice, the concept of Highest and Best Use requires the appraiser give consideration to any and all uses to which the property was capable of being adapted. Consideration must be given these uses, recognizing the limitations imposed first by governmental regulations such as zoning ordinances, building codes and health standards and secondly, by the attitudes of the typical investors in real property of this type in the area encompassing the subject property.

The land value is based on a premise of the Highest and Best Use of the property as though vacant. There are four tests which are considered in developing an opinion as to the Highest and Best Use of the property. These four tests include an examination of uses that are physically possible, legally permissible, financially feasible and maximally productive.

There are five general uses which are considered. These include residential, commercial, industrial, agricultural and recreational. Within the Montana marketplace I have found it more prudent to begin the analysis with legally possible since this helps refine the analysis quickly and to the point.

Legally Permissible:

The subject is situated within a Citizen Initiated zoning district(No. 8). The regulations have been included in the addenda of the report. Essentially this zoning classification restricts against almost all commercial and industrial uses for the property. It is possible to have an accessory/home-based business, but even that is restricted with a maximum of 1 non-family employee. Based on this criteria commercial and industrial uses would be eliminated.

Physically Possible:

The subject site is 1.101 acres (47,960 SF) of land on the south/west shore of Placid Lake. The site size would not be sufficient to suggest any stand alone agricultural utility; this use has been eliminated from further discussion. The lake frontage location places greater possibility for recreational use, but in this case that would be restricted to a recreational component for a residential use. It would not be possible to have any commercial recreational use of the site based on zoning.

Financial Feasibility/Maximal Productivity:

At this point in the analysis, commercial, industrial, and agricultural uses have been eliminated. Surrounding uses have shown either a vacant tract or improved with single family residences. The use for single family residence would be considered financially feasible. Recreational use is considered an accessory to the primary rural residential component. The zoning would restrict against any commercial recreational uses. This leaves a rural residential use as remaining recognizing the recreational qualities of the site provide a significant positive amenity to the residential use. Consequently, it is my conclusion that the highest and best use of the site as though vacant would be for single family residential use with accessory recreational use.

Highest and Best Use As Improved:

The current improvements reflect a single family occupancy with a recreational component due to the lake frontage. The market has not shown there to be a consistent application of home type, style, or size. The existing improvements are newer and would not suggest any possible redevelopment or expansion based on the surrounding land use patterns. The continued use would be the highest and best use as improved, which is consistent with the highest and best use as though vacant.

THE APPRAISAL PROCESS

The appraisal process is an orderly procedure wherein the problem is defined, the work necessary to solve the problem is planned, and the data involved is acquired, classified, analyzed and interpreted into an estimate of value.

There are three traditional approaches utilized by the appraisal professional which render a preliminary indication of value. They are generally referred to as the Cost Approach, the Income Approach and the Sales Comparison Approach (oftentimes referred to as the Market Data Approach).

The Cost Approach is an estimation of the value of the land, as if vacant, by market comparisons, and then the depreciated or contributory value of the improvements is added. The Income Capitalization Approach produces a value indication by capitalizing the net income or earnings power of the property by a rate reflected by market transactions or behaviors. The Sales Comparison Approach is a technique that produces an indication of value by a direct comparison of similar property types that have recently sold to the subject property; appropriate adjustments made when and where necessary.

The three approaches to value do not necessarily apply to all types of property as the appraiser must decide whether a particular approach is applicable in each instance. The key to this decision is whether or not the approach is practical as a yardstick of market performance or merely a theoretical application. These observations are particularly pertinent in the appraisal of properties in transition to a higher and better use as well as special use properties where value-in-use is more applicable than market value.

Not all three approaches will be utilized within this appraisal. The income approach has little to no credibility. There have been no waterfront sales that were purchased for an investment/income stream. There is a growing prevalence of VRBO rentals that may provide some accessory income, but the principal use would be for occupancy. Peer review would consider the income approach to be of little credibility. As such this approach is not used. The cost approach and sales comparison approaches have both been utilized based on the relatively new condition of the improvements. The sales comparison approach has been utilized in valuing both the land and improvements.

In terms of the appraisal layout, I have presented the land valuation first rather than the total value of the property (incl. improvements). This is because the land valuation is critical in establishing site adjustments for the improved sales and is integral to the development of the cost approach (for a total value).

LAND VALUATION

The subject's land value has been developed via the sales comparison approach. The Sales Comparison 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 quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The most pertinent data is further analyzed and the quality of the transaction is determined.
- The most meaningful unit of value for the subject property is determined.
- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

Land Comparables:

Research for the land comparables was geographically designated as between Clearwater Junction to the South and just north of Lake Alva to the North. I attempted to exclude creek locations from analysis. Sale dates were between Jan. 1, 2013 and present. There were 16 results. There were four sales on Placid lake. The quality of the subject's shoreline and frontage is fairly swampy with no "beach" area. During the inspection the owner showed that the "muck" at the bottom was deep and was somewhat of a limitation to access to the water directly. The current pool of sales on Placid Lake all represent far superior shoreline qualities than the subject. As a result, I also included lake frontage sales from secondary lakes on Big Sky Lake and Emerald Lake.

Sale #	Waterfront Sales	Waterfront/ Location	Size (Ac)	Date	Price	Front Feet
1	NHN Emerald Lake Loop Lot 10	Emerald Lake	2.59	9/30/2016	\$217,500	190'
2	Lot 2a Placid View Place	Placid	2.66	9/20/2016	\$545,000	166'
3	NHN Placid View Place	Placid	5.54	8/1/2016	\$1,050,000	332' (166' each)
4	704 Placid View Place	Placid	2.61	6/10/2016	\$500,000	166'
5	NHN Emerald Lake Loop Lot 11	Emerald Lake	4.6	4/22/2016	\$224,900	385'
6	Lot X9 Access Rd	Big Sky Lake	1.65	1/9/2015	\$210,000	150'
7	6980 Placid Lake Road	Placid	1.19	8/5/2013	\$253,000	123'
L1	8523 N Placid Lake Road	Placid	35.16	List 2016	\$479,000	2500'

Comparable Land Sales Map



The sales on the preceding page are the most recent and proximate comparable sales and/or listings to consider. I have simplified the discussion to the relevant points of the analysis. Prior to beginning the actual analysis of the sales and how they compare to the subject property, it is necessary to properly review the components and characteristics of a sale and then how those relate to the property being appraised. In the sales analysis, I have included a grid comparing the relevant characteristics. If a component/characteristic of the sale is consistent across the board, i.e. there is no property rights adjustment for any sale, then I have not included that item within the grid. The primary character of the site value is the waterfrontage building site. The price paid for these sites has not been shown to reflect a per acre value or per front foot value on a consistent basis. The primary motivation has been for a waterfront location as a total site.

Improvements: This is based on extracting any improvement value that existed at the time of sale. The land valuation is based on the raw land value and any improvement value has been extracted from the sales. These have been discussed relative to each individual sale.

Property Rights Conveyed: The sales represent a fee simple conveyance where the transactions do not reflect unusual limitations to the private property rights associated with real estate ownership. The sales typically include utility easements where the easement is along a boundary line. There are no sales where an adjustment for property rights conveyed is necessary and this item has not been shown in the sales grid.

Financing Terms: The definition of market value requires the conclusion to represent a cash sale price or its' equivalent. There are many interpretations of what constitutes a cash sale but emphasis should be on cash equivalency. In simple terms, have financing conditions affected the price paid? If the terms did not influence price, then the sale is regarded as cash equivalent. There are times a seller does not nor would they accept a full cash sale due to tax consequences. As such, the fact the property sold on contract is not a significant element to price paid. In full review of the sales, I have found no transaction to require a cash equivalent adjustment. Where terms are questionable, I will discuss the possible affect within that particular analysis. No sale was found to have financing terms that would result in adjustment, this category has not been included in the sales grid.

Conditions of Sale: This relates to the motivational influences of each sale. Specific to discussion are sales that had been influenced by an atypical condition represented by the seller or the buyer such as a distressed sale where the seller was required to sell or the buyer was required to buy, and price was influenced outside of the definitional character of market. Such has been the case in bank sales disposing of property acquired through foreclosure, pending bankruptcy sales, buyers requiring a 1031 exchange where time required concessions, etc. The sales used are uninfluenced transactions relative to conditions of sale; seller and buyer not being under any undue influences to sell or purchase, no adjustment is shown.

Market Conditions: This measurement reflects the change in price levels over time. There are two issues of some import that need to be discussed. The generic term here is a similar property type market change in prices being paid rather than a micro neighborhood influence that does not apply uniformly across the spectrum of property categories. It is my interpretation of the sales that a sale/resale of the same property will result in a more accurate assessment of property value changes that have occurred throughout the broad neighborhood for property of this cross section.

Property values declined following the recession of 2008/2009, in some areas fairly significantly. The western Montana recreational housing market showed declines between -10% to -50% for higher value properties (which water front sites typically are). The recovery since that time has been fairly slow with market activity only picking up in 2013-2014. From interviews with brokers and realtors, there is a perception of a market improving based on an increase in sales activity and new construction. In terms of direct comparison, I have not found there to be any evidence of price appreciation. The listings for lots on Emerald Lake do not show price appreciation. In fact, listing prices have declined since 2012. This partly reflects the development not recognizing the decline from pre-recession levels. While not a perfect example, this does demonstrate that there would not be a necessity to lower prices if the market had appreciated since that time. Listings from 2015 to current have shown no price adjustment. Consequently I have not utilized a market conditions adjustment with my conclusion expressing stable prices from 2013 to present.

Location: This reflects the body of water that the sale is located on. Generally speaking from historical analysis, Seeley Lake >= Placid Lake > Inez/Alva/Big Sky > Emerald Lake > Clearwater River. The primary sales utilized represent a similar Placid Lake location. I included secondary lake front locations to provide a lower bracketing based on the subject's lower quality of shore-frontage. I looked at matched pairs analysis to quantify this adjustment based on a comparison of Sale #1 and #2, which is shown below:

Sale #	Waterfront Sales	Waterfront/ Location	Size (Ac)	Date	Price	Front Feet	Adjust.
1	NHN Emerald Lake Loop Lot 10	Emerald Lake	2.59	9/30/2016	\$217,500	190'	151%
2	Lot 2a Placid View Place	Placid	2.66	9/20/2016	\$545,000	166'	

These two sales were fairly similar in regards to size and the amount of lake frontage. Sale 1 has slightly higher frontage, but still a lower price, which reflects the lower value for this location. I also looked at the two larger lake frontage sales, again comparing Placid to Emerald Lake with sales #3 and #5.

Sale #	Waterfront Sales	Waterfront/ Location	Size (Ac)	Date	Price	Front Feet	Adjust.
5	NHN Emerald Lk Lot 11	Emerald Lake	4.6	4/22/2016	\$224,900	385'	367%
3	NHN Placid View Place	Placid	5.54	8/1/2016	\$1,050,000	332' (166' each)	

The data would appear to show an even higher adjustment for location based on these two sales. However they are not as similar as the previous example. Sale 5 is a larger site size, but reflects a single lot with some topography issues. Sale 3 is comprised of two lots, both with good quality frontage and no topographical issues. This second example is given no credence. The last example presented is comparing Sale 6 and 7. Both are older, smaller sized lots, but sale 7 reflects a more topographically challenged site with steeper slopes and a site that is bisected by the road (appx. 1/3 is across road from frontage). I also considered this matched pairing with including a topography/shoreline quality adjustment of 45% to the Placid Lake Road sale.

Sale #	Waterfront Sales	Waterfront/ Location	Size (Ac)	Date	Price	Front Feet	Adjust.
6	Lot X9 Access Rd	Big Sky Lake	1.65	1/9/2015	\$210,000	150'	
7	6980 Placid Lake Road w/topography/shore adjustment	Placid	1.19	8/5/2013 +45%	\$253,000 \$366,850	123' 123'	20% 75%

In this example, the location adjustment would be significantly lower. The three examples for extracting a location adjustment have been between 20% to 367%. I have given the least credence to the second matched pairs at -367%. The best example would be the topography the first example at 151% with lesser credence given to the adjusted sale #7 matched pair at 75% and the least emphasis given to the second example at 367%. Consequently I have adjusted for location at 140%.

Physical Characteristics:

Topography is based on usable area v. gross area when the situation arises due to limitations on usability or developability due to terrain/slope issues. This varies greatly between the sales and listings. Some reflect light sloped topography like the subject, but have superior quality lake frontage. Others (Sale #7) reflect a superior quality beach/shore bottom, but reflect a smaller site that is bisected by the road and is fairly steep. I looked at comparing this sale to Sale #2 and #4. This matched pairing does have another variable to consider, there is a size difference that is adjusted for. The size adjustment was set at -10% for the larger parcels and is discussed in the following paragraphs.

Sale #	7	2	4
Location	6980 Placid Lake Road	Lot 2a Placid View Place	704 Placid View Place
Date	8/5/2013	9/20/2016	6/10/2016
Price	\$253,000	\$545,000	\$500,000
Size Adj.		-10%	-10%
Adjusted Price	\$253,000	\$490,500	\$450,000
Adjustment		-48%	-44%

What this matched pairing shows is a fairly significant difference in price that is not accounted for by size. I feel this example demonstrates a greater effect than would be applicable for the subject, which is not split by the road. I have applied a -35% adjustment for topography for the subject, but a 45% adjustment for the location matched pairing. Lastly, considering these differences, a consistent application of this adjustment would be a positive 10% adjustment when comparing Sale 7 to the subject.

Frontage/Access This classification, like the previous topography, reflects a variety of lake frontage sizes and qualities. There is not sufficient data to extract a quantified adjustment for each type/quality of frontage. In terms of quantity of frontage, that is more reflective of a size adjustment rather than a separate adjustment for frontage. Further the sales have not been consistent in relation to frontage size and unit price (\$ per FF). Sale #3 is one of the larger Placid frontage sales at \$3,163/FF; Sale #2 is smaller at 166' and has a higher unit price (\$3,283/FF). This is consistent with the application of a frontage size/discount. The same

comparison of Sale #3 to Sale #4, which is a similar frontage size difference, in this case the smaller sized sale has a lower unit price. This is counter to the size/unit price discount relative to the quality of the lake frontage.

Size Adjustment: The next issue of significance relates to a size adjustment. Theory holds that a smaller parcel should sell for a higher unit price and conversely a larger tract should sell for a lower unit price. For residential water frontage property, especially on lake locations, the application of a size adjustment is not always consistent.

Sale #	Waterfront Sales	Waterfront/ Location	Size (Ac)	Date	Price	Front Feet	Adjust.
1	NHN Emerald Lake Lot 10	Emerald Lake	2.59	9/30/2016	\$217,500	190'	-3%
5	NHN Emerald Lake Lot 11	Emerald Lake	4.6	4/22/2016	\$224,900	385'	

This example would suggest that there is little impact from size on the overall price. I have not focused this analysis on a unit price indicator. In this case there are some topographical differences that affected the price for the larger site (steeper slopes), which represented a single building site. Consequently I looked at an additional matched pairing of sales not utilized in this report. Both are recent indicators of Clearwater River frontage with the main difference being due to size. The results are shown in the following:

Location	Waterfront	Size (Ac)	Date	Price	Adj.
1101 Beargrass Lane	Clearwater River	0.8	8/15/2017	\$110,000	-15%
388 Overland Trail	Clearwater River	2.02	6/29/2016	\$130,000	

The next example would be the comparison of the larger, double lot sale vs. single lot sales on Placid Lake. This is shown in the following:

Sale #	3	2	4
Location	NHN Placid View	Lot 2a Placid View Place	704 Placid View Place
Date	8/1/2016	9/20/2016	6/10/2016
Price	\$1,050,000	\$545,000	\$500,000
Size / Front	5.54 ac / 332'	2.66 ac / 166'	2.61 ac / 166'
Adjustment		-48%	-52%

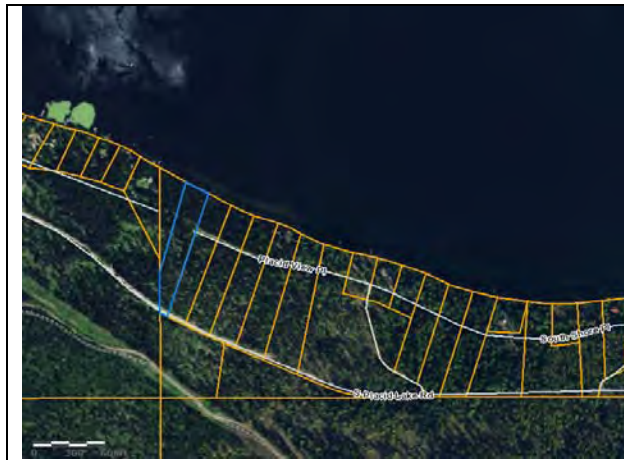
The first two examples provide a comparison for lot size adjustment where the property represents a single building site with size differences. The last examples reflect a double lot with possibility for two separate developments, that is a larger size adjustment. Almost all of the sales reflect larger lot sizes than the subject. Consequently I have applied a -10% adjustment for size to all lot sales over 1.5 acres in size other than the double lot on Placid Lake.

Utilities: The utilities adjustment is based on the cost to extend utilities or a matched pairs analysis showing a similar site with utilities like the subject to a site without all of those utility services. Only Sale #7 included any utilities (well and power). The “As is” contribution value for on-site well and septic system is typically around \$5000, even when actual costs may be higher. I have allocated \$2,500 to account for the on-site water well and \$1,000 for power (limited connection distance).

Discussion of Sales:



Sale #1 is the most recent lake frontage sale in the market. The property is part of a bank owned development and has an expectation of lower prices due to the bank ownership. The length of time that the sales have been on the market would suggest that the bank has not been “liquidating” these lots at below market prices. Emerald Lake would be inferior to the subject location. Emerald Lake is a much smaller lake than Placid Lake. I have given lesser credence to the Emerald Lake sales.



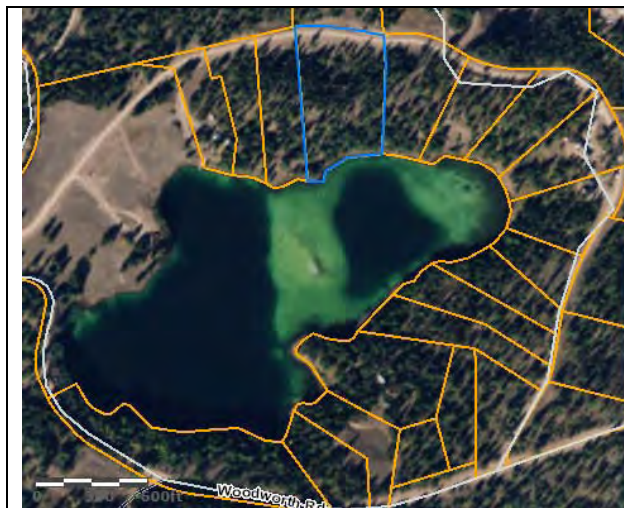
Sale #2 is a Placid Lake location sale. The property is superior in regards to shore quality/shore bottom. There would be an adjustment for size and for shoreline quality/topography. This sale is given moderate emphasis.



Sale #3 is a larger double lot that is also located on the south shore of Placid Lake. The double lot consideration and higher quality frontage result in fairly significant adjustments. This sale is given moderate emphasis based on a similar Placid Lake location.



Sale #4 is also located on the south shore of Placid Lake similar to the subject with a 2.61 acre site and a superior shoreline quality. The sale is located adjacent to the previous double lot sale. This sale is given moderate emphasis based on a similar Placid Lake location, but is emphasized as an upper bracket based on the superior shoreline/ shore bottom qualities.



Sale #5 is located in Emerald Lake similar to Sale #1. The property is larger with greater frontage, but the site represents a single building site with greater topographical challenges that offset any size adjustment in comparison to Sale #1. As a result I have not attempted to separate out the impact from these two items and have applied a similar shoreline/topography adjustment and a similar size adjustment based on the offsetting qualities when compared to Sale #1. I have given lesser credence to the Emerald Lake sales.



Sale #6 is located on Big Sky Lake and is one of the smallest waterfrontage sales found. Big Sky Lake is a private, gated lake. The lake size is larger than Emerald, but much smaller than Placid Lake. The size at 1.65 acres is still almost twice the size of the subject and I have applied a size adjustment for this sale. This sale is given lesser credence due to the Big Sky Lake location.



Sale #7 is the last sale in this analysis and is the smallest sale uncovered. This sale presented atypical topography with steeper slopes and is split by the road. The shore quality is superior to the subject but the overall topographical challenges at least presented some basis for comparison of higher quality/frontage/topographical sites vs. sites with some impact. The sale included a well and electrical power at the time of sale. These have been adjusted for based on an As Is contribution of \$3,500.

The last piece of market evidence considered is the active listing on the north side of the lake. This listing was not included in the grid format. The property is 35.16 acres with a large frontage size. The price is less than any of the other more current sales with size/frontages that are much smaller. This is due to much of the site being unbuildable/floodplain and the swampy shoreline and shore bottom qualities. There is a conservation easement that limits subdivision or development of multiple building sites. The listing includes a well, septic, and a dock. I considered applying a -10% (-\$46,900) size adjustment rather than something larger because of the conservation easement. The improvements have been allocated at \$10,000. The adjusted listing price at \$422,100 would be emphasized as an upper bracketing for the subject property, especially considering the size adjustment may quite possibly be higher. What this sale does present is that the inferior shoreline topography more than offsets the greater size.

Adjustment Grids:

Sale #	Subject	1	Adjusted	2	Adjusted	3	Adjusted
Location	Placid Lake	Lot 10 Emerald Lk		Lot 2a Placid View		NHN Placid View	
Date	N/A	9/30/2016		9/20/2016		8/1/2016	
Price	N/A		\$217,500		\$545,000		\$1,050,000
Less Improvements	N/A	None	\$0	None	\$0	None	\$0
Raw Land Value	N/A		\$217,500		\$545,000		\$1,050,000
Market Conditions	N/A	None	\$0	None	\$0	None	\$0
Location	<u>Placid Lake</u>	<u>Emerald Lake</u>	<u>\$304,500</u>	<u>Placid Lake</u>	<u>\$0</u>	<u>Placid Lake</u>	<u>\$0</u>
Subtotal			\$522,000		\$545,000		\$1,050,000
Topo./ Frontage quality	<u>Lt. Slope w/Muddy frontage</u>	<u>Slopes down to lake/Avg</u>	<u>(\$182,700)</u>	<u>Lt. Slope/ rocky shore bottom</u>	<u>(\$190,750)</u>	<u>Lt. Slope/ rocky shore bottom</u>	<u>(\$367,500)</u>
Subtotal			\$339,300		\$354,250		\$682,500
Frontage/Access	185.82'	189'	\$0	166'	\$0	332'	\$0
Size (Ac)	0.856	2.59	(\$33,930)	2.66	(\$35,425)	5.54	(\$341,250)
Utilities	<u>None</u>	<u>None</u>	<u>\$0</u>	<u>None</u>	<u>\$0</u>	<u>None</u>	<u>\$0</u>
Adjusted Price			\$305,370		\$318,825		\$341,250

Sale #	Subject	4	Adjusted	5	Adjusted	6	Adjusted
Location	Placid Lake	704 Placid View		Lot 11 Emerald Lk		Lot X9 Access Rd	
Date	N/A	6/10/2016		4/22/2016		1/9/2015	
Price	N/A		\$500,000		\$224,900		\$210,000
Less Improvements	N/A	None	\$0	None	\$0	None	\$0
Raw Land Value	N/A		\$500,000		\$224,900		\$210,000
Market Conditions	N/A	None	\$0	None	\$0	None	\$0
Location	<u>Placid Lake</u>	<u>Placid Lake</u>	<u>\$0</u>	<u>Emerald Lake</u>	<u>\$314,860</u>	<u>Big Sky Lake</u>	<u>\$294,000</u>
Subtotal			\$500,000		\$539,760		\$504,000
Topo./ Frontage quality	<u>Lt. Slope w/Muddy frontage</u>	<u>Lt. Slope/ rocky shore bottom</u>	<u>(\$175,000)</u>	<u>Slopes down to lake/Avg</u>	<u>(\$188,916)</u>	<u>Slopes down to lake/Avg</u>	<u>(\$176,400)</u>
Subtotal			\$325,000		\$350,844		\$327,600
Frontage/Access	185.82'	166'	\$0	385'	\$0	150'	\$0
Size (Ac)	0.856	2.61	<u>(\$32,500)</u>	4.6	<u>(\$35,084)</u>	1.65	<u>(\$32,760)</u>
Utilities	<u>None</u>	<u>None</u>	<u>\$0</u>	<u>None</u>	<u>\$0</u>	<u>None</u>	<u>\$0</u>
Adjusted Price			\$292,500		\$315,760		\$294,840

Sale #	Subject	7	Adjusted
Location	Placid Lake	6980 Placid View	
Date	N/A	8/5/2013	
Price	N/A		\$253,000
Less Improvements	N/A	None	\$0
Raw Land Value	N/A		\$253,000
Market Conditions	N/A	None	\$0
Location	<u>Placid Lake</u>	<u>Placid Lake</u>	<u>\$0</u>
Subtotal			\$253,000
Topo./ Frontage quality	<u>Lt. Slope w/Muddy frontage</u>	<u>Sloped bisected by road</u>	<u>\$25,300</u>
Subtotal			\$278,300
Frontage/Access	185.82'	123'	\$0
Size (Ac)	0.856	1.19	\$0
Utilities	<u>None</u>	<u>Well,Power</u>	<u>(\$3,500)</u>
Adjusted Price			\$274,800

Reconciliation of Land Valuation:

The sales data presents a wide bracketing based on the un-adjusted sales prices. The emphasis on this valuation has been for a water front lot, not a per acre or per front foot valuation. The market has emphasized a waterfront location not a per front foot value that is more common on larger bodies of water. I would exclude Sale #3 from this comparison, because this sale is really two separate lots. The bracketing for a lake frontage property, regardless of location, frontage, etc. has been shown to be between \$210,000 and \$545,000. With adjustment, the bracketing narrows significantly from (rounded) \$275,000 to \$341,000 with the adjusted listing at \$422,000 setting an absolute upper bracket. The mean of these seven sales is \$306,192. The sales given greatest emphasis are #2, 3, and 4, which would suggest a value between \$292,000 and \$341,000. Based on emphasis and on the bracketing presented for all of the sales, the subject site value (raw land) has been set at \$315,000.

IMPROVEMENT VALUATION:

The improvement valuation sections of this report have been based on both a cost approach and a sales comparison approach. I have presented the cost approach first in this analysis.

COST APPROACH

This is basically a two-step procedure that begins with an estimate of the market value of the raw land. To that is added the depreciated value of all improvements. The second step basically begins with a reproduction or replacement cost for all site and structural improvements. From that lump sum figure is deducted all applicable forms of accrued depreciation with the result being the depreciated value of all improvements. The two factors are then combined to provide us with an indication of market value via the cost approach. The site value was previously established at \$315,000.

Cost Analysis

The next step in the Cost Approach is to estimate the replacement cost of the buildings and site improvements. The replacement cost of the subject site and building improvements are based on Marshall & Swift, a nationally recognized cost service. The first improvement presented is the main residence. Please refer to the property description for detail on this improvement. The cost multiplier for this improvement reflect the current cost multiplier, but does not include a local cost multiplier. Previous appraisal experience has shown the local cost multiplier to understate actual building costs, which has typically been a 5-6% reduction. The following details the adjustments to the base cost for very good quality.

Quality	Very Good
	\$139.05
Heat	(\$3.76)
Climate	\$1.63
<u>Height</u>	<u>\$4.17</u>
Subtotal	\$141.09
Per/FA	1.0315
Cost Multiplier	1.03
Total	\$149.90

The next step would be to apply these costs to the residence based on the area per floor. Second floor costs are typically slightly less than main floor costs, in this case at a factor of 0.92. The following is the results of the allocation per floor.

	Size (SF)				Floor/Factor		
First Floor	1,501	@	\$149.90	x	1	=	\$225,000
Second Floor	917	@	149.9	x	0.92	=	\$126,462
Total	2,418						\$351,462

The next costs to include would be the lump sums for the main residence. These include appliances, decks and porches. The subject has a covered front porch (132 SF), two covered decks (160 SF and 380 SF), and an open deck (256 SF). Appliances have been taken as an allowance for good to excellent (no very good cost) with an addition for the central vacuum. The fireplace costs are for a custom one story (rock fascia) plus an additional story of flue.

Lump Sums	Size (SF)	Rate	Cost
Cvd Porch (front)	132	\$47.80	\$6,310
Cvd Deck E	160	\$45.93	\$7,349
Cvd Deck W	380	\$36.97	\$14,049
<u>Open Deck</u>	<u>256</u>	<u>\$18.28</u>	<u>\$4,680</u>
Subtotal Deck/Porch			\$32,388
Appliance Allow.	1	\$8,125	\$8,125
C. Vac	1	\$3,197	\$3,197
<u>Fireplace</u>	<u>1</u>	<u>\$18,070</u>	<u>\$18,070</u>
Subtotal Lump Sums			\$61,780
<u>Cost Multiplier</u>	-	-	<u>1.03</u>
Total Lump Sums			\$63,633

The last component to discuss for the main residence would be for the finished basement space. This area is 516 SF of space with an exterior exit, but no windows or natural lighting. This space contains a bathroom, finished hallways, storage room, crawl space access, and mechanical area. The base costs for the basement space would be \$37.80/SF with adjustments for heat/climate, height (base is 7.5'), and current multiplier. The adjusted cost would be \$39.08/SF times the basement size of 541 SF equals \$20,164. The total costs for the main residence would be as follows:

Above Grade costs	\$351,462
Lump Sums	\$63,633
<u>Basement</u>	<u>\$20,164</u>
TOTAL COST - Main Residence	\$435,259

The next improvement to consider would be with regard to the guest home with attached storage. This building is considered a good quality guest home with a front porch. The building was fully renovated in 2011 and was in a like new condition at that time with all new interior and exterior.

Quality	Good
Base Cost	\$107.73
Heat	(\$4.84)
<u>Climate</u>	<u>\$0.57</u>
Subtotal	\$103.46
Height	1
Per/FA	1.104
<u>Cost Multiplier</u>	<u>1.03</u>
Total	\$117.65

The storage addition has been calculated as a low cost attached garage. The low cost category is based on the lack of concrete base and limited interior construction. The cost for the storage addition would be a base cost of \$32.25/SF less the common wall (10' @ 71.50 / 80 SF) x current cost multiplier = \$42.42/SF. The costs for the built-in Murphy bed were listed as a base \$500-\$1200; I have emphasized the upper bracketing given the quality of the improvement. This is taken from equipment costs in Section 65 with my conclusion set at \$1,000. The last item would be the front porch/deck. This is 63 SF @ \$26.68/SF (inclusive of multipliers) = \$1,681. The total costs for this improvement would be as follows:

Above Grade costs	\$22,354
Storage Area	\$3,394
<u>Lump Sums</u>	<u>\$2,681</u>
TOTAL COST - Gst Home	\$28,428

The next improvement to analyze would be the detached garage. This improvement is considered good quality with no interior finish. There are two attached lean-to storage areas along both sides of the building that provide additional outdoor storage or could function as a carport. The base cost for this 672 SF building is \$28.45/SF plus the current cost multiplier would be \$29.30/SF or \$19,690. The two carport areas would be based on the "roof" costs for the garage space or would be \$12.65/SF (\$13.03/SF with current cost multiplier). The total garage costs would be \$26,987.

The last item to account for would be due to the site improvements. Briefly, the site improvements consisted of the following items:

Private Septic system and drainfield.
Private water well (235' artisan @ 10GPM)
Fill material for construction (rock, dirt, and gravel)*
Landscaping (lawn, landscaped beds)
Small tool/storage shed
1,000 gallon buried propane tank.
Rock patio/firepit near frontage

Costs for these items would be considered AS IS site value contributions and would not present a separate depreciation. The market has not considered depreciation relative to water/sewer systems, landscaping and fill, or for propane tanks and exterior rock patio/firepits. These costs are taken from local sources and in-house appraisal files other than the fill/landscaping. Those costs were presented with the historical and updated costs for these improvements.

	AS IS value
Private Septic & Drainfield	\$2,500
Private Water Well	\$2,500
Fill Material/Landscaping	\$48,540
Gravel Drive	\$5,000
Tool Shed	\$1,000
Buried Propane Tank	\$2,500
Rock Patio/Firepit	\$1,000
Total AS IS site improvements	\$63,040

Total cost new is then as follows:

Main Residence	\$435,259
Guest Home	\$28,428
Detached Garage	\$26,987
<u>AS IS Site Improvements</u>	<u>\$63,040</u>
TOTAL COST NEW	\$553,714

Developer's Profit

This factor reflects the profit necessary for the developer to undertake the management, responsibility and risks of construction associated with the subject property. Current valuation theory states that the four components that create value are land, labor, capital and coordination. Developer's profit as used in the Cost Approach reflects the coordination component of value. Typically, developer's profit runs 10% to 20% in commercial or development situations. In situations where there is an expected owner occupancy, such as for individual residential or recreational improvements, this figure will often times not be included. The motivation for development may be for profit or it may be for ideal occupancy. The basis is that the benefit for an owner occupant design is choice in configuration, design, and materials. There is no additional profit considered.

Depreciation Analysis

Depreciation may be defined as any loss of value from any cause. There are three general areas of depreciation: physical deterioration, functional obsolescence and external obsolescence. Depreciation may be curable or incurable, the test being that money spent to cure the depreciation be gained in value. If the depreciation costs more to fix than will be gained in value, then the depreciation is considered incurable.

Physical Deterioration

This results from deterioration from aging and use. This type of depreciation may be curable or incurable.

Functional Obsolescence

This results from a lack of utility or desirability due to design or market perception of the improvements. This type of depreciation may be curable or incurable.

External Obsolescence

This is due to circumstances outside the property itself, such as industry, demographic and economic conditions or an undesirable proximate use. This type of depreciation is rarely curable.

Depreciation Accrued to the Subject

In this situation there is no functional or external obsolescence to consider. The existing improvements are a new construction of higher quality improvements, which is fairly typical of newer construction. There is rarely new construction on water front locations of more modest qualities and sizes. The improvement is also not a superadquate improvement in that the quality and condition is above what is typically found in the market. Physical depreciation has been calculated based on age/life tables in MVS. There is limited physical depreciation to the property given the renovation and significant expansion of the property from it's previous state. The building was constructed in 2009 with an effective age of 7 years. This quality of home would have an economic lifespan of 55 years. This would imply a total depreciation of 6% or \$26,116. The guest home would have an effective age of 6 years with an economic lifespan of 55 years. This results in a depreciation factor of 5% or \$1,421. The garage improvement has a similar lifespan as the residence with a 6 year effective age and a 5% depreciation factor.

The site improvements have been valued based on their AS IS site contribution. These improvements do not typically reflect any depreciation. Irrigation equipment may depreciate, but landscaping does not. The fill material and rock work does not depreciate. The native stone firepit (other than for significant ages) does not show a physical depreciation. Consequently there would be no applicable depreciation to consider. The results of the depreciation analysis are shown in the table below:

	RCN	Depreciation (%)	Depreciation (\$)	RCNLD
Main Residence	\$435,259	6%	\$26,116	\$409,143
Guest Home	\$28,428	5%	\$1,421	\$27,007
Detached Garage	\$26,987	5%	\$1,349	\$25,638
<u>AS IS Site Improvements</u>	<u>\$63,040</u>	<u>0%</u>	<u>\$0</u>	<u>\$63,040</u>
TOTAL COST NEW	\$553,714		\$28,886	\$524,828

The last step would be to add the land value, which has been set at \$315,000. This results in a total cost approach indication of \$839,828, which has been rounded to \$840,000.

SALES COMPARISON APPROACH

A definition of this approach taken from the "DICTIONARY OF REAL ESTATE APPRAISAL, Fifth Edition" published by The Appraisal Institute has shown the following:

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 sales prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.*

Under standard application of this approach, generally the comparable sales are reviewed in terms of physical similarities or dissimilarities, market condition differences, terms of sale, motivation factors involved, etc. When sufficient data is available, the approach takes on added dimension or credence. When there are very few comparable sales with only a relative degree of similarity, the approach is considered to be less applicable and therefore less reliable as an indication of value for the subject property.

Under the Sales Comparison Approach methodology, there are several techniques that can be employed. I generally have found there to be more emphasis given to a price paid per sq.ft. of the improvements exclusive of the land. The reason lies in the fact that when land values are deducted, there is a better comparison of the actual value paid for the improvements. Oftentimes this involves additional work and support so as to derive an accurate representation of land value for the comparable sale.

Another technique is to relate the price per sq. ft. paid for the improvements that includes the underlying land value. As with the previous example, there is still a requirement that the underlying land value be estimated as to value contribution so as to make appropriate adjustments. That is one technique used here. Another technique, which is most common with residential property, is to compare the sales in a grid format and adjusting for pertinent characteristics such as above grade size, basement size/finish, # of bathroom, fireplaces, specialty features, porches and decks, outbuildings, etc.

As noted in the Thirteenth Edition of "The Appraisal of Real Estate" published by The Appraisal Institute dated 2008, the following is the identified systematic procedure employed within this technique:

- "1. *Research the competitive market for information on properties that are similar to the subject property and that have recently sold, are listed for sale, or are under contract. Consider the characteristics of the properties such as property type, date of sale, size, physical condition, location, and land use constraints. The goal is to find a set of comparable sales as similar as possible to the subject property to ensure they reflect the actions of similar buyers. Market analysis and highest and best use analysis set the stage for the selection of appropriate comparable sales.*
- 2 *Verify the information by confirming that the data obtained is factually accurate and that the transactions reflect arm's-length market considerations. Verification should elicit additional information about the property and the market so that comparisons are credible.*

- 3 *Select the most relevant units of comparison in the market (e.g., price per acre, price per sq.ft., price per front foot) and develop a comparative analysis for each unit. The appraiser's goal is to define and identify a unit of comparison that explains market behavior.*
- 4 *Look for differences between the comparable sale properties and the subject property using all appropriate elements of comparison. Then adjust the price of each sale property, reflecting how it differs, to equate it to the subject property or eliminate that property as a comparable. This step typically involves using the most similar sale properties and then adjusting for any remaining differences. If a transaction does not reflect the actions of a buyer who would also be attracted to the subject property, the appraiser should be concerned about comparability.*
- 5 *Reconcile the various value indications produced from the analysis of comparables to a value bracket and then to a single value indication.*

In terms of direct comparison, there are ten basic elements that should be factored into the technique. These consist of:

1. *Real property rights conveyed*
2. *Financing terms (i.e., cash equivalency)*
3. *Conditions of sale (i.e. motivation)*
4. *Expenditures made immediately after purchase*
5. *Market conditions (i.e., time)*
6. *Location*
7. *Physical characteristics (e.g., size, soils, access, construction quality, condition)*
8. *Economic characteristics (e.g., expense ratios, lease provisions, management, tenant mix)*
9. *Use (e.g., zoning, water and riparian rights, environmental, building codes, flood zones)*
10. *Non-realty components of value (e.g., business value, chattel, franchises, trademarks)*

The sales comparison approach is reflective of the basic principles of Anticipation, Balance, Change, Competition, Contribution, Externalities, Opportunity Costs, Substitution, and Supply/Demand. The essence of comparison is direct similarity and that focuses on similarity of highest and best use and then physical characteristics.

In terms of direct comparison, there are ten basic elements that should be factored into the technique. These consist of a review of real property rights conveyed, financing terms, conditions of sale (motivations of the seller or buyer that significantly affect transaction prices), expenditures made immediately after purchase, market conditions (time of sale), location, physical characteristics, economic characteristics (characteristics affecting net income), use (highest and best use variations) and non-realty components of value such as the inclusion of furniture, fixtures and equipment, personal property items or liquor licenses, etc.

SALES TABULATION/MAP:

Sale #	Location	Date	Price	Site (Ac/FF)	GLA	BSMT / Finished	\$ of GLA/SF	\$/SF all levels
1	668 Beargrass Lane, Lake Inez	5/15/2017	\$650,000	2.54/300FF	2,056	0	\$316	\$316
2	703 Perimeter Rd, Big Sky Lake	1/10/2017	\$675,000	1.97/150FF	1,880	1200/ 100% Fin.	\$359	\$219
3	325 Ench. Forest Rd, Placid Lake	10/4/2016	\$850,000	1.08/173FF	1,952	0	\$435	\$435
4	159 Rainbow Run, Big Sky Lake	7/21/2016	\$480,000	0.68/150FF	1,014	1014/ 100% Fin.	\$473	\$237
5	388 Access Rd, Big Sky Lake	7/14/2016	\$696,500	1.2/140FF	2,547	1872/ 100%Fin.	\$273	\$158
6	816 Beargrass Lane, Clearwater River	7/6/2016	\$687,000	1.8 acres.	2,292	0	\$300	\$300



Sale #1



Location	668 Beargrass Lane, Lake Inez	Assessor #	2274609
Date	5/15/2017	Zoning	Unzoned
Price	\$650,000	Financing	Cash
Site (Ac/FF)	2.54/300FF	Marketing Time	717
GLA	2,056	Confirmation	T.Dauenhauer/K.Williams
BSMT	0	Access:	Beargrass Lane
\$ of GLA/SF	\$316	Topography	Mostly Level
\$/SF all	\$316	Utilities	Power, Private Well, Septic
Quality	Average to Good	Outbuildings	36x40 shop with interior finish/heat
Condition	Average to Good	Other Improvements	Dock, Limited landscaping, Prop.Stove
Comments:	Improvements represent an average quality home that has some upgraded finish materials such as granite counter tops that would give credence to a slightly higher quality. The shop building was valued at \$15/SF based on the heat/insulation and finish for this outbuilding improvement. The site was valued at \$350,000 given the shallow depth and muddy bottom.		

Sale #2



Location	703 Perimeter Rd, Big Sky Lake	Assessor #	3106303
Date	1/10/2017	Zoning	unzoned
Price	\$675,000	Financing	Cash
Site (Ac/FF)	1.97/150FF	Marketing Time	563
GLA	1,880	Confirmation	J.Gardner/ERA Lambros
BSMT	1200/100% Fin.	Access:	Perimeter Rd/Private
\$ of GLA/SF	\$359	Topography	downslopes to lake
\$/SF all	\$219	Utilities	Power, Private Well, Septic
Quality	Average to Good	Outbuildings	None
Condition	Average to Good	Other Improvements	Wd stove, Dock
Comments:	This property is comprised of a log home on Big Sky Lake. Based on interior/exterior photos, this property would represent good quality construction (log design) with a partial renovation that would place this sale in similar condition as the subject. The heat source is a freestanding stove and would be inferior to most heat sources. This site was valued at \$225,000. Was not able to access property (gated road), photo from MLS.		

Sale #3



Location	325 Ench. Forest Rd, Placid Lake	Assessor #	5949103
Date	10/4/2016	Zoning	CI (8)
Price	\$850,000	Financing	Cash
Site (Ac/FF)	1.08/173FF	Marketing Time	57
GLA	1,952	Confirmation	J.Slayden/Main Street Realty
BSMT	0	Access:	Private Rd - Enchanted Forest rd
\$ of GLA/SF	\$435	Topography	Level to light downslope
\$/SF all	\$435	Utilities	Power, Private Well, Septic
Quality	Good to VG	Outbuildings	Oversize Dbl det./shop
Condition	Good/Remodel	Other Improvements	Firepit, Removable Dock
Comments:	This is the only recent Placid Lake front sale found in the market. The property has a similar smaller sized lot (like the subject), but the quality of frontage is far superior. The quality of frontage is only offset by the smaller lot size with a site value of \$500,000.		

Sale #4



Location	159 Rainbow Run, Big Sky Lake	Assessor #	152606
Date	7/21/2016	Zoning	Unzoned
Price	\$480,000	Financing	Conventional; \$3000 Seller Conc.
Site (Ac/FF)	0.68/150FF	Marketing Time	819
GLA	1,014	Confirmation	D.Ross/Properties 2000
BSMT	1014/100% Fin.	Access:	Rainbow Run Rd/Private
\$ of GLA/SF	\$473	Topography	downslopes to frontage
\$/SF all	\$237	Utilities	Power, Private Well, Septic
Quality	Average to Good	Outbuildings	None
Condition	Average	Other Improvements	None
Comments:	The home is one of the lower sales prices and reflected a \$3000 seller concession for closing costs. The property is inferior in both condition and quality; the tota finished area is much smaller as well. The lower level is comprised of several bonus rooms, these "bedrooms" are not to current code to be considered legal bedrooms. The interior finish was fairly dated. The samller site size would suggest a site value of \$215,000. Was not able to access property (gated road), photo from MLS.		

Sale #5



Location	388 Access Rd, Big Sky Lake	Assessor #	3596504
Date	7/14/2016	Zoning	Unzoned
Price	\$696,500	Financing	Conventional
Site (Ac/FF)	1.2/140FF	Marketing Time	
GLA	2,547	Confirmation	J.Gardner/ERA Lambros
BSMT	1872/100%Fin.	Access:	Access Rd/Private
\$ of GLA/SF	\$273	Topography	downslopes to frontage
\$/SF all	\$158	Utilities	Power, Private Well, Septic
Quality	Good	Outbuildings	30x48 detached shop w/heat
Condition	Good	Other Improvements	Wd FP
Comments:	This property was a bank owned sale and may present a slightly lower indication because of seller motivation. The quality and condition would both be considered good. The site value was estimated at \$220,000 based on the 1.2 acre size and 140FF. The detached shop was valued at \$15/SF due to heat/insulation.		

Sale #6

Location	816 Beargrass Lane, Clearwater River	Assessor #	1089300
Date	7/6/2016	Zoning	Unzoned
Price	\$687,000	Financing	Owner Fin. - Comparable to mkt.
Site (Ac/FF)	1.8 acres.	Marketing Time	69
GLA	2,292	Confirmation	S.Kennedy/Clearwater MT
BSMT	0	Access:	Beargrass Lane/public
\$ of GLA/SF	\$300	Topography	Mostly level
\$/SF all	\$300	Utilities	Power, Private Well, Septic
Quality	Average to Good	Outbuildings	Shed
Condition	Average to Good	Other Improvements	Dock with railing/stairs
Comments:	This property is located on the Clearwater river outlet for Lake Inez with many properties along this section of the river having built docks with river access to Lake Inez. The site value would be set at \$200,000 based on the river frontage, but recognizing the benefits to having direct lake access. This improvement provides a greater comparability with the subject in terms of condition and quality of the improvements. The double detach garage has a small loft area above.		

The next section of the report is the adjustment grids and discussion of adjustments. The adjustments used in the Sales Comparison Approach have been based on an extraction technique using paired sales or cost and depreciation adjustments. Although not an exact or precise measurement, these adjustments are based on market evidence to the extent possible. The greater number of sales, the higher the reliability factor.

Adjustments for quality are based on cost differentials typically using the Marshall and Swift Valuation Service. The age/condition adjustment is combined under condition. This is based on the interior and exterior condition of the property in terms of renovations or refurbishments and typically a result of the broker/salesperson contacts.

Size adjustment is derived using a cost less depreciation after deducting site value, site improvement contribution value, basement and garage. The resulting price is divided by the square footage above grade. The basement adjustment is taken from cost (daylight vs conventional basement space) and the degree of finish. In this market, we have adjusted finished space above grade at \$125.00 per square foot. The improved sales in this report show a \$/SF (above grade only) after extracting the site value to be between \$146/SF to \$261/SF. This is inclusive of site improvements, decking, etc.; this provides adequate support for the conclusion of an above grade size adjustment of \$125/SF. This office has not found the local market to pay attention to the number of bedrooms beyond the adjustment for size. Any bedroom count difference is accounted for by the size adjustment. Basement space was adjusted at \$10.00 per square foot for the unfinished basement space and the finish area is a separate adjustment of \$25/SF recognizing that the homes typically have quality slightly less than above grade space for the basement (total finished basement adjustment would be \$10/SF for unfinished and \$25/SF for finished; a total \$35/SF adjustment for fully finished basement). Garages were adjusted at \$3,000 per stall or approximately \$12.00 per square foot for typical garage stall/space. Detached shop buildings were adjusted based on size, condition/quality and finish. Bathrooms were adjusted at \$5,000 for a full bathroom. Site size differences were adjusted based on land values that were estimated for each of the sale comparables.

Not all site improvements reflected an explicit cost/adjustment in the sales comparison approach. For example, all of the sales utilized included a propane tank. There was no discussion of value impact from any sale confirmation relative to if the tank was buried or above ground. There is no basis that the market would explicitly adjust for this improvement. Likewise, landscaping is a cost that can be fairly significant for some properties and minor for others. The contribution value of landscaping has never been near the actual cost of such improvement. Consequently adjustments for landscaping differences typically are less than the cost differentials for the varying landscaping.

Sales Grids

	Subject	Sale #	1	Sale #	2
Location	3860 S. Placid Lake	668 Beargrass Lane		703 Perimeter Rd N	
Price	N/A		\$650,000		\$675,000
Data Source	N/A	MLS#21611640		MLS#21606654	
Verification	N/A	T.Dauenhauer/K.Williams		J.Gardner/ERA Lambros	
Days on Market	N/A	717		563	
	Description	Desc.	Adj. (+/-)	Desc.	Adj. (+/-)
Closing Date	N/A	5/15/2017	\$0	1/10/2017	\$0
Financing	N/A	Cash	\$0	Cash	\$0
Concessions	N/A	None	\$0	None	\$0
Location	Placid Lake	Lake Inez	Incl in Site	Big Sky Lake	Incl in Site
Site Size	1.101 ac/186 FF	2.54/300FF	(\$35,000)	1.97/150FF	\$90,000
Site View/Appeal	Waterfront/good	Waterfront/good	Incl in Site	Waterfront/good	Incl in Site
Quality	Very Good	Avg-Good	\$61,680	Good	\$37,600
Age/Cond.	8/Good	18/Avg-Good	\$25,000	22/Rmdl-Gd	\$0
Bathrooms	3.5	2	\$7,500	4	(\$2,500)
GLA	2418	2056	\$45,250	1880	\$67,250
Basement	516	0	\$5,160	1200	(\$6,840)
Basement Finish	100%	0	\$12,900	100%	(\$17,100)
Other Area	190 SF Gst Home	1,440 SF Shop	(\$1,600)	None	\$20,000
Functional Utility	Adequate	Adequate	\$0	Adequate	\$0
Heating/Cooling	Cadet Heaters	GFA	\$0	Freestanding	\$3,000
Garage/Car Stg	Dbl Det+2 Cpt	3 Car Att	(\$500)	3 Car Att	(\$500)
Deck/Patio/Porch	C.Porch,partial C.Deck	Patio,Deck	\$5,000	Lg Deck	\$5,000
Landscaping	Lawn, landscaped beds	Ltd. Lndscp	\$5,000	Landscaped	\$0
FP/Stoves	GFP	G.Stove	\$1,000	Wd Stove	\$1,500
Other Item	Firepit,Tool Shed	Dock	(\$8,000)	Dock	(\$8,000)
Total Adjustments			\$123,390		\$189,410
Adjusted Indicator			\$773,390		\$864,410

	Subject	Sale #	3	Sale #	4
Location	3860 S. Placid Lake	325 Enchanted Forest Rd		159 Rainbow Run, Big Sky Lake	
Price	N/A		\$850,000		\$480,000
Data Source	N/A	MLS#21609077		MLS#20160097	
Verification	N/A	J.Slayden/Main Street Realty		D.Ross/Properties 2000	
Days on Market	N/A	57		819	
	Description	Desc.	Adj. (+/-)	Desc.	Adj. (+/-)
Closing Date	N/A	10/4/2016	\$0	7/21/2016	\$0
Financing	N/A	Cash	\$0	Conv.	\$0
Concessions	N/A	None	\$0	Closing Costs	(\$3,000)
Location	Placid Lake	Placid Lake	Incl in Site	Big Sky Lake	Incl in Site
Site Size	1.101 ac/186 FF	1.08/173FF	(\$185,000)	0.68/150FF	\$100,000
Site View/Appeal	Waterfront/good	Waterfront/good	Incl in Site	Waterfront/good	Incl in Site
Quality	Very Good	Good-VG	\$19,520	Avg to Good	\$30,420
Age/Cond.	8/Good	29/Rmdl-Avg-Gd	\$10,000	31/Avg	\$20,000
Bathrooms	3.5	2	\$7,500	2	\$7,500
GLA	2418	1952	\$58,250	1014	\$175,500
Basement	516	0	\$5,160	1014	(\$4,980)
Basement Finish	100%	0	\$12,900	100%	(\$12,450)
Other Area	190 SF Gst Home	None	\$20,000	None	\$20,000
Functional Utility	Adequate	Adequate	\$0	Adequate	\$0
Heating/Cooling	Cadet Heaters	Bsbd	\$3,000	Propane FA	\$0
Garage/Car Stg	Dbl Det+2 Cpt	Ovsz Dbl/Shop	\$0	Ovsz Dbl/Shop	\$0
Deck/Patio/Porch	C.Porch,partial C.Deck	Deck,Porch	\$2,500	Lg Deck	\$2,000
Landscaping	Lawn, landscaped beds	Lndscp	\$0	Ltd Landcape	\$5,000
FP/Stoves	GFP	Wd FP/Stv	\$500	None	\$0
Other Item	Firepit,Tool Shed	Firepit,Rem.Dock	(\$4,000)	None	\$2,000
Total Adjustments			(\$49,670)		\$341,990
Adjusted Indicator			\$800,330		\$821,990

	Subject	Sale #	5	Sale #	6
Location	3860 S. Placid Lake	388 Access Rd, Big Sky Lake		816 Beargrass Lane, Clearwater	
Price	N/A		\$696,500		\$687,000
Data Source	N/A	MLS#21609077		MLS#21604048	
Verification	N/A	J.Gardner/ERA Lambros		S.Kennedy/Clearwater MT	
Days on Market	N/A	392		69	
	Description	Desc.	Adj. (+/-)	Desc.	Adj. (+/-)
Closing Date	N/A	7/14/2016	\$0	7/6/2016	\$0
Financing	N/A	Conv.	\$0	Owner Financing	\$0
Concessions	N/A	None	\$0	None	\$0
Location	Placid Lake	Big Sky Lake	Incl in Site	Clearwater River	Incl in Site
Site Size	1.101 ac/186 FF	1.2/140FF	\$95,000	1.8 acres.	\$115,000
Site View/Appeal	Waterfront/good	Waterfront/good	Incl in Site	Waterfront/good	Incl in Site
Quality	Very Good	Good	\$50,940	Very Good	\$0
Age/Cond.	8/Good	15/Good	\$0	11/Good	\$0
Bathrooms	3.5	3	\$2,500	2.5	\$5,000
GLA	2418	2547	(\$16,125)	2292	\$15,750
Basement	516	1872	(\$13,560)	0	\$5,160
Basement Finish	100%	100%	(\$33,900)	0%	\$12,900
Other Area	190 SF Gst Home	1,440 SF Shop	(\$1,600)	None	\$20,000
Functional Utility	Adequate	Adequate	\$0	Adequate	\$0
Heating/Cooling	Cadet Heaters	Heat Pump	(\$3,000)	GFA	\$0
Garage/Car Stg	Dbl Det+2 Cpt	Dbl Attach	\$3,000	Dbl Det.+Loft	\$0
Deck/Patio/Porch	C.Porch,partial C.Deck	Deck	\$5,000	Deck,Patio,Porch	\$1,000
Landscaping	Lawn, landscaped beds	Lndscp,UGS	(\$2,500)	Landscaped	\$0
FP/Stoves	GFP	Wd FP	\$1,000	None	\$2,500
Other Item	Firepit,Tool Shed	None	\$2,000	Dock,Shed	(\$9,000)
Total Adjustments			\$88,755		\$168,310
Adjusted Indicator			\$785,255		\$855,310

Reconciliation of Sales Comparison Approach:

These six adjusted indicators provided a bracketing in value between \$773,390 and \$864,410 with a mean indication of \$817,000. Sale #3 (\$800,330) and #6 (\$855,310) would be given greatest emphasis. Sale #3 was the only other Placid Lake improved sale, but reflected a far superior quality shore frontage. The improvements were inferior in quality, but the recent renovation would limit the condition differences; the structural components (framing, foundation, etc.) are all 20+ years older than the subject. Sale #6 is given emphasis based on similar quality and condition of improvements. The site is somewhat unusual with river frontage, but direct lake access that presents some uncertainty in the estimated site value (there are no directly similar land sales). There was a river front sale (pending) from the same general area, but the site did not have similar lake proximity/access from the river and consequently limited direct similarity. I have given credence to all six sales with slightly greater weight given to sales #3 and #6 in my final value conclusion of \$820,000.

RECONCILIATION OF TOTAL PROPERTY VALUE:

There were two methods of analysis considered for the subject property, reflecting it's total value (inclusive of land and improvements); the cost and sales comparison approach. The two methods of value provided similar indications, which are shown below:

Cost Approach	\$840,000
Sales Comparison Approach	\$820,000

What these two methods of analysis would suggest is that the subject property would have a value of at least \$820,000. The sales comparison approach is provided greatest credence in this analysis. This is based on both the market and peer review considering the cost approach to be a less reliable indicator of market value when compared to a sales comparison approach, especially for rural and/or recreational residential property. Part of the value differences may be due to the cost approach including significant site improvements that are not always given full dollar for dollar recognition in a sales comparison format. Items such as landscaping and grading materials typically have a contribution value that is less than the actual cost.

With greatest emphasis given the sales comparison approach, I have concluded with a value to the total property, inclusive of land and improvements, to be \$825,000.

FINAL RECONCILIATION

The approaches employed within this appraisal report have resulted in the following indications of market value for the subject property in its "as is" condition either with a hypothetical condition the property is in fee simple ownership either as a vacant tract of land (unimproved) or fully finished. These two values are then utilized to extract a value to the improvements separate from the land value.

Value Indications	
1-Total Property Valuation - Cost	\$840,000
1-Total Property Valuation – Sales Comparison Approach	\$820,000
1-Total Property Valuation – Conclusion	\$825,000
2-Vacant/Raw Land Valuation – Sales Comparison Approach	\$315,000
3-Allocation of market value for non-State owned components (inclusive of all forms of obsolescence)	\$510,000

In comparing the cost and sales comparison approaches, the market would place greater reliance to the sales comparison approach. Further, the cost approach included some fairly substantial site improvement work that was necessary to allow construction of the garage without creating flood risk/issues. This additional cost is not a direct allocation in the sales comparison approach. This creates some value difference for the cost approach that may not be wholly recognized in a market derived analysis (sales comparison). Because the market would weight the sales comparison approach much stronger, there would be greater emphasis given to this analysis. There were six improved sales consulted in this analysis. The provided an adequate bracketing in value. There were no sales that would be considered an upper bracketing for both improvement and the site; this is mostly due to the limited sales activity on the larger lakes like Placid and Seeley Lake. This reflects the mostly stable market conditions that continue to prevail with limited sales of high-end improved property with lake frontage.

In terms of the improved valuation, this did not include the two dock structures for the subject property. Both of these improvements are not permanently affixed and are removable. Based on scope of work, these would not be considered part of the valuation, even though in a typical market transaction these type of personal property improvements would likely be included.

In my final reconciliation for the improved property analysis, I have placed greater weight to the Sales Comparison approach based on the preceding discussion.

In terms of the land valuation, the data presented did not reflect any sales of similar location and lake shore quality/frontage. The subject property is located on the SW end of the lake where depths are shallow with muddy/muck shore bottoms and significant lily pad growth. The shore bottom qualities are highly inferior due to the limited direct shore access. A typical power boat may face difficulties with getting stuck in the mud that would attempt to land at the shore. I found no sales that reflected this same type of location with the same type of shore bottom qualities. The sales utilized were emphasized based on a bracketing, recognizing either lower quality location or similar topographically challenged sites. The sales did provide a basis for extracting adjustments for the subject's unusual frontage/shore quality issues. On a basic level, it is my opinion that the market would consider the subject site to be inferior to superior quality Placid lake sales and that the subject's location (even with inferior shore qualities) would be considered superior to secondary lake frontage locations such as Emerald Lake.

The final indication of value, the improvement value, is a straight forward calculation. This is derived by taking the total property value (as improved) and deducting the raw land value. The residual value would be for the improvements (both structural and site).

Based upon my investigations, studies and analyses, in full consideration of the Scope of Work presented & discussed herein, it is my opinion the fee simple market value of the subject property in its' "AS IS" condition (reflecting the valuation scenarios), as of the effective date of September 7, 2017 is:

Total Property Value:	\$825,000 EIGHT HUNDRED TWENTY FIVE THOUSAND DOLLARS
Raw Land Value	\$315,000 THREE HUNDRED FIFTEEN THOUSAND DOLLARS
Allocated Improvement Value	\$510,000 FIVE HUNDRED TEN THOUSAND DOLLARS

VALUE ESTIMATE AND CERTIFICATION

The undersigned does hereby certify that (except as otherwise noted in this appraisal report):

1. I have made a personal, detailed inspection of the subject property. I have inspected the sales data consulted for this opinion of market value. I have not appraised the subject property within the immediate 3 years preceding this appraisal pursuant to USPAP disclosure of prior service.
2. I have no present or perspective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
3. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
4. I certify that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan. Employment of the appraiser was not conditioned upon the appraisal producing a specific value or a value within a given range.
5. I certify that, to the best of my knowledge and belief the statements of fact contained in this report are true and correct. Furthermore, no important facts have been knowingly withheld or overlooked.
6. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased professional analyses, opinions, and conclusions. The hypothetical conditions and/or extraordinary assumptions required of this appraisal assignment are specifically noted within the Scope of Work are critical to the analyses and conclusions expressed herein. The reader is directed to fully understand the conditions contained in that section of the report.
7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
8. As of the date of this report, I, Matt S. Hall, have completed the continuing education program of the Appraisal Institute as a candidate for designation.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. No one provided significant professional assistance to the person (s) signing this report.
11. The report contains necessary discussion concerning a reasonable marketing period for the subject property within the estimated value shown.

12. This report is in compliance with applicable regulations governing appraisal services and appraisal reporting requirements for the State of Montana.

Based upon my investigations, studies and analyses, in full consideration of the Scope of Work presented & discussed herein, it is my opinion the fee simple market value of the subject property in its' "AS IS" condition (reflecting the valuation scenarios), as of the effective date of September 7, 2017 is:

Total Property Value:	\$825,000 EIGHT HUNDRED TWENTY FIVE THOUSAND DOLLARS
Raw Land Value	\$315,000 THREE HUNDRED FIFTEEN THOUSAND DOLLARS
Allocated Improvement Value	\$510,000 FIVE HUNDRED TEN THOUSAND DOLLARS

Please refer to the appropriate section for a brief discussion of marketing time. Pursuant to USPAP, it is necessary for this appraisal to consider & analyze exposure time when developing an opinion of market value.

-Extraordinary Assumptions: None

-Hypothetical Conditions: That the property is assumed to be in fee simple ownership to a single owner.

-Jurisdictional Exceptions: None

MATT S. HALL
MT General Certificate No. REA-REG-LIC-786
Expires 3/31/18

ADDENDA

ASSUMPTIONS AND LIMITING CONDITIONS

By this notice, all persons and firms reviewing, utilizing or relying on this report in any manner bind themselves to accept these assumptions and limiting conditions. Do not use this report if you do not so accept. These conditions are a part of the appraisal report, they are a preface to any certification, definition, fact or analysis, and are intended to establish as a matter of record that the appraiser's function is to provide a present market value indication for the subject property based upon the appraiser's observations as to the subject property and the local and/or regional real estate market. This appraisal report is an economic study to estimate value as defined in it. It is not an engineering, construction, legal or architectural study nor survey and expertise in these areas, among others, is not implied.

1. LIMIT OF LIABILITY:

The liability of the firm HALL - WIDDOSS AND COMPANY, P.C. and employees and affiliated independent contractors is limited to the CLIENT ONLY AND TO THE FEE ACTUALLY RECEIVED BY APPRAISER (TOTAL PER APPRAISAL). FURTHER, THERE IS NO ACCOUNTABILITY, OBLIGATION, OR LIABILITY to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such assignment and related discussions. The Appraiser is in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, and/or legally. In the case of limited partnerships or syndication offerings or stock offerings in real estate, client agrees that in case of lawsuit (brought by lender, partner, or part owner in any form of ownership, tenant, or any other party), any and all awards, settlements of any type in such suit, regardless of outcome, client will hold Appraiser completely harmless in any such action.

2. COPIES, PUBLICATION, DISTRIBUTION, USE OF REPORT:

Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report(s) remain the property of HALL - WIDDOSS AND COMPANY, P.C. for the use of the client; the fee being for the analytical services only.

The Bylaws and Regulations of the Appraisal Institute require each Member and Candidate to control the use and distribution of each appraisal report signed by such Member or Candidate except as hereinafter provided, the client may distribute copies of this appraisal report in its entirety to such third parties as he may select; HOWEVER, selected portions of this appraisal report shall NOT be given to third parties without the prior written consent of the signatories of this appraisal report. Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations, news, sales or other media for public communication without the prior written consent of the Appraiser.

3. CONFIDENTIALITY:

This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis as set forth in the report were prepared by the Appraiser(s) whose signature(s) appear on the appraisal report, unless indicated as "Review Appraiser". No change of any item in the report shall be made by anyone other than the Appraiser and/or officer of the firm. The Appraiser and firm shall have no responsibility if any such unauthorized change is made. The Appraiser may not divulge the material (evaluation) contents of this report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing except as may be required by the Appraisal Institute as they may request in confidence for ethics enforcement, or by a court of law or body with the power of subpoena. Sales information obtained during the course of this appraisal assignment is the Appraiser's and it can be used or exchanged without consent of the client.

4. TRADE SECRETS:

This appraisal was obtained from HALL - WIDDOSS AND COMPANY, P.C. and/or its individuals or related independent contractors and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempted from disclosures under 5 U.S.C. 552 (b) (4). Notify the Appraiser(s) signing report or a principal in Hall - Widdoss and Company, P.C. for any request to reproduce this appraisal in whole or in part.

5. INFORMATION USED:

No responsibility is assumed for accuracy of information furnished by work of or work by others, the client, his designee, or public records. We are not liable for such information or the work of possible subcontractors. Be advised that some of the people associated with Hall - Widdoss & Company, P.C. and possibly signing the report are independent contractors.

The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other source thought reasonable; all are considered appropriate for inclusion to the best of our factual judgement and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the client consider independent verification as a prerequisite to any transaction involving sale, lease, or other significant commitment of funds for subject property.

6. TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICE:

The contract for appraisal, consultation or analytical service is fulfilled, and the total fee is payable prior to delivery of the report. The Appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with client or third parties except under separate and special arrangement and at additional fee. If testimony or deposition is required because of any subpoena, the client shall be responsible for any additional time, fees, and charges regardless of issuing party.

7. EXHIBITS:

The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if any, are included for the same purpose as of the date of the photos. Site plans are not surveys unless shown from separate surveyor.

8. LEGAL, ENGINEERING, FINANCIAL, STRUCTURAL, OR MECHANICAL NATURE HIDDEN COMPONENTS, SOIL:

The Appraiser and/or firm has no responsibility for matters legal in character or nature, nor of any architectural, structural, mechanical, or engineering nature. No opinion is rendered as to the title, which is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in particular parts of the report.

The legal description is assumed to be correct as used in this report as furnished by the client, his designee, or as derived by the Appraiser. Please note that no advice is given regarding mechanical equipment or structural integrity or adequacy nor soils and potential for settlement, drainage, and such (seek legal assistance), and such. The lender and owner should inspect the property before any disbursement of funds; further it is likely that the lender or owner may wish to require mechanical or structural inspections by qualified and licensed contractor, civil or structural engineer, architect, or other expert.

The Appraiser has inspected as far as possible, by observation, the land and the improvements; however, it was not possible to personally observe conditions beneath the soil or hidden structural, or other components. We have not critically inspected mechanical components within the improvements and no representations are made herein as to these matters unless specifically stated and considered in the report. The value estimate considers there being no such conditions that would cause loss of value. The land or the soil of the are being appraised appears firm, however, subsidence in the area is unknown. The Appraiser(s) do not warrant against this condition or occurrence of problems arising from soil conditions.

The appraisal is based on there being no hidden, unapparent, or apparent conditions of the property site, subsoil, or structures or toxic materials which would render it more or less valuable. The Appraiser and firm have no responsibility for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operable condition and status standard for properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgement may be made by us to adequacy of insulation, type of insulation, or energy efficiency of the improvements or equipment which is assumed standard for subject age and type.

If the Appraiser has not been supplied with a deficiency or hazard inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for

any deficiencies discovered before or after they are obtained. No representation or warranties are made concerning obtaining the above mentioned items. The Appraiser has no responsibility for any costs or consequences arising due to the need, or the lack of need for flood hazard insurance. An Agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

9. LEGALITY OF USE:

The appraisal is based on the premise that, there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.

10. COMPONENT VALUES:

The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

11. AUXILIARY AND RELATED STUDIES:

No environmental or impact studies, special market study or analysis, highest and best use analysis study or feasibility study has been requested or made unless otherwise specified in an agreement for services or in the report.

12. DOLLAR VALUES, PURCHASING POWER:

The market value estimated, and the costs used, are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and price of dollar as of the date of value estimate.

13. INCLUSIONS:

Furnishings and equipment or personal property or business operations except as specifically indicated and typically considered as part of real estate, have been disregarded with only the real estate being considered in the value estimate unless otherwise stated. In some property types, business and real estate interests and values are combined and essentially integrated to comprise the property in total, i.e. Hotels/Motels.

14. PROPOSED IMPROVEMENTS, CONDITIONED VALUE:

Improvements proposed, if any, on or off-site, as well as any repairs required are considered, for purposes of this appraisal to be completed in good and workmanlike manner according to information submitted and/or considered by the Appraiser(s). In cases of proposed construction, the appraisal is subject to change upon inspection of property after construction is completed. This estimate of market value is as of the date shown which is indicative of a hypothetical condition or an extraordinary assumption.

15. VALUE CHANGE, DYNAMIC MARKET, INFLUENCES, ALTERATION OF ESTIMATE BY APPRAISER:

The estimated market value, which is defined in the report, is subject to change with market changes over time; value is highly related to exposure, time, promotional effort, terms, motivation, and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace. In cases of appraisals involving the capitalization of income benefits, the estimate of market value or investment value or value in use is a reflection of such benefits and Appraiser(s) interpretation of income and yields and other factors derived from general and specific client and market information. Such estimates are as of the date of the estimate of value; they are thus subject to change as the market and value is naturally dynamic. "The Opinion of Market Value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised. Appraisal report and value estimate are subject to change if physical or legal entity or financing is different than that envisioned in the report.

16. MANAGEMENT OF THE PROPERTY:

It is assumed that the property which is the subject of this report will be under prudent and competent ownership and management; neither inefficient nor super-efficient.

17. CONTINUOUS EDUCATION:

The Appraisal Institute conducts a voluntary and a mandatory program of continuing education for its designated members depending upon date of membership. Those who meet the minimum standards of this program are awarded periodic educational certification. Please refer to the Appraisers Certification for compliance with the Appraisal Institute's requirements addressing continuing education.

18. FEE:

The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report or the physical report itself. Amount of payment of fee for services is not contingent on any result, approval amount or other estimates or statements.

19. AUTHENTIC COPIES:

The authentic copies of this report are signed in blue ink and have embossed type seal. Any copy that does not have the above is unauthorized and may have been altered.

20. INSULATION AND TOXIC MATERIALS:

Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The 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. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

21. REVIEW:

Unless otherwise noted herein, any named Review Appraiser from Hall - Widdoss and Company, P.C. has reviewed the report as to general appropriateness of technique and format, and has agreed to accept full responsibility for the contents and conclusions noted therein.

22. CHANGES, MODIFICATIONS:

The Appraiser(s) and/or principals of Hall - Widdoss and Company, P.C., reserve the right to alter statements, analyses, conclusions or any value estimate(s) in the appraisal if there becomes known to us facts pertinent to the appraisal process which were unknown to us when the report was finished.

23. AFTER TAX ANALYSIS AND/OR VALUATION:

Any "after" tax income or investment analysis and resultant measures of return on investment are intended to reflect only possible and general market considerations, whether as part of estimating value or estimating possible returns on investment at an assumed value or price paid; note that the Appraiser(s) does not claim expertise in tax matters and advises client and any other using the appraisal to seek competent tax advice as the Appraiser(s) is in no way to be considered a tax advisor or investment advisor.

24. ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT BY CLIENT OR ANY THIRD PARTY CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS. APPRAISER LIABILITY EXTEND ONLY TO STATED CLIENT, NOT TO SUBSEQUENT PARTIES OR USERS OF ANY TYPE, AND THE TOTAL LIABILITY OF APPRAISER AND FIRM IS LIMITED TO THE AMOUNT OF FEE RECEIVED BY HALL - WIDDOSS & COMPANY.

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 Alan Davis and Karen Cooper. 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 value of the cabin site identified in the Supplemental Appraisal Instructions.

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

All appraisals are to describe the market value trends, and provide a rate of change, for the markets of the subject property. 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.

2160

Citizen Initiated
Zoning Districts

Z.D. 8

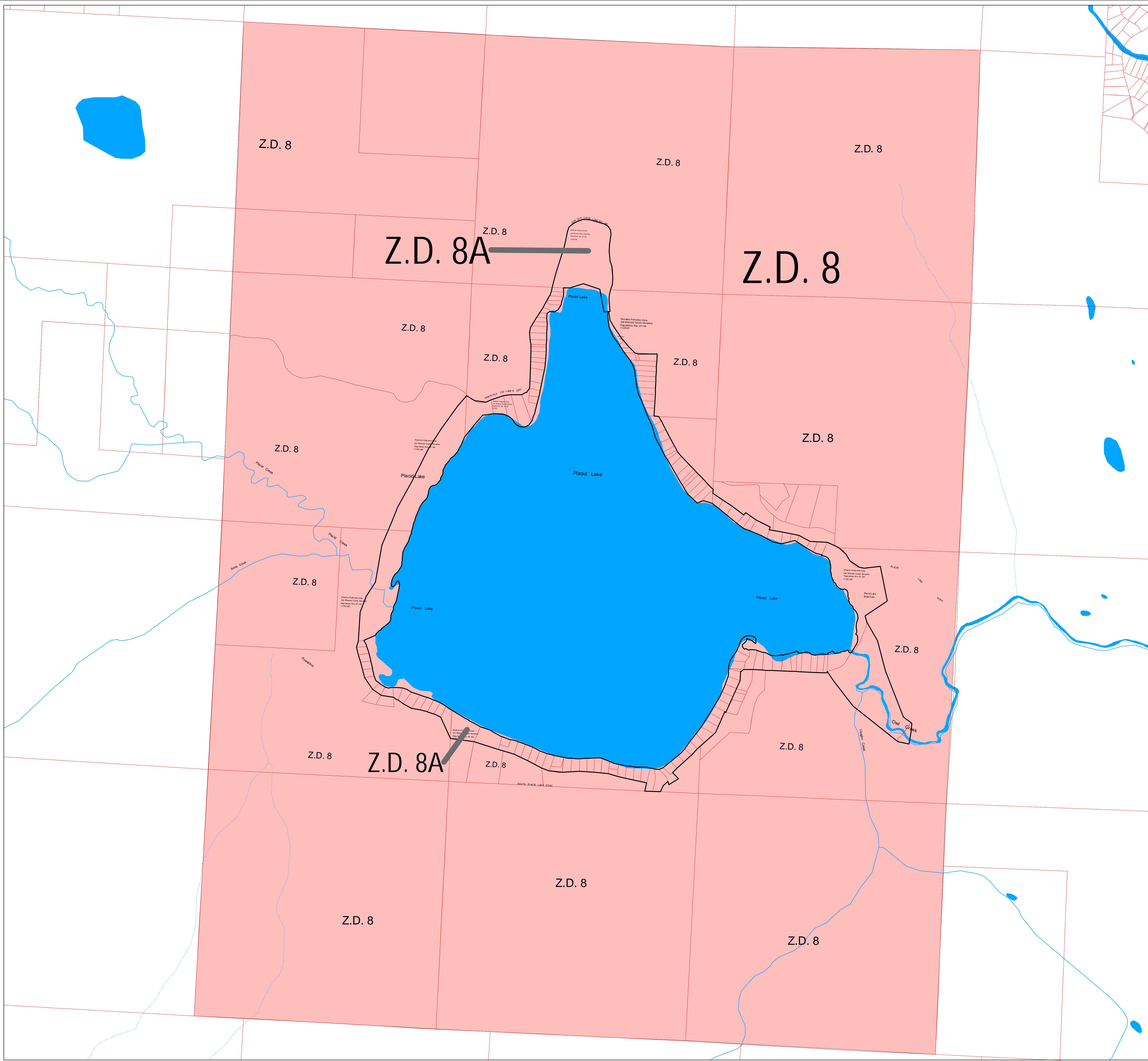
Legend

- Current Ownership
- Major Roads
- Citizen Initiated Zoning
- Missoula City Limits
- Missoula County



For detailed descriptions of zoning designations see County Zoning Resolution 76-113 and City Zoning Ordinance Title 19 available at the Office of Planning and Grants. Zoning designations may also include special conditions and planned variations.

Sources: Missoula County Surveyor's Department, Missoula Office of Planning and Grants.
Map by C. Wilson, June 22, 2009
File:CIZD.mxd



SUMMARY: TO BE READ IN CONJUNCTION WITH ORIGINAL RESOLUTION

ZONING DISTRICT NO. 8 ESTABLISHED JUNE 5, 1958

Being Sections 16, 17, 18, 19, 20, 21, 28, 29, 30, 31, 32, and 33 in Township 16 North, Range 15 West.

SECTION I – USES

It is unlawful to erect, establish, operate or maintain:

- Taverns
- Bars
- Nightclubs
- Dance Halls
- Stores
- Service Stations
- Cafes
- Hotels or Motels
- Or any commercial activity of a similar nature or kind as enumerated herein.

SECTION II – VARIANCES

The Board of County Commissioners may authorize such variance from these regulations as will not be contrary to the public interest where, owing to special conditions, literal enforcement would result in unnecessary hardship.

SECTION III – RECORDS

Reference is made to the descriptive matter contained in the petition filed in connection with this district and to its map which is on file with the Secretary of the Planning and Zoning Commission. (Contact the County Zoning Officer)

SECTION IV – HISTORY

Resolution 81-132:

This resolution amended Section I of all County Zoning Districts excluding: 4, 10, 12A, 32, and 36; to allow for **Home Occupations as Customary Uses and Special Exceptions**. For complete information please see the included resolution.



BCC 2008-264
December 15, 2008

PHONE: (406) 258-4877
FAX: (406) 721-4043

Dick Ainsworth
Placid Lake Cabin Owners' Association
125 Deer Creek Road
Missoula, Montana 59802

CITIZEN INITIATED ZONING DISTRICT #8
SUB-DISTRICT #8A

Dear Mr. Ainsworth and Placid Lake Cabin Owner's Association:

At their Public Meeting on Wednesday, October 8, 2008, the Planning and Zoning Commission and the Board of County Commissioners adopted amendments to the development pattern in the Zoning District #8 to add Subdistrict #8A regulations for Placid Lake shoreline properties and a portion of Owl Creek, as reflected in the attached resolution. The reasons for the approval and the amendment to ZD #8 to apply district regulations to Subdistrict #8A can be found in the public record from the hearings on the request held October 8, 2008 and August 6, 2008. The Zoning District applies to the following properties:

Sections 16, 17, 18, 19, 20, 21, 28, 29, 30, 31, 32, and 33 in T16N, R15W

If we can be of any further service to you in this matter, please do not hesitate to call.

Sincerely,
BOARD OF COUNTY COMMISSIONERS


Jean Curtiss, Chair


Bill Carey, Commissioner


Larry Anderson, Commissioner

Attachments: Resolution 2008-143, including Attachment A to Resolution 2008-143

BCC/clc

cc: Colleen Dowdall, Warden Thane P.C.
Mary McCrea, Office of Planning and Grants
Denise Alexander, Office of Planning and Grants
Michele Reinhart, Office of Planning and Grants
Lettie Hunnako, Office of Planning and Grants
Casey Wilson, Office of Planning and Grants
Office of Planning and Grants Zoning
James McCubbin, Deputy County Attorney
Vickie Zeier, Clerk and Recorder
Greg Robertson, Public Works Department

RECEIVED

DEC 15 2008

RESOLUTION 2008- 143A RESOLUTION TO AMEND THE DISTRICT DEVELOPMENT PATTERN FOR
CITIZEN-INITIATED ZONING DISTRICT #8

WHEREAS, a request was submitted to the Board of County Commissioners of Missoula County, Montana, from the residents of the Placid Lake Citizen Initiated Zoning District #8 for the amendment of the district development pattern to add Subdistrict #8A regulations; and

WHEREAS, notice of hearing was posted in at least three public places within the zoning district, at least 15 days prior to the two public hearings held August 6, 2008 and October 8, 2008; and

WHEREAS, the Planning and Zoning Commission and the Board of County Commissioners held two public hearings on the adoption of an amended district development pattern on August 6, 2008 and October 8, 2008; and

WHEREAS, the Planning and Zoning Commission recommended amendment of the development pattern and the Board of County Commissioners recommended approval of amendments to the development pattern in the Zoning District #8 to add Subdistrict #8A regulations for Placid-Lake shoreline properties and a portion of Owl Creek, as reflected in Attachment A of this resolution;

NOW, THEREFORE, BE IT RESOLVED that the district development pattern of the Missoula County Citizen Initiated Zoning District #8 is hereby amended to add Subdistrict #8A regulations as shown in Attachment A of this resolution and shall regulate the use of lands and structures within Citizen Initiated Zoning District #8 and it's Subdistrict #8A, including the right to or the restriction of the right to erect, construct, alter, or maintain certain buildings or to carry on certain trades or industries and within which the height, bulk, and location of future buildings is established, and open spaces are provided for.

ADOPTED THIS 1ST DAY OF DECEMBER 2008.

SIGNED THIS 4th DAY OF DECEMBER 2008.

ATTEST:

VICKIE M. ZELER, Missoula County Clerk

By Kathleen Miller
DEPUTY

Vickie Zeler, Clerk and Recorder

BOARD OF COUNTY COMMISSIONERS
MISSOULA COUNTY

Jean Curtiss
Jean Curtiss, Chair

Bill Carey
Bill Carey, Commissioner

Larry Anderson
Larry Anderson, Commissioner

APPROVED AS TO FORM AND CONTENT:

James McCubbin
James McCubbin, Deputy County Attorney

ZONING DISTRICT #8 – PLACID LAKE AREA

Established June 5, 1958

District Regulations Revised October 8, 2008

Being Sections 16, 17, 18, 19, 20, 21, 28, 29, 30, 31, 32, and 33 in T16N, R15W.

Section I – Uses

It is unlawful to erect, establish, operate, or maintain: taverns, bars, night clubs, dance halls, stores, service stations, cafes, hotels or motels, or commercial activity of a similar nature or kind as enumerated herein.

Section II – Variances

The Board of County Commissioners may authorize such variance from these regulations as will not be contrary to the public interest where, owing to special conditions, literal enforcement would result in unnecessary hardship.

Section III – Records

Reference is made to the descriptive matter contained in the petition filed in connection with this district and to its map which is on file with the Secretary of the Planning and Zoning Commission. (Contact County Zoning Officer)

Section IV – Subdistrict #8A Standards

See Attachments:

Exhibit #1 - Subdistrict #8A Regulations

Exhibit #2 - Map of Zoning District #8 and Subdistrict #8A

Section V History

1. Zoning District #8 was established June 5, 1958
2. Zoning District #8 was amended to apply district regulations to Subdistrict #8A on October 8, 2008.

EXHIBIT #1

SUB- DISTRICT #8A DISTRICT REGULATIONS PLACID LAKE LAKESHORE

SECTION 1 – INTENT

A dramatic increase in the recreational use of Placid Lake has threatened the quality of the lake and lakeshore environment and the health and safety of lake users. Property owners in and around the lake seek to preserve the traditional and distinctive quality of life enjoyed in and around Placid Lake which includes protection of the water quality threatened by overuse of the lake by boating and recreational use. These standards are intended to ensure that the built elements of the Placid Lake community complement the natural beauty and the public safety of the lake, lakeshore, and surrounding area. In addition to the purposes set forth in Mont. Code Ann. § 76-2-104, these regulations are intended to:

1. Preserve the ecological value of wetlands;
2. Maintain and enhance desirable natural, physical, biological, and aesthetic characteristics of the shoreline of Placid Lake;
3. Maintain and enhance the qualities of the landscape and its environs;
4. Preserve the scenic qualities of views from land and water;
5. Maintain, preserve and enhance desirable natural, physical, chemical and biological water quality aspects of Placid Lake; protect Placid Lake from degradation due to overuse by boating or other recreational activities to an extent greater than would be expected of a typical residential lakefront lot of the size and density allowed by these regulations;
6. Protect desirable natural aquatic plant and animal communities;
7. Preserve fish spawning areas, water fowl nesting and rearing areas and rare and endangered plant and animal species and their necessary habitat; and
8. Protect public, health and safety.

SECTION 2 – APPLICABILITY

The zoning regulations contained herein shall apply to the lands located adjacent to Placid Lake above the dam, located in Missoula County, Montana, and shown on Exhibit #2, the map of Zoning District #8 and Sub-district #8A incorporated herein by reference.

SECTION 3 - PERMITTED USES

1. Single-family dwellings
2. Structures accessory to permitted uses including garages, sheds, and docks as permitted by the Missoula County Shoreline Regulations.

3. Home Occupation:

An activity involving the sale of goods or services conducted entirely within the dwelling which is clearly incidental and factually subordinate to the use of the dwelling and does not change the character thereof shall comply with the following requirements:

- a. No window display or other public display of any material or merchandise in connection with any home occupation.
- b. No sign shall be displayed on the premises advertising the occupation carried on in the home, except one sign which shall not be more than two square feet in area, and which shall be attached, flush, to the house.
- c. No outside display or storage of products, materials, or machinery.
- d. No more than one (1) employee who is not a member of the immediate family.
- e. The use shall not occupy more than twenty-five percent (25%) of the gross floor area of the main building.

SECTION 4 – PROHIBITED USES

1. Commercial Uses.
2. Industrial Uses.

3. Boat Marinas: A waterfront facility which provides for recreational boating and other water related activities and which provides dock slips or moorage for five (5) or more boats is considered a marina, as defined by the Missoula County Shoreline Regulations. This prohibition does not apply to public lands.
4. Boat Ramp: A facility consisting of a pad, wire surface driveway or roadway extending from or across the Shoreline Protection Zone into the lake which is designed to facilitate launching or retrieving boats, as defined by the Missoula County Shoreline Regulations. This prohibition does not apply to public lands.

SECTION 5 – SPACE AND DENSITY REQUIREMENTS

1. Minimum lake frontage: 150 feet, as measured along the mean low-water line of the lake
2. Minimum lot size: 1 acre
3. Minimum building setback from the typical high-water mark of the lake: 50 horizontal feet from the high-water line

SECTION 6 – GENERAL REGULATIONS AND VARIANCES

1. A legal non-conforming use is an existing use of the land at the time of adoption of these regulations the use of which does not conform to these regulations.
2. A legal, non-conforming structure is a dwelling or structure which does not comply with these regulations at the time of their adoption or amendment.
 - a. A legal non-conforming structure may continue to exist and be maintained as constructed.
 - b. A legal non-conforming structure may be enlarged or replaced to occupy a greater area of land than was previously occupied so long as the enlargement occurs only on the side of the structure opposite the water front and or beyond the 50' setback. (See Diagrams 1, 2, and 3 below).

Diagram 1 – Example of an Illegal Expansion of a Non-Conforming Structure

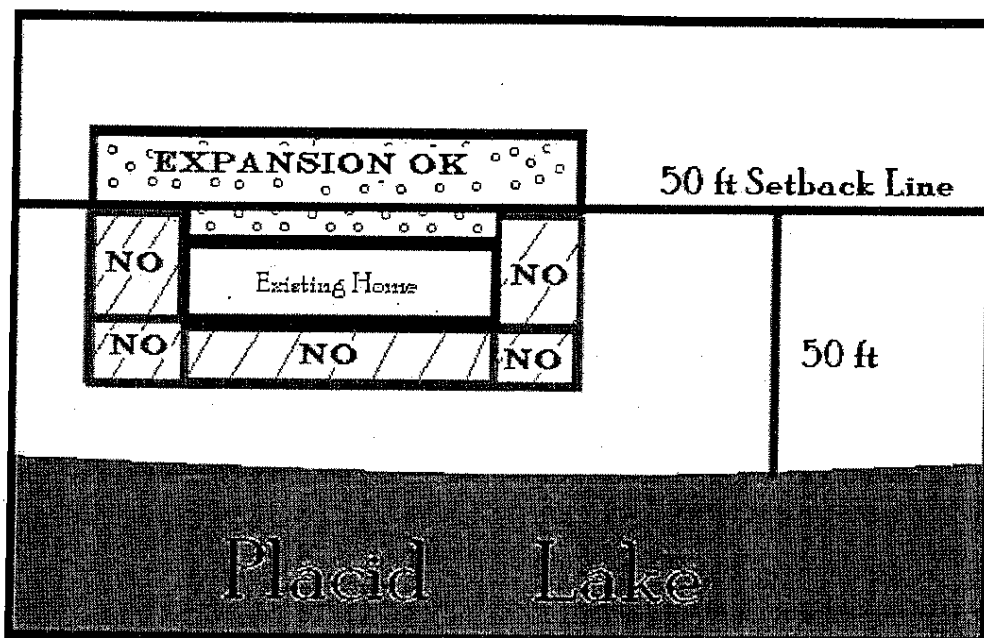


Diagram 2 – Example of Legal Non-conforming Expansion of a Structure.

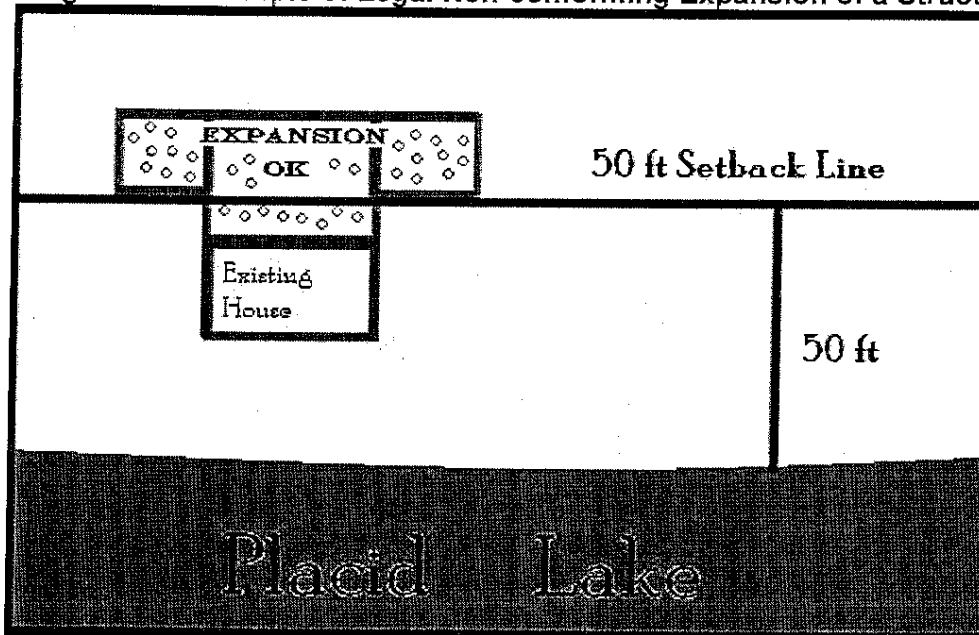
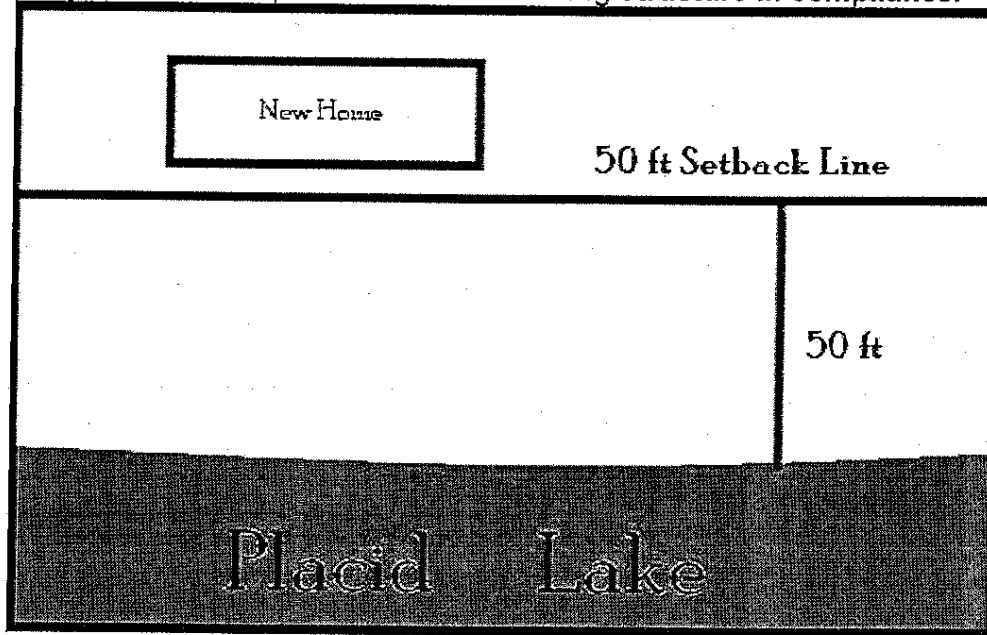


Diagram 3 – Example of a new conforming structure in compliance.



3. A legal, non-conforming lot or parcel of record is any parcel that has less than 150 feet of lake frontage and is less than 1 acre in size and is in existence when these regulations are adopted.
4. A Zoning Compliance Permit from the Missoula County Zoning Officer shall be required for any proposed new use, change in use, or new construction. Each application for a zoning compliance permit shall be accompanied by a site plan drawn to a scale not less than 1" = 30' and any other documentation deemed necessary by the County Zoning Office to demonstrate compliance with the development standards in this Zoning District.
5. These regulations shall not negate restrictive covenants that may be in existence on properties within the District. Where these regulations conflict with existing covenants, whichever is more restrictive shall apply.

SECTION 7 – VARIANCES

1. The Board of County Commissioners may authorize variances which will not be contrary to the public interest where, owing to special conditions, literal enforcement would result in an unnecessary hardship. The Planning and Zoning Commission shall conduct a public hearing and give notice in conformance with applicable Montana law.

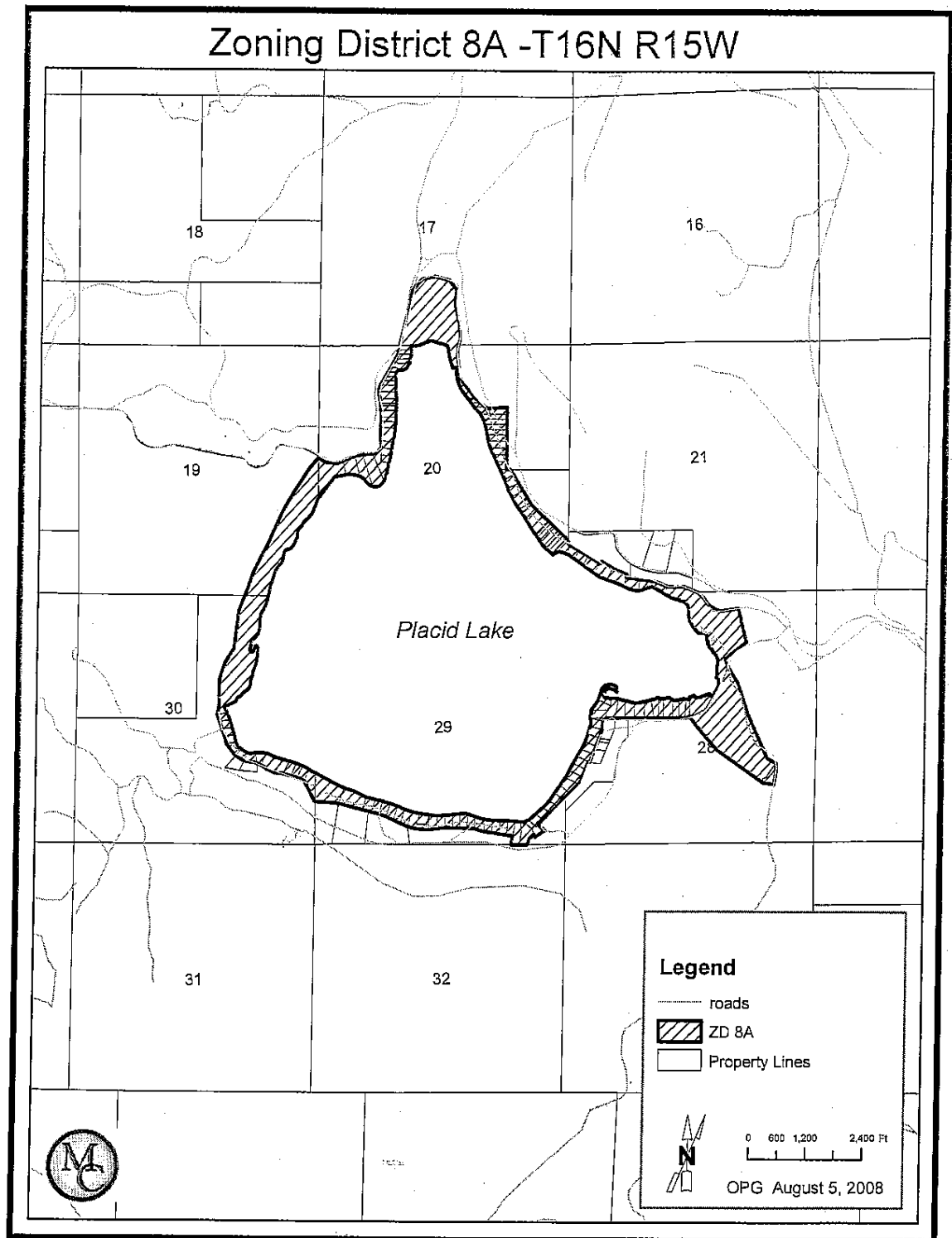
2. A fee to cover the administrative costs of processing the variance request must be paid by the applicant at the time that the variance request is submitted to the Office of Planning and Grants. This fee may be revised from time to time to reflect the estimated cost of notice and staff time associated with processing of Variance applications in this zoning district.
3. In approving variances, the governing body may require conditions that secure the objectives of these regulations.

SECTION 8 – HISTORY

Zoning District 8 was established on June 5, 1958, following public hearings before the Missoula County. Subdistrict #8A lies within the boundaries of Zoning District No. 8 and amends the regulations within the boundaries of the new Subdistrict #8A District.

EXHIBIT #2

MAP OF ZONING DISTRICT #8 AND SUBDISTRICT #8A



APPRAISER QUALIFICATIONS - MATTHEW S. HALL

APPRAISAL AND RELATED BUSINESS EXPERIENCE:

December 2007 to present: General Certified State Appraiser for HALL - WIDDOSS & COMPANY, P.C. Work covers appraisals and consultation for all types of property, in Western Montana. Primary area of coverage is Missoula and Ravalli Counties, but have performed appraisal assignments in numerous counties (Sanders, Mineral, Granite, Silverbow, Flathead, Lake, Teton, Pondera, Glacier, Toole, Gallatin, Fergus, and Yellowstone counties).

March 2005 to November 2007: Residential Licensed Staff Appraiser for HALL - WIDDOSS & COMPANY, P.C. Work covers appraisals and consultation for all types of property, in Western Montana. Primary area of coverage is the same as listed above. Additional sales research assignments located across Montana for Steven A. Hall, MAI, CCIM. Have assisted on various commercial projects for Steven A. Hall (sales research and analysis).

May 2002 to February 2005: Intern and Apprentice for HALL - WIDDOSS & COMPANY, P.C., a Real Estate Appraisal and Consulting business primarily covering the State of Montana. The firm specializes in URBAN INVESTMENT PROPERTY, RECREATIONAL AND DEVELOPMENT LAND appraisals. Appraisal work involves land, residential and multi-family properties, as well as research and assistance for various other property types. Work comprises value estimates for loan purposes, estate planning, marketing, condemnation, accounting requirements, etc. Territory covered is the same as above.

EDUCATION:

University of Montana - B.A. in Business Administration, emphasis in Finance (Graduated 2005)

APPRAISAL INSTITUTE COURSES:

110 Appraisal Principles (5/2004)
120 Appraisal Procedures (5/2004)
410 National Uniform Standards of Professional Appraisal Practice (USPAP) Course, 15-Hour(6/2004)
310 Basic Income Capitalization (3/2007)
320 General Applications (4/2007)
Advanced Income Capitalization (9/2010)
General Appraiser Report Writing (4/2013)
Advanced Concepts and Case Studies (10/2013)
Advanced Market Analysis & Highest and Best Use (12/2013)

LINCOLN GRADUATE CENTER COURSES:

660 Writing The Narrative Appraisal Report (7/2004)

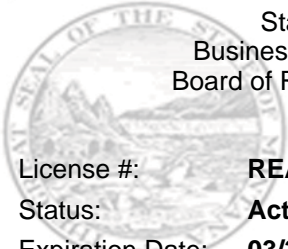
PROFESSIONAL AFFILIATIONS:

Candidate for Designation - Appraisal Institute
Montana General Certificate No. REA-RAG-LIC-786

REPRESENTATIVE CLIENTS:

1st Interstate Bank - Missoula
US Bank
First Security Bank - Missoula
Glacier Bank
Wells Fargo Bank
General Services Administration (GSA)
Montana Department of Transportation

Montana DNRC
Treasure State Bank
USDA Rural Development
Chase Manhattan Bank
Christian, Sampson, & Jones, P.C. (Law Firm)
Warden Thane, P.C.(Law Firm)
Community Bank-Missoula
Bank of the West



State of Montana
Business Standards Division
Board of Real Estate Appraisers

License #: **REA-RAG-LIC-786**
Status: **Active**
Expiration Date: **03/31/2018**

MATT STEVEN HALL
HALL-WIDDOSS AND COMPANY P C
1001 SW HIGGINS
STE 201
MISSOULA, MT 59803

This certificate verifies licensure as:

CERTIFIED GENERAL APPRAISER

With endorsements of:

REAL ESTATE APPRAISER MENTOR



Montana Department of
LABOR & INDUSTRY

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

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

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

- The ability to print license(s) the same day as the renewal
- The ability to print multiple licenses including one for a pocket card if desired
- The ability to print in color (if you have a color printer)
- The ability to print additional licenses for no additional charge up to 45 days following the end of the renewal cycle

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