

**AN APPRAISAL OF THE PRELIMINARY PLATED SKYVIEW RIDGE
SUBDIVISION, 1ST FILING, CITY OF BILLINGS, YELLOWSTONE
COUNTY MONTANA**

DATE OF VALUATION

August 3, 2015

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

*ELKHORN APPRAISAL SERVICES
GREGORY A. THORNQUIST
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August 26, 2015

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

RE: The appraisal of the proposed Skyview Ridge Subdivision, Billings, Yellowstone County, Montana. This appraisal report establishes an “as is” value in fee simple ownership.

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

I have appraised the property, owned in fee simple, unencumbered with the hypothetical assumption, that subdivision development can be pursued and the installation of infrastructure can be completed, pursuant to the City of Billings regulations.

The property being appraised consists of Skyview Ridge Subdivision, 1st Filing, which is a mix of residential and commercial land. In the body of the report is a further description of the subject parcels.

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

This report replaces a prior report with a report date of August 17, 2015.

Based on my analysis, the market value of the subject property, as set forth, documented and qualified in the attached report including the assumptions and limiting conditions on August 3, 2015 is:

<u>Skyview Ridge, 1st Filing</u>	
Residential Land	
\$1,100,000	
Commercial Lots	
Parcel	
Lot 1, Block 1	\$225,000
Lot 2, Block 1	\$225,000
Lot 3 Block 1	\$225,000
Lot 4, Block 1	\$290,000
Lot 1, Block 2	\$600,000
Lot 2, Block 2	\$260,000

*Subject to the Hypothetical Assumption listed on page 8.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to be "S. B. D. #7", written in a cursive style. The signature is positioned above a horizontal line.

Montana State Certified
General Real Estate Appraiser
License # REA-RAG-LIC-867
8/26/2015

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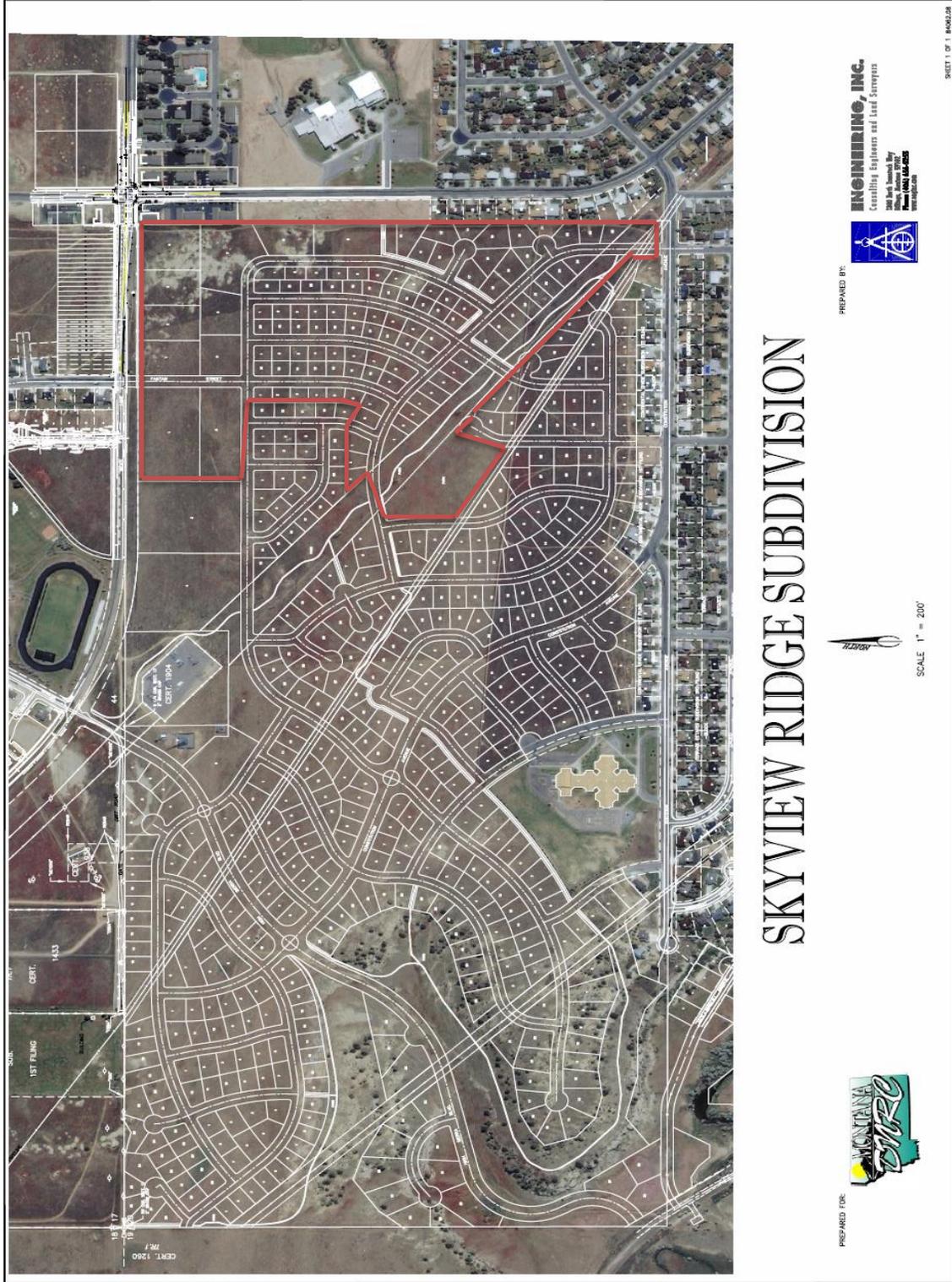
Addenda:

- Contract
- Scope of Work
- Appraiser’s Qualifications
- Appraiser’s License

SUBJECT PROPERTY PHOTOGRAPH



Arial photo of the subject (not to scale)
Image date 10/25/13



Subdivision plat

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

PURPORTED OWNER: State of Montana

PROPERTY TYPE: “As Is” – mixed use subdivision with preliminary plat approval

LOCATION OF PROPERTY: South of Wicks Lane, north of Constitution Avenue and west of Governors Avenue, Billings, Yellowstone County, Montana

PROPERTY RIGHTS APPRAISED: Fee Simple

ZONING: Residential, multi-family and commercial. In the zoning and highest and best use sections is a greater detail of the various uses.

PRESENT USE: Vacant

HIGHEST AND BEST USE: See Highest & Best Use Section

DATE OF VALUATION: August 3, 2015

<u>Skyview Ridge, 1st Filing</u>	
Residential Land	
\$1,100,000	
Commercial Lots	
Parcel	
Lot 1, Block 1	\$225,000
Lot 2, Block 1	\$225,000
Lot 3 Block 1	\$225,000
Lot 4, Block 1	\$290,000
Lot 1, Block 2	\$600,000
Lot 2, Block 2	\$260,000

*Subject to Hypothetical Assumption listed on page 8.

ASSUMPTIONS AND LIMITING CONDITIONS

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

- No responsibility is assumed for matters that are legal in nature nor is any opinion rendered on title of property appraised.
- Unless otherwise noted, the property has been appraised as though free and clear of all encumbrances.
- All maps, areas, plans, specifications, and other data furnished your appraiser were assumed to be correct. No survey of the property was made by this firm. Furthermore, all numerical references to linear measurements, area, volume or angular measurements should be assumed to be "more or less" (+/-) and are accurate to a degree consistent with their use for valuation purposes.
- This appraisal considers only surface rights to the property with consideration of current zoning and land use controls. The estimate of **highest and best** use will form the basis for the value estimate. This appraisal does not consider mineral, gas, oil or other natural resource rights that may be inherent in the ownership of the property.
- In this appraisal assignment, any potentially hazardous material found on the land or used in the construction of the buildings, such as urea formaldehyde foam insulation, petroleum residue, asbestos and/or existence of toxic waste or gases, which may or may not be present on the property, has not been considered. The appraiser is not qualified to detect such substances. Any interested party is urged to retain an expert in this field if there is any question regarding such potentially hazardous material. If such material or substance is present it could adversely affect the value reported herein.
- The appraiser is not a seismologist. This appraisal should not be relied upon as to whether a seismic problem exists, or does not actually exist on the property. The property which is the subject of this appraisal is within a geographic area where earthquakes and other seismic disturbances have previously occurred and where they may occur again. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the appraiser concerning the geologic and/or seismic condition of the property. The appraiser assumes no responsibility for the possible effect on subject property on seismic activity and/or earthquakes. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed seismic requirements by the City or County. It is possible that a survey of the property could reveal that the property does not meet the required seismic requirements. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance requirements in estimating the value of the property.
- All data contained in this report and in the appraiser's files, as obtained from other sources, upon which to any degree the opinions and conclusions were based, are considered reliable and believed to be true and correct. However, the appraiser does not assume responsibility for the accuracy of such items that were obtained from other parties.
- There shall be no obligation to give testimony or attendance in court by reason of this appraisal with reference to the property in question unless arrangements have been previously made and at an additional fee.
- Neither all nor any part of the contents of this report, especially the conclusions to value, the identity of the appraiser or the firm with which he is connected shall be disseminated to the public through advertising media, news media, public relations media, sales media, or any other public means of communication without the prior

written consent of the appraiser.

- Gregory A. Thornquist does not authorize the out-of-context quoting from, or partial reprinting of this appraisal report.
- The liability of Gregory A. Thornquist is limited to the client and to the fee collected. Further, there is no accountability, obligations or liability to any third party. If this report is placed in the hands of anyone other than client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser assumes no responsibility for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, or of a legal nature.
- The fee for this appraisal report is for the service rendered and not for time spent on the physical report or for the physical report itself.
- This appraisal report is prepared for the sole and exclusive use of the client, State of Montana, Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC). No third parties are authorized to rely upon this report without the expressed written consent of the appraiser.
- This Appraisal Report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. As such, it presents only summary discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analysis is contained in the appraiser's files.

HYPOTHETICAL ASSUMPTION

- The appraisal assumes Skyview Ridge Subdivision as platted has the ability to be developed as illustrated on the plat map.

SCOPE OF THE APPRAISAL

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

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

On August 3, 2015 I met with Jeff Bollman, Planner with the Department of Natural Resources – Southern Land Office. Mr. Bollman provided me with numerous documents from maps, Subdivision Improvement Agreements, preliminary infrastructure costs for proposed phases I and II.

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

All of the comparable sales described in the body of the report are shown in detail on the summary sheets in a separate document. I did not physically inspect each of the comparable sales.

This is a market value appraisal and as such is based upon the highest and best use of the subject property. Fundamental within the highest and best use analysis is the consideration of the subject's use, timing of that use, and the most probable buyer and user.

There are five distinct buyer types in a given real estate market; each is identified below:

- Owner-User: Acquires real estate mostly for its use; vacancy and investment yield are not primary criteria. Property suitability is the major objective.
- Passive Investor: Seeks an established income stream; usually does not change the property in any meaningful way; generally prefers long-term ownership.
- Developer: Acquires real estate to physically or legally change it in some significant fashion; accepts substantial risk so expects major reward; short-to-medium holding period.
- Speculative Investor: Buys real estate solely as an investment with most of the reward at termination; property use is not a primary consideration; medium-to-long term holding period; usually buys during weak market conditions, so accepts huge risk. Mantra: Buy low, sell high.
- Pure Speculator: Buys real estate as an investment with most of the reward at termination; property use is usually not a major consideration; buys during conditions of rapidly appreciating prices; shorts-to-medium ownership period.

Based upon the subject's location and other physical characteristics, the most reasonable buyer for the subject is determined to be a developer.

Effective Date:

The effective date of this appraisal report is August 3, 2015. This is the date of valuation and was the actual date of the property inspection. This appraisal report was completed August 26, 2015.

DEFINITION OF MARKET VALUE

70-30-313. Current fair market value. 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.

PURPOSE OF THE APPRAISAL

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

INTENDED USE OF THE APPRAISAL AND CLIENT

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

PERSONAL PROPERTY

None

PROPERTY RIGHTS APPRAISED

This appraisal is made with the understanding and assumption that present ownership of the subject property includes all rights that may be lawfully owned, and is therefore, titled in fee simple as of August 3, 2015. A fee simple estate is subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

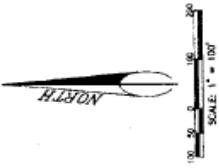
IDENTIFICATION OF PROPERTY AND LEGAL DESCRIPTION

Acres	Legal Description
1.31±	Block 1, Lot 1, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
1.29±	Block 1, Lot 2, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
1.29±	Block 1, Lot 3, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
1.67±	Block 1, Lot 4, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
6.45±	Block 1, Lot 5 through 9, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
3.45±	Block 2, Lot 1, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
2.32±	Block 2, Lot 2, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
5.91±	Block 3, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
2.41±	Block 4, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
8.57±	Block 5, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
12.99±	Block 6, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
1.47±	Block 7 located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
0.68±	Block 8 located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531

PLAT OF
SKYVIEW RIDGE SUBDIVISION, FIRST FILING
 SITUATED IN THE NE1/4 OF SECTION 20, T. 1 N., R. 26 E., P.M.M.
 IN THE CITY OF BILLINGS, YELLOWSTONE COUNTY, MONTANA

PREPARED FOR : MONTANA DEPARTMENT OF NATURAL RESOURCES & CONSERVATION
 PREPARED BY : SANDERSONSTEWART

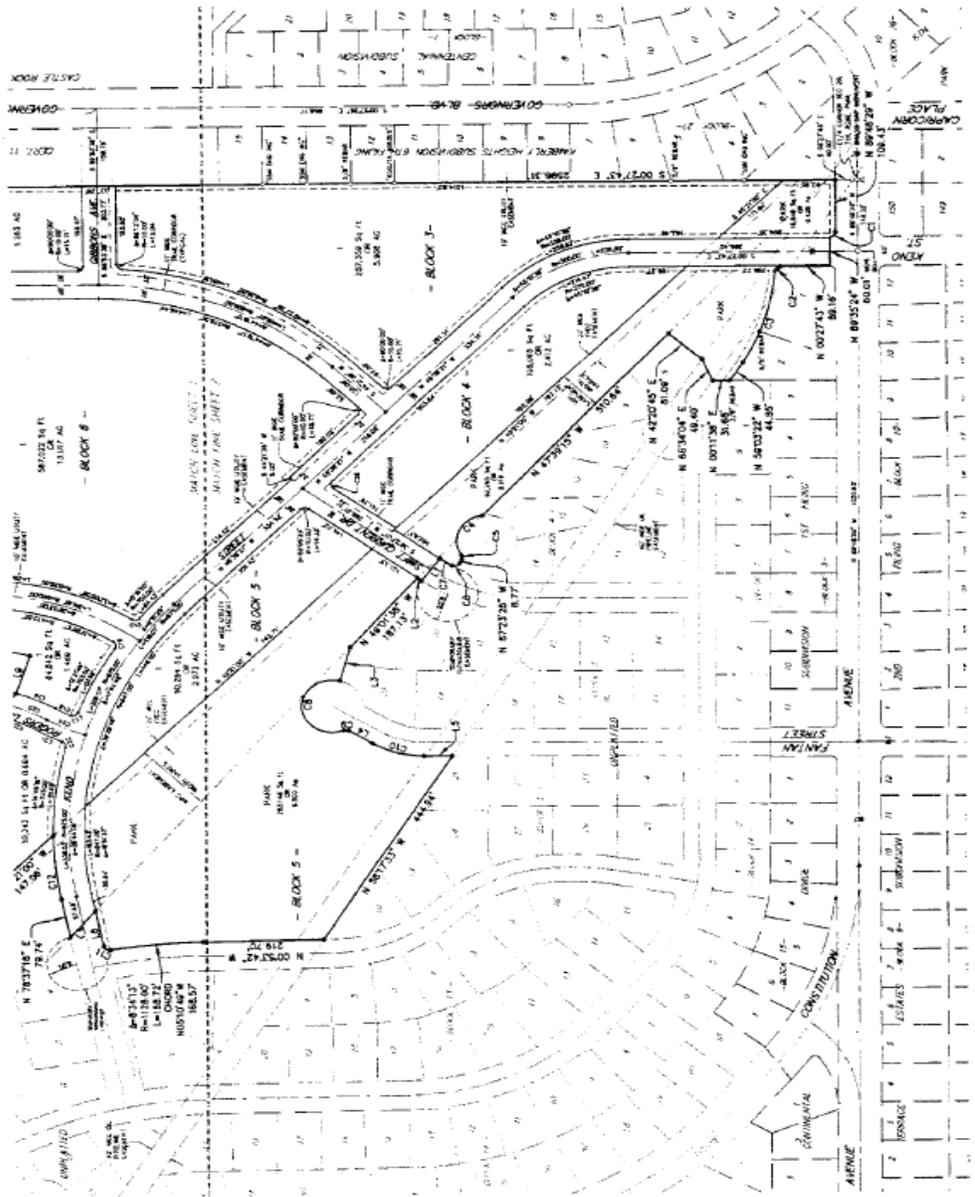
JULY 2013
 BILLINGS, MONTANA



THE BASIS OF MEASUREMENT FOR THIS PLAT WAS TAKEN FROM THE SURVEY MONUMENTS AND IS BASED UPON THE ASSUMPTION THAT THE SURVEY MONUMENTS ARE CORRECTLY LOCATED AND THAT THE DISTANCES BETWEEN THEM ARE CORRECT. THE SURVEY MONUMENTS ARE LOCATED AT THE CORNER OF SECTION 20 - 498547.

- FOUND SURVEY MONUMENT, AS NOTED
- A SET 2 1/2" X 1 1/2" BEARER WITH CAP MARKED WITH THE LICENSE NUMBER OF THE UNDERSIGNED LAND SURVEYOR AND SANDERSON STEWART, BILLINGS, MONTANA
- SET INTERSECTION MONUMENT, 2 1/2" X 1 1/2" BEARER WITH CAP MARKED WITH THE LICENSE NUMBER OF THE UNDERSIGNED LAND SURVEYOR AND SANDERSON STEWART, BILLINGS, MONTANA. THIS MONUMENT WILL BE REPLACED WITH BRASS CAP MONUMENT BOX UPON COMPLETION OF STREET IMPROVEMENTS.

NOTES: THIS IS AN ONGOING DEVELOPMENT AND ALL NEW MONUMENTS WHICH WILL BE DELIVERED BY CONSTRUCTION WILL BE SET ON RE-SET UPON THE COMPLETION OF CONSTRUCTION ACTIVITIES.



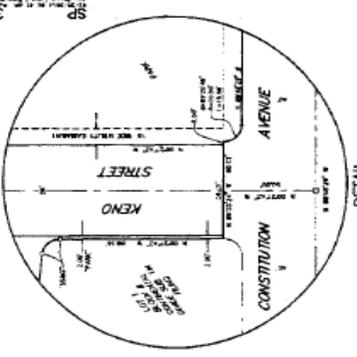
OUTSIDE BOUNDARY LINE & CURVE DATA

Block #	Block Area	Block Length	Block Width	Block Perimeter	Block Circumference
1	13.00 AC	11.00	11.00	44.00	13.00
2	13.00 AC	11.00	11.00	44.00	13.00
3	13.00 AC	11.00	11.00	44.00	13.00
4	13.00 AC	11.00	11.00	44.00	13.00
5	13.00 AC	11.00	11.00	44.00	13.00
6	13.00 AC	11.00	11.00	44.00	13.00
7	13.00 AC	11.00	11.00	44.00	13.00
8	13.00 AC	11.00	11.00	44.00	13.00

LOT LINE CURVE DATA

Curve #	Start	End	Length	Area
1	100.00	100.00	100.00	100.00
2	100.00	100.00	100.00	100.00
3	100.00	100.00	100.00	100.00
4	100.00	100.00	100.00	100.00
5	100.00	100.00	100.00	100.00
6	100.00	100.00	100.00	100.00
7	100.00	100.00	100.00	100.00
8	100.00	100.00	100.00	100.00
9	100.00	100.00	100.00	100.00
10	100.00	100.00	100.00	100.00
11	100.00	100.00	100.00	100.00
12	100.00	100.00	100.00	100.00
13	100.00	100.00	100.00	100.00
14	100.00	100.00	100.00	100.00
15	100.00	100.00	100.00	100.00
16	100.00	100.00	100.00	100.00
17	100.00	100.00	100.00	100.00
18	100.00	100.00	100.00	100.00
19	100.00	100.00	100.00	100.00
20	100.00	100.00	100.00	100.00
21	100.00	100.00	100.00	100.00
22	100.00	100.00	100.00	100.00
23	100.00	100.00	100.00	100.00
24	100.00	100.00	100.00	100.00
25	100.00	100.00	100.00	100.00
26	100.00	100.00	100.00	100.00
27	100.00	100.00	100.00	100.00
28	100.00	100.00	100.00	100.00
29	100.00	100.00	100.00	100.00
30	100.00	100.00	100.00	100.00
31	100.00	100.00	100.00	100.00
32	100.00	100.00	100.00	100.00
33	100.00	100.00	100.00	100.00
34	100.00	100.00	100.00	100.00
35	100.00	100.00	100.00	100.00
36	100.00	100.00	100.00	100.00
37	100.00	100.00	100.00	100.00
38	100.00	100.00	100.00	100.00
39	100.00	100.00	100.00	100.00
40	100.00	100.00	100.00	100.00
41	100.00	100.00	100.00	100.00
42	100.00	100.00	100.00	100.00
43	100.00	100.00	100.00	100.00
44	100.00	100.00	100.00	100.00
45	100.00	100.00	100.00	100.00
46	100.00	100.00	100.00	100.00
47	100.00	100.00	100.00	100.00
48	100.00	100.00	100.00	100.00
49	100.00	100.00	100.00	100.00
50	100.00	100.00	100.00	100.00
51	100.00	100.00	100.00	100.00
52	100.00	100.00	100.00	100.00
53	100.00	100.00	100.00	100.00
54	100.00	100.00	100.00	100.00
55	100.00	100.00	100.00	100.00
56	100.00	100.00	100.00	100.00
57	100.00	100.00	100.00	100.00
58	100.00	100.00	100.00	100.00
59	100.00	100.00	100.00	100.00
60	100.00	100.00	100.00	100.00
61	100.00	100.00	100.00	100.00
62	100.00	100.00	100.00	100.00
63	100.00	100.00	100.00	100.00
64	100.00	100.00	100.00	100.00
65	100.00	100.00	100.00	100.00
66	100.00	100.00	100.00	100.00
67	100.00	100.00	100.00	100.00
68	100.00	100.00	100.00	100.00
69	100.00	100.00	100.00	100.00
70	100.00	100.00	100.00	100.00
71	100.00	100.00	100.00	100.00
72	100.00	100.00	100.00	100.00
73	100.00	100.00	100.00	100.00
74	100.00	100.00	100.00	100.00
75	100.00	100.00	100.00	100.00
76	100.00	100.00	100.00	100.00
77	100.00	100.00	100.00	100.00
78	100.00	100.00	100.00	100.00
79	100.00	100.00	100.00	100.00
80	100.00	100.00	100.00	100.00
81	100.00	100.00	100.00	100.00
82	100.00	100.00	100.00	100.00
83	100.00	100.00	100.00	100.00
84	100.00	100.00	100.00	100.00
85	100.00	100.00	100.00	100.00
86	100.00	100.00	100.00	100.00
87	100.00	100.00	100.00	100.00
88	100.00	100.00	100.00	100.00
89	100.00	100.00	100.00	100.00
90	100.00	100.00	100.00	100.00
91	100.00	100.00	100.00	100.00
92	100.00	100.00	100.00	100.00
93	100.00	100.00	100.00	100.00
94	100.00	100.00	100.00	100.00
95	100.00	100.00	100.00	100.00
96	100.00	100.00	100.00	100.00
97	100.00	100.00	100.00	100.00
98	100.00	100.00	100.00	100.00
99	100.00	100.00	100.00	100.00
100	100.00	100.00	100.00	100.00

PLAT DATA
 GROSS AREA 63.00 AC
 LOT AREA 43.300 AC
 PARK AREA 3.000 AC
 RESERVED RIGHT-OF-WAY 11.700 AC



DETAIL
 SHEET 2 OF 3
 MODEL 12/21/11 200

PURPORTED OWNER

The subject parcel is owned by the State of Montana.

SALES HISTORY

The subject parcel has been owned by the State of Montana for a number of years. The State is looking to sell the residential lots and potentially lease the commercial lots.

EXPOSURE TIME/MARKETING TIME

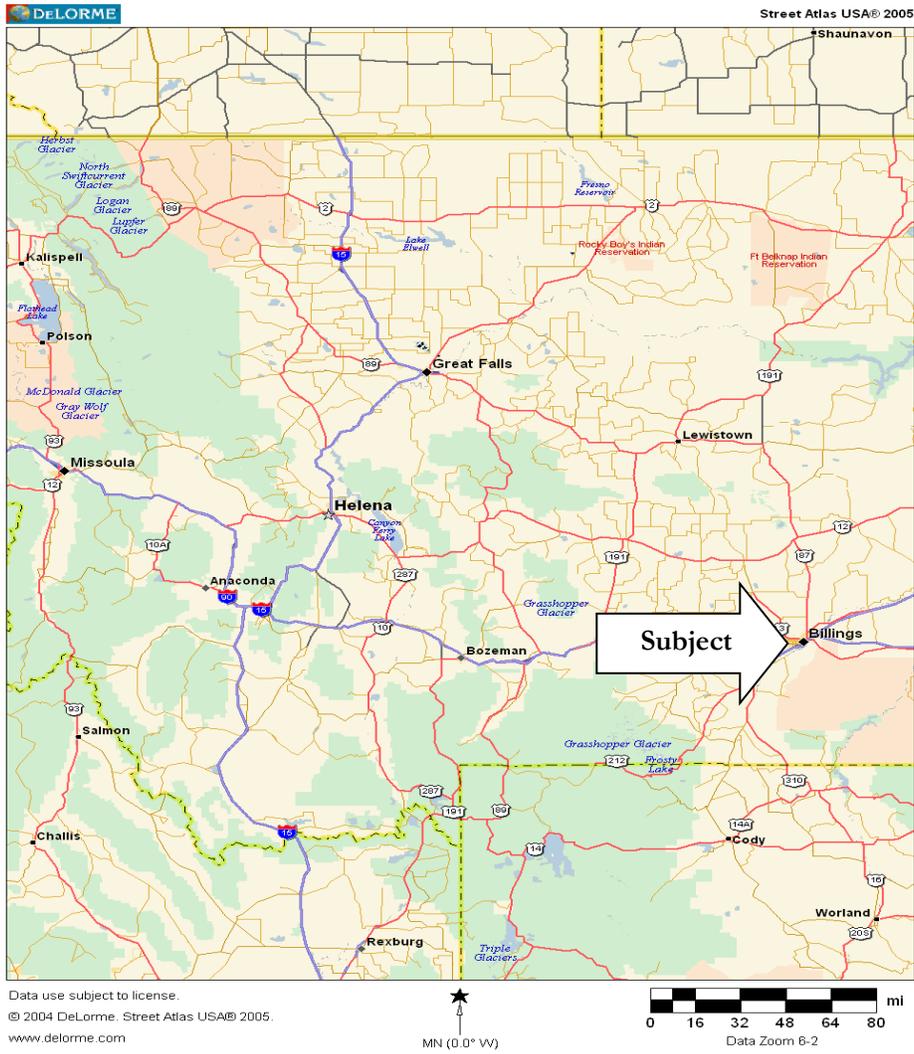
The gross area of the subject consists of 49.81 acres. There is a mix of commercial, multi-family and residential zoned parcels. The subject parcels are a portion of a larger tract owned by the State of Montana which totals 284.98 acres and is identified as Skyview Ridge Subdivision.

It was conveyed to me the State anticipates selling the residential lots and leasing the commercial lots. The subject lots are located in the Billings Heights, in close proximity to Eagle Cliffs Elementary, Castle Rock Middle and Skyview High Schools. The immediate area is improved with a mix of commercial, multi-family, residential, religious institution and vacant land.

Residential development continues to be relatively strong and any commercial development would most likely consist of complimentary neighborhood uses.

Based upon the location of the subject lots, it is my opinion a reasonable marketing and exposure time would be six to twelve months.

REGIONAL MAP



REGIONAL AND CITY ANALYSIS

Billings is located in southeastern Montana and is the county seat of Yellowstone County. Billings is also the largest city in Montana. The following list some general data with regards to Montana and the United States:

General Data	Montana	US
Population:	910,651	288,378,137
Median age:	40.2	36.4
% below poverty:	14.4%	13.3%
Median household income:	\$39,301	\$46,242
Mean travel time to work:	17.3 minutes	25.1 minutes
% high school graduate or higher:	90.7%	84.2%
Bachelor degree or higher:	26.5%	27.2%
% civilian veterans:	14.3%	10.9%
% foreign born:	1.8%	12.4%

Forces Influencing Property Values

The value of real estate is influenced by the interaction of four major forces; social, economic, government and environmental considerations.

Population:

Yellowstone County population - 137,000

Billings population - 100,000

Trade Area population - 400,000

Industry:

Billings has two nationally recognized hospitals and over 30 clinics which provide some of the most advanced healthcare services in a four state area. These facilities, the Billings Clinic and St. Vincent Healthcare have been steadily growing. The Billings Clinic has been expanding for several years by adding a 20,000 SF cardiac center, an ambulatory telemetry unit and a new intensive care unit. The Billings Clinic has grown in employment from 3,400 in 2008 to 3,766 currently on payroll. Likewise, St. Vincent Healthcare has also been expanding in recent years by increasing its footprint more than 100,000 SF to 1.14 million SF and an employment of 2,100 in Yellowstone County.¹

¹ Lutey, Tom. (2013, December 22). Yellowstone County Economy Primed for More Energy Growth. *The Billings Gazette*. Retrieved from www.helenair.com

Construction growth within the Billings city limits has increased from \$171.9 million 2012 to \$302.3 million through November 2013.²

Billings has over 10 major banking systems with 70 branches throughout the city. In addition, there are numerous brokerages and financial planning companies. Billings is also considered to be a major shopping center for the area.

The area has the largest coal reserves in the nation and eastern Montana is actively pursuing development of coal to liquid technology into gasoline and other fuels. Billings and the surrounding area have a history of oil production. Billings has three refineries and a fourth in the concept stage.

Optimism continues with belief that more oil and gas development is coming to Montana and the Bakken oil shale along the North Dakota border. Burlington Northern Santa Fe Railroad opened an economic development office in Billings to meet demand for new or expanding rail facilities. The Denver-based Energy Corp. or America also opened a Billings office to develop oil and gas leases near Billings.³ The increased presence of these major companies add both employment opportunities as well as optimism to Billings economic future.

In summary, professional, financial, and technical services, wholesale and retail trade, construction and health and social services drive the Billings economy.

Transportation:

Logan International Airport is located five minutes from the central business district and is served by six major airlines with direct daily flights. Charter service, air, motor and rail freight lines link services directly to the major hubs of Seattle, Chicago, New York, Denver, Salt Lake City, and Calgary.

Interstates 90 and 94 connect in Billings. I-94 is an east/west highway and I-90 heads south.

Climate:

Billings has a moderate climate with very low humidity. The normal monthly temperature in January is 24 and in July 72.

Education:

Billings has two colleges, Montana State University-Billings and Rocky Mountain College. There are three public high schools and one private high school. There are numerous public and private elementary schools throughout Billings.

Recreation:

² Ibid.

³ Ibid.

Billings has a sports arena that seats 10,000 which supports various sporting event, concerts, etc. In addition, the baseball complex was recently renovated which is home to a minor league baseball team and two local legion baseball teams.

Billings is in close proximity to Yellowstone National Park to the south and Custer Battlefield to the southeast.

Conclusion

Yellowstone County, Billings in particular, has historically experienced stable economic conditions. Montana in general is known for its farming, agricultural, mining, and tourism industries. Billings, while enjoying the benefits of these industries, also sees the stability from being the county seat and a major trade area. Billings has not experienced the boom and bust cycles that have affected many other Montana communities.

The recent energy boom in neighboring North Dakota has spilled over to Eastern Montana and has positioned Billings well to participate in this economic development. The large medical presence coupled with significant residential and commercial growth has allowed Billings to experience stable or better economic conditions. Future economic conditions should remain stable or better as population and income levels rise and tourism becomes ever more popular. Property values should remain relatively stable.

NEIGHBORHOOD DATA

The subject parcels are located in the Billings Heights, approximately 3 miles north of the central business district.

The city of Billings has made significant traffic improvements in the Billings Heights in recent years and is further considering an arterial which would connect the Heights to the west end of Billings.

Eagle Cliffs Elementary School is located within the subdivision and Skyview High School is located just to the north. Proximity to schools is a key factor in the overall success of residential development.

The existing commercial development in the area consists mainly of complimentary neighborhood uses.

City water and sewer is available and gas and electricity are available and provided by Montana Dakota Utilities and Northwestern Energy.

REAL ESTATE TAXES

The subject property is owned by the State of Montana and is currently exempt from taxation. If the parcel sells and is in private ownership it will be subject to taxation pursuant to the applicable laws and administrative rules of the State of Montana. The following are the current assessed values for the parcels:

Geo-Code	Lot & Block	Assessed Value	Size SF)
03-1033-20-1-10-01-0000	Lot 1, Block 1	\$339,983	57,151
03-1033-20-1-10-06-0000	Lot 2, Block 1	\$334,351	55,975
03-1033-20-1-10-11-0000	Lot 3, Block 1	\$334,351	55,975
03-1033-20-1-10-16-0000	Lot 4, Block 1	\$413,828	72,571
03-1033-20-1-10-21-0000	Lot 5, Block 1	\$279,489	44,518
03-1033-20-1-10-26-0000	Lot 6, Block 1	\$289,293	46,466
03-1033-20-1-10-31-0000	Lot 7, Block 1	\$447,621	79,628
03-1033-20-1-10-36-0000	Lot 8, Block 1	\$331,431	55,365
03-1033-20-1-10-41-0000	Lot 9, Block 1	\$329,762	55,016
03-1033-20-1-11-01-0000	Lot 1, Block 2	\$785,761	150,238
03-1033-20-1-11-21-0000	Lot 2, Block 2	\$550,669	101,146
03-1033-20-1-12-01-0000	Lot 1, Block 3	\$1,298,709	257,352
03-1033-20-1-13-01-0000	Lot 1, Block 4	\$569,443	150,067
03-1033-20-1-14-01-0000	Lot 1, Block 5	\$498,519	90,256
03-1033-20-1-15-01-0000	Lot 1, Block 6	\$2,781,646	567,021
03-1033-20-1-16-01-0000	Lot 1, Block 7	\$376,905	64,861
03-1033-20-1-17-01-0000	Lot 1, Block 8	\$211,068	30,231

Although I have not consulted with the Department of Revenue, but it appears the assessed values reflect finished lots ready to build upon which is not the case as infrastructure has not been installed, i.e. water, sewer, streets, curb, gutter, etc.

PROPERTY DESCRIPTION & PHOTOGRAPHS



Looking northwest across Blocks 3 & 4
Photo taken from the southeast corner
The photo illustrate the overhead power lines which cross the subdivision



Looking southwest across the subject, Lot 4, Block 1
Photo taken from the northeast corner at the intersection of Governors Ave. and Wicks Ln.

SUBJECT PROPERTY PHOTOGRAPHS



Looking south along Governors Ave.
Subject is to the right



Looking west along the northerly boundary along Wicks Ln.
Photo taken from the intersection of Governors Ave. and Wicks Ln.

SUBJECT PROPERTY PHOTOGRAPHS



Looking south east across the subject, Lot 1, Block 2

ZONING

The current underlying zoning is as follows:

Lot & Block	Zoning
Lots 1-4, Block 1	CC (Community Commercial)
Lots 5-9, Block 1	R-6000 (Residential)
Lot 1, Block 2	NC (Neighborhood Commercial)
Lot 2, Block 2	RP (Residential Professional)
Block 3	R-9,600 (Residential)
Block 4	R-9,600 (Residential) & Public
Block 5	R-7000R (Residential) & Public
Block 6	R-7000R (Residential)
Block 7	R-7000R (Residential)
Block 8	R-7000R (Residential)

Zoning Classifications	
<i>R-96</i>	<i>RESIDENTIAL 9,600:</i> A zone intended to promote primarily a single-family residential environment on lots that are served by public water and sewer service.
<i>R-70R</i>	<i>RESIDENTIAL 7,000 RESTRICTED:</i> A residential zone intended to primarily provide a single family residential environment on smaller lots at a medium density that are served by a public water and sewer service.
<i>R-60</i>	<i>RESIDENTIAL 6,000:</i> A zone intended to provide for medium density residential dwellings on lots served by public water and sewer services, with provisions for multi-family dwellings with a maximum of ten (10) dwelling units per structure.
<i>RP</i>	<i>RESIDENTIAL PROFESSIONAL:</i> A zone intended to accommodate limited commercial and professional offices as would be compatible with adjoining residential districts and consistent with the objectives of the comprehensive plan.
<i>NC</i>	<i>NEIGHBORHOOD COMMERCIAL:</i> A zone for commercial centers and limited retail activities conducted in a unified development designed to serve the surrounding neighborhood with shopping facilities consisting of convenience retail and personal service establishments which secure their principal trade by supplying the daily needs of the neighboring population. Only uses serving the above purpose without undue detriment to surrounding residences should be permitted.
<i>CBD</i>	<i>CENTRAL BUSINESS DISTRICT:</i> The Central Business District classification is intended to primarily accommodate stores, hotels, governmental and cultural centers and service establishments at the central focal point of the city's arterial and transportation system, where the C.B.D. can conveniently serve the population of the entire urban area with a varied and specialized selection of goods and services. In order to protect the public interest and welfare and facilitate an attractive, efficient and prosperous C.B.D., the emphasis is on larger scale building and specialty shops.
<i>P</i>	<i>PUBLIC:</i> The Public zone is intended to reserve land exclusively for public or semi-public uses in order to preserve and provide adequate land for a variety of community facilities which serve the public health, safety and general welfare.

HIGHEST AND BEST USE

“The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value. Alternatively, the probable use of land or improved property – specific with respect to user and timing of the use – that is adequately supported and results in the highest present value.”⁴

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

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

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

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

HIGHEST AND BEST USE

Legally Permissible

The City of Billings zoning map indicates the zoning varies from residential, residential multi-family, commercial and public. The R-7000R and R-9600 are designated for single family dwellings. The RMF-R and R-6000 is multi-family. The RP, NC and CC are commercial classifications and Public is parkland for the subject.

Physically Possible

The subject parcels are generally level and vary in shape from mostly rectangular to irregular. There are overhead power lines which cross a portion of the parcels and this area is designated or zoned public

None of the interior infrastructure has been installed but city water/sewer is along the periphery along with natural gas and electricity.

⁴ *The Dictionary of Real Estate Appraisal*, 5th Ed. (Chicago: Appraisal Institute, 2010), s.v. “highest and best use.”

Financially Feasible

The next step is to analyze the financial feasibility of Skyview Ridge Subdivision, 1st Filing. This subdivision development is income based and must consider the following:

- ❖ Timing of potential development
- ❖ When the lots will be available for sale
- ❖ Anticipated supply and demand
- ❖ Market location
- ❖ Future demand
- ❖ Market absorption

I spoke with numerous real estate professionals and all concurred there are positive attributes for this subdivision based upon:

- ❖ Location
- ❖ Proximity to schools
- ❖ City services

The most likely buyer for the R-7000 and R-9600 parcels would be a developer(s) and the most likely buyer for the commercial and multi-family lots would be an owner/user, speculator or passive investor. John Grimm, with DNRC indicated the State would prefer to lease the commercial lots to a potential developer or owner/user. There are pros and cons with respect to this scenario. A pro would be a developer/owner/user would not have an outlay of cash or additional financing for the site and a con would be there are those who would prefer to have fee simple ownership. In this analysis I have established a value for all the parcels assuming fee simple ownership.

The engineering firm of Engineering, Inc., now Sanderson & Stewart prepared a subdivision plan which illustrates:

Skyview Ridge Subdivision	First Filing	Remainder	Total
R-7000 R – Lots	69 lots	36 lots	105 lots
R-9600 – Lots	32 lots	410 lots	442 lots
R-6000 – lots	5 lots	0 lots	5 lots
RMF-R – Lots	0 lots	5 lots	5 lots
CC – Lots	4 lots	0 lots	4 lots
NC – Lot	1 lot	0 lots	1 lot
RP – Lot	1 lot	0 lots	1 lot

I spoke with Landy Leep, Oakland & Company, and Mr. Landy indicated High Sierra Subdivision which is located in the Billings Heights and is in its 8th Filing which will have final plat approval in the near future for 94 R-7000 R lots. He indicated lots prices are in the range of \$48,000 to \$52,000 and the home packages are approximately \$300,000. Mr. Landy indicated an anticipated sellout period of 2 years which suggests approximately 4 lots sales per month.

The multifamily market has remained relatively strong in recent years which is a product of new construction, increased demand, and increasing rental rates.

Maximally Productive

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

PROPERTY VALUATION

The subject of this appraisal report is 49.81 acres of residential and commercial zoned ground. The subject is a portion of a larger piece which is identified as Skyview Ridge Subdivision. This first filing is as follows:

Lot & Block	Size	Zoning
Lots 1-4, Block 1	5.56 acres	CC (Community Commercial)
Lots 5-9, Block 1	6.45 acres	R-6000 (Residential)
Lot 1, Block 2	3.45 acres	NC (Neighborhood Commercial)
Lot 2, Block 2	2.32 acres	RP (Residential Professional)
Block 3	5.91 acres	R-9,600 (Residential)
Block 4	2.41 acres	R-9,600 (Residential) & Public
Block 5	8.57 acres	R-7000R (Residential) & Public
Block 6	12.99 acres	R-7000R (Residential)
Block 7	1.47 acres	R-7000R (Residential)
Block 8	.68 acres	R-7000R (Residential)

In this analysis I have established an indication of value for residential land, R-9600 and R-7000 R on a price per acre based upon land sales purchased for subdivision development.

The value for the five commercial lots fronting Wicks Lane has been determined by analyzing commercial lot sales. I spoke with Dave Green, City of Billings Planner, and Mr. Green indicated city water and sewer is available to these lots in Wicks Lane. The interior commercial lot, Lot 2, Block 2, was discounted to account for the lack of infrastructure.

In the Sales Comparison Approach an indication of value is derived by comparing the relative utility and desirability of the subject property with comparable properties that have recently sold.

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

DEFINITIONS

Sales Comparison Approach:

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments to the sales price of the comparable sales based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant.⁵

LAND VALUE “RESIDENTIAL LAND”

The method employed to value the site as if vacant and available for sale is the Sales Comparison Approach. The determination of the highest and best use for the residential parcels is subdivision development. Based upon this highest and best use I researched the market for sales and listings of land purchased with that intent. I identified seven sales of land of which one is in the Billings Heights. The remaining sales are located in the westerly portion of Billings, which has experienced the greatest amount for new residential development. Location is the major factor impacting value. I spoke with the following real estate professionals with respect to different market conditions for the west end of Billings as compared to the Billings Heights.

- Terry Tipton, Terry Tipton & Company, Real Estate
- Howard Sumner, Howard Sumner Real Estate
- Matt Robertson, NAI Business Properties
- Charlie Hamwey, Real Estate by Hamwey

Each of these individuals confirmed that residential lot prices for the Billings Heights are typically 20% to 25% less. In the following table I have illustrated an adjusted price per acre for the west end sales utilizing a 20% and 25% downward adjustment.

⁵The Appraisal of Real Estate, 12th Edition, Page 417, 2001, sponsored by the Appraisal Institute.

Sale No 1	\$35,000	x	80%	=	\$28,000
	\$35,000	x	75%	=	\$26,250
Sale No 2	\$32,000	x	80%	=	\$25,600
	\$32,000	x	75%	=	\$24,000
Sale No 4	\$37,597	x	80%	=	\$30,078
	\$37,597	x	75%	=	\$28,198
Sale No 5	\$36,156	x	80%	=	\$28,925
	\$36,156	x	75%	=	\$27,117
Sale No 6	\$43,000	x	80%	=	\$34,400
	\$43,000	x	75%	=	\$32,250
Sale No 7	\$36,976	x	80%	=	\$29,581
	\$36,976	x	75%	=	\$27,732
Mean with a 20% adjustment					\$29,431
Mean with a 25% adjustment					\$27,591

Sale No 3 is located in the Billings Heights and sold for \$28,511 per acre. Comparing this sale to the remaining sales suggests a location adjustment as follows:

Sale No 1	\$35,000	-18.5%
Sale No 3	\$28,511	
Sale No.2	\$32,000	-10.9%
Sale No 3	\$28,511	
Sale No 4	\$37,597	-24.2%
Sale No 3	\$28,511	
Sale No 5	\$36,156	-21.1%
Sale No 3	\$28,511	
Sale No 6	\$43,000	-33.7%
Sale No 3	\$28,511	
Sale No 7	\$36,976	-22.9%
Sale No 3	\$28,511	
Mean		-21.9%

The aforementioned analysis suggests a location adjustment of 22%.

The following grid further describes the sales and in the sales catalog I have included more detailed information with regards to the aforementioned sales.

LAND SALES ADJUSTMENT GRID

	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Location	Billings Heights	SW Billings	SW Billings	Billings Heights	W Billings
Sale Date	NA	Pending	10/30/14	5/30/14	7/5/12
Sale Price	NA	\$612,500	\$506,000	\$475,000	\$751,947
Site Size (Acres)	38.48	17.5	15.351	16.66	20.0
\$/AC	NA	\$35,000	\$32,962	\$28,511	\$37,597
Quantitative Adjustment					
Location	Billings Heights	SW Billings	SW Billings	Billings Heights	W Billings
Comparison	NA	Superior	Superior	Similar	Superior
Adjustment	NA	-22%	-22%	None	-22%
Adjusted Price Per Acre	NA	\$27,300	\$25,710	\$28,511	\$29,326
Size (Acres)	38.48	17.5	15.351	16.66	20.0
Zoning	R6000, R7000 R & R9600	Agricultural	Agricultural	R7000	Agricultural

	Subject	Sale 5	Sale 6	Sale 7
Location	Billings Heights	W Billings	W Billings	W Billings
Sale Date	NA	7/31/13	7/22/13	12/21/06
Sale Price	NA	\$2,310,000	\$301,000	\$1,462,250
Site Size (Acres)	38.48	63.89	7	39.546
\$/AC	NA	\$36,156	\$43,000	\$36,976
Quantitative Adjustment				
Location	Billings Heights	W Billings	W Billings	W Billings
Comparison	NA	Superior	Superior	Superior
Adjustment	NA	-22%	-22%	-22%
Adjusted Price Per Acre	NA	\$28,202	\$33,540	\$28,841
Size (Acres)	38.48	63.89	7	16.66
Zoning	R6000, R7000 R & R9600	R7000 & R9600	R7000	R7000

Sales Analysis

The subject's residential zoned land amounts to 38.48 acres. The zoning varies from R6000, R7000 R and R9600. The R6000 is a higher density single-family use or multi-family with provisions. The R7000 R is for higher density single-family and the R9600 is for less dense single-family. The engineering firm Sanderson Stewart has prepared a conception design for the residential portion of Skyview Ridge Subdivision.

The following briefly describes the sales and in the sales catalog are detailed write up sheets for each of the sales.

Pending Sale 1 (\$27,300 Acre Adj.) is located in the southwesterly portion of Billings. The buyer of this parcel is a developer and will pursue residential development on this land. The buyer indicated the most likely zoning will be R7000 and the parcel will be required to be annexed into the city limits.

Sale 2 (\$24,960 Acre Adj.) is located in the southwesterly portion of Billings. The buyer of this parcel is the same for Sale 1 and will pursue residential development on this land. The buyer indicated the most likely zoning will be R7000 and R9600. This parcel will also require annexation.

Sale 3 (\$28,511 Acre) is located in the Billings Heights and therefore no adjustment for location was necessary. This property is zoned R7000 but was purchased with the intention of changing the use which is noted on the land sale write up sheet in the sales catalog.

Sale 4 (\$29,326 Acre Adj.) is located in the west end of Billings and is being developed with single-family dwellings. There was an older dwelling and outbuildings which have been razed.

Sale 5 (\$28,202 Acre Adj.) is located in the west end of Billings. The property consists of two subdivision filings and since the purchase the developers have obtained final plat approval on the 1st filing and as sold this portion for \$3,725,000. The infrastructure costs for the 1st filing was \$2,100,000. The reported infrastructure costs for the 2nd filing are reported to be \$1,400,000.

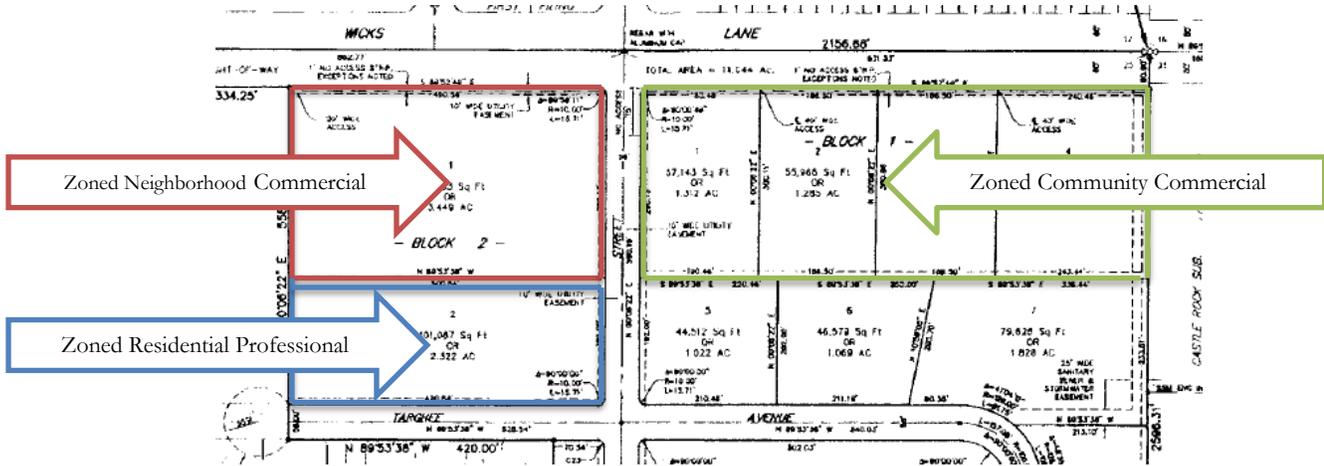
Sale 6 (\$33,540 Acre Adj.) is located in the west end of Billings and is an expansion of an existing subdivision zoned R7000. The buyer/developer indicated there will be off-site improvements of approximately \$100,000, sidewalks, curb/gutter, utilities, etc.

Sale 7 (\$28,841 Acre Adj.) is located in the west end of Billings. At the time of the sale the property was agricultural and was rezoned R5000, R9600 and RMF. This portion of the subdivision has been developed. Although this sale is older; it indicates subdivision land values have rebounded.

Considering the aforementioned, it is my opinion a reasonable indication of value for the subject residential zoned land is **\$28,000 per acre or \$1,100,000** rounded (\$28,000 x 38.48 acres).

VALUATION OF THE COMMERCIAL LAND

There are five commercial zoned lots as illustrated on the following diagram.



I spoke with the City of Billings Planning Office and it was conveyed the lots with direct frontage along Wicks Avenue have access to city services, sewer and water. What would be required are curb, gutter and sidewalks. I spoke with Matt Robertson, NIA Business Properties, and Mr. Robertson indicated these improvements cost between \$1.00 to \$1.20 per square foot. Lot 2, Block 2, could not be improved until the infrastructure is installed.

In the following analysis I have utilized four sales and two listings. I spoke with numerous real estate professionals and all indicated there has been little commercial land sales activity in the Heights in recent years. Therefore, I have included two older sales which are deemed to be overall comparable to the subject lots.

LAND SALES ADJUSTMENT GRID

	Subject	Sale 8	Sale 9	Sale 10	Sale 11
Location	Wicks Lane, Billings Heights	Johnson Lane Lockwood	Main Street Billings Heights	Bench Blvd Billings Heights	Lincoln Lane Billings Heights
Sale Date	NA	3/17/15	6/12/14	7/31/08	11/29/07
Sale Price	NA	\$666,000	\$1,040,000	\$300,000	\$300,000
Site Size (SF)	Various	295,598	148,152	202,118	140,612
\$/SF	NA	\$2.25	\$7.02	\$1.48	\$2.13
Location Comparison	Wicks Lane, Billings Heights NA	Johnson Lane Lockwood Inferior	Main Street Billings Heights Superior	Bench Blvd Billings Heights Similar	Lincoln Lane Billings Heights Similar
Zoning	Community Commercial, Neighborhood Commercial & Neighborhood Professional	General Commercial	Community Commercial	Multi-family	Multi-family
Comparison	NA	Similar	Superior	Inferior	Inferior
Overall Comparison	NA	Inferior	Superior	Inferior	Inferior

	Subject	Listing 12	Listing 13
Location	Wicks Lane, Billings Heights	Pemberton Lane Billings Heights	Wicks Lane Billings Heights
Sale Date	NA	Active	Active
List Price	NA	\$225,000	\$400,000
Site Size (SF)	Various	69,260	82,982
\$/SF	NA	\$3.25	\$4.82
Location Comparison	Wicks Lane, Billings Heights NA	Pemberton Lane Billings Heights Inferior	Wicks Lane Billings Heights Superior
Zoning	Community Commercial, Neighborhood Commercial & Neighborhood Professional	Community Commercial	Neighborhood Commercial
Comparison	NA	Superior	Similar
Overall Comparison	NA	Inferior	Superior

Sales Analysis

The subject lots vary in size and zoning. At the present there are four community commercial (CC), one neighborhood commercial (NC) and one residential professional (RP). The current zoning allows for a variety of uses of which the CC ordinance provides for more uses and the NP provides for fewer uses. NC falls somewhere in between. Each of the uses allows for multi-family and the big difference is the density of development.

The following briefly describes the sales and in the sales catalog are detailed write up sheets for each of the sales.

Sale 8 (\$2.25 SF) is located along Johnson Lane in Lockwood. Although Lockwood is not too far from the Billings Heights, it is considered overall inferior with respect to location. Overall, this sale is considered inferior to the subject.

Sale 9 (\$7.02 SF) is located at the north end of Main Street, in close proximity to Walmart. Overall, this sale is superior to the subject.

Sale 10 (\$1.48 SF) is located in the Billings Heights and approximately one block east of Main Street. This site has been developed with multi-family units. Overall, this sale is inferior to the subject.

Sale 11 (\$2.13) is located in the Billings Heights along the east side of Lincoln Lane. This site has been developed with multi-family units. Overall, this sale is inferior to the subject.

Listing 12 (\$3.25 SF) is located in the Billings Heights, just east of Lake Elmo State Park. Although this is a listing, it is considered overall inferior to the subject.

Listing 13 (\$4.82 SF) is located in the Billings Heights, along Wicks Lane and three blocks east of Main Street. Overall, this listing is considered superior to the subject.

The following table illustrates the overall comparability of the aforementioned sales and listings:

Sale/Listing	\$/SF	Overall Comparability
Sale No. 10	\$1.48/SF	Inferior
Sale No. 11	\$2.13/SF	Inferior
Sale No. 8	\$2.25/SF	Inferior
Listing No.12	\$3.25/SF	Inferior
Listing No. 13	\$4.82/SF	Superior
Sale No. 9	\$7.02/SF	Superior

Considering each of the sales coupled with discussions with various real estate professionals, it is my opinion a reasonable estimate of value for the subject commercial lots with Wicks Lane frontage, is \$4.00/SF.

Lot 2, Block 2 is an interior lot which requires discounting the value as development would not occur until the infrastructure is installed. Although I did not identify sales of commercial lots in a subdivision with preliminary plat approval, information from Realty Rates indicates the following:

Site-Built Residential Subdivision and PUD rates increased an average 19 basis points while Manufactured Housing rates climbed 26 basis points during the 2nd Quarter. Likewise. Business and Industrial Park rates increased an average 17 and 18 basis points respectively during the same period. Residential Condominium and Co-Op rates meanwhile increased 34 basis points as did Commercial/Industrial Condominiums during the same period.

Overall, pro-forma and actual discount rates increased at about the same rate, indicating a market consistent outlook by developers.

RealtyRates.com DEVELOPER SURVEY - 3rd Quarter 2015*						
Average Comparative (Quarter-Over-Quarter) National Rates						
Subdivisions & PUDs	Actual Rates			Pro-Forma Rates		
	2Q15	1Q15	Basis Point Change	2Q15	1Q15	Basis Point Change
	Site-Built Residential	34.27%	34.07%	19	32.90%	32.71%
-100 Units	30.52%	30.34%	18	29.30%	29.12%	17
100-500 Units	33.04%	32.85%	19	32.35%	32.16%	19
500+ Units	34.39%	34.19%	20	34.32%	34.13%	20
Mixed Use	34.80%	34.60%	20	34.74%	34.53%	20
Manufactured Housing	36.32%	36.06%	26	34.19%	33.94%	25
-100 Units	32.54%	32.30%	24	30.63%	30.40%	23
100-500 Units	35.25%	34.99%	26	33.84%	33.59%	25
500+ Units	36.69%	36.42%	27	35.91%	35.65%	26
Business Parks	34.76%	34.59%	17	32.72%	32.56%	16
-100 Acres	31.18%	31.02%	16	29.35%	29.20%	15
100-500 Acres	33.75%	33.58%	17	32.40%	32.24%	16
500+ Acres	35.13%	34.95%	18	34.38%	34.21%	17
Industrial Parks	31.03%	30.85%	18	29.85%	29.67%	18
-100 Acres	27.95%	27.78%	17	26.36%	26.20%	16
100-500 Acres	30.19%	30.01%	18	29.04%	28.87%	18
500+ Acres	31.41%	31.22%	19	29.62%	29.44%	18

For this analysis I have utilized a discount factor of 35% applied to the \$4.00/SF which suggests a value of \$2.60/SF.

Based upon the aforementioned, it is by opinion a reasonable estimate of value for the commercial lots is:

Parcel	Size		S/SF	=	Value	Rounded
Lot 1, Block 1	57,143 SF	x	\$4.00	=	\$228,572	\$225,000
Lot 2, Block 1	55,966 SF	x	\$4.00	=	\$223,864	\$225,000
Lot 3 Block 1	55,958 SF	x	\$4.00	=	\$223,832	\$225,000
Lot 4, Block 1	72,583 SF	x	\$4.00	=	\$290,332	\$290,000
Lot 1, Block 2	150,253 SF	x	\$4.00	=	\$601,012	\$600,000
Lot 2, Block 2	101,087 SF	x	\$2.60	=	\$262,826	\$260,000

RECONCILIATION AND CONCLUSION

In this analysis I have concluded to a value of the residential land at \$28,000 per acre which suggests a value of **\$1,100,000**.

The commercial lots have been valued at \$4.00 SF with Wicks Lane frontage and the interior lot at \$2.60 SF. The indications of value for these lots are:

Parcel	Value
Lot 1, Block 1	\$225,000
Lot 2, Block 1	\$225,000
Lot 3 Block 1	\$225,000
Lot 4, Block 1	\$290,000
Lot 1, Block 2	\$600,000
Lot 2, Block 2	\$260,000

VALUE ESTIMATE AND CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and/or those found in the letter of engagement or appraisal consultation contract authorizing this report and is my personal, impartial, and unbiased professional analysis, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting a predetermined value.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. This appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
- My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with The Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- I have made a personal inspection of the site that the subject of this report will be developed upon.
- I have not appraised, reviewed, or offered consulting with respect to the subject property within three years of the date of acceptance to appraise the property.
- Gregory A. Thornquist is currently licensed in the State of Montana (Certificate #867) as a Certified General Real Estate Appraiser. Regarding the Competency Provision of USPAP, I further attest I've had substantial approved education and experience in the appraisal of commercial property.
- As of the date of this report, Gregory A. Thornquist has completed the Standards and Ethics Education Requirements for (Candidates and Practicing Affiliates) of the Appraisal Institute.

Based upon all the elements of which I am aware of and which could reasonably affect value, I have estimated market value of the subject, as of August 3, 2015:

<u>Skyview Ridge, 1st Filing</u>	
Residential Land \$1,100,000	
Commercial Lots	
Parcel	
Lot 1, Block 1	\$225,000
Lot 2, Block 1	\$225,000
Lot 3 Block 1	\$225,000
Lot 4, Block 1	\$290,000
Lot 1, Block 2	\$600,000
Lot 2, Block 2	\$260,000



Montana State Certified
General Real Estate Appraiser
License # REA-RAG-LIC-867
8/26/2015

* This value is subject to the Hypothetical Assumption on page 8.

ADDENDA

FOR DNRC USE ONLY

Maximum amount under this agreement: [REDACTED]

Source of Funds

<u>Fund Name</u>	<u>Fund No.</u>
Trust Administration Account	02938

<u>Subclass</u>	<u>Org. No.</u>	<u>Percent</u>
555HA	6041DR-01	100%

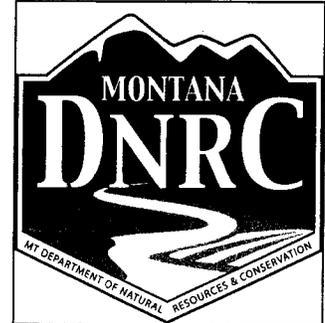
Approved

No. 155063

Division J.G.

Legal THB

F.S.O. [Signature]



TRUST LAND MANAGEMENT DIVISION

APPRAISAL OF SKYVIEW RIDGE SUBDIVISION PARCELS IN YELLOWSTONE COUNTY

THIS CONTRACT is entered into by and between the State of Montana/Department of Natural Resources and Conservation, (State/DNRC), whose address and phone number are P.O. Box 201601, (406) 444-2074 and Greg Thornquist, Elkhorn Appraisal Services, (Contractor), whose address and phone number are P.O. Box 448, Helena, MT 59624 and (406) 449-7646.

1. EFFECTIVE DATE, DURATION, AND RENEWAL

1.1 Contract Term. The contract's initial term is upon contract execution, through October 31, 2015, unless terminated earlier as provided in this contract. In no event is this contract binding on the State unless the State's authorized representative has executed it in Section 27. The appraisal report is to be completed and forwarded to Montana DNRC, Emily Cooper, and P.O. Box 201601, Helena, MT 59620-1601 by August 14, 2015.

2. SERVICES AND/OR SUPPLIES

Contractor agrees to provide to the State the following: The Contractor shall be responsible for providing a credible appraisal, for the parcels in Yellowstone County, as described in Attachment B, Montana DNRC Trust Land Management Division Supplemental Appraisal Instructions. The appraisal will be an Appraisal Report, conducted and prepared in compliance with the current Uniform Standards of Professional Appraisal Practice that will describe adequately, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions.

The appraisal must comply with the instructions in Attachment A, Scope of Work for Appraisal on State of Montana Trust Lands in Yellowstone, and all provisions in the body of this contract including the following:

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

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

3. CONSIDERATION/PAYMENT

3.1 Payment Schedule. In consideration of the appraisal report to be provided, together with all the tasks and services described herein above, the State shall pay Contractor [REDACTED]. Upon the successful completion of all tasks and services described herein above, the Contractor shall submit an invoice with the submission of the final appraisal report to the DNRC for payment for services rendered. The Contractor shall, at no additional expense to the State, correct unsatisfactory work before payment is made. Payment shall be made within 30 days of the Contractor's submission of an invoice to DNRC. In any instance, the DNRC's total cumulative payments to the Contractor under this contract shall not exceed Five Thousand Dollars (\$5,000.00).

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

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

4. ACCESS AND RETENTION OF RECORDS

4.1 Access to Records. Contractor shall provide the State, Legislative Auditor, or their authorized agents access to any records necessary to determine contract compliance. The State may terminate this contract under section 22, without incurring liability, for the Contractor's refusal to allow access as required by this section. (18-1-118, MCA.)

4.2 Retention Period. Contractor shall create and retain all records documenting the Summary Appraisal Report for a period of eight years after either the completion date of this contract or termination of the contract should such action arise.

5. ASSIGNMENT, TRANSFER, AND SUBCONTRACTING

Contractor may not assign, transfer, or subcontract any portion of this contract without the State's prior written consent. (18-4-141, MCA.) Contractor is responsible to the State for the acts and omissions of all subcontractors or agents and of persons directly or indirectly employed by such subcontractors, and for the acts and omissions of persons employed directly by Contractor. No contractual relationships exist between any subcontractor and the State under this contract.

6. HOLD HARMLESS/INDEMNIFICATION

To the fullest extent permitted by law, the Contractor shall indemnify and hold harmless the State, its elected and appointed officials, officers, agents, directors, and employees from and against all claims, damages, losses and expenses, including the cost of defense thereof, to the extent caused by or arising out of Contractor's negligent acts, errors, or omissions in work or services performed under this Contract, including but not limited to, the negligent acts, errors, or omissions of any Subcontractor or anyone directly or indirectly employed by any Subcontractor for whose acts Subcontractor may be liable.

7. REQUIRED INSURANCE

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

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

7.3 Specific Requirements for Automobile Liability. Contractor shall purchase and maintain coverage with split limits of \$50,000 per person (personal injury), \$100,000 per accident occurrence (personal injury), and \$100,000 per accident occurrence (property damage), OR combined single limits of \$100,000 per occurrence to cover such claims as may be caused by any act, omission, or negligence of Contractor or its officers, agents, representatives, assigns, or subcontractors.

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

7.5 Certificate of Insurance/Endorsements. A certificate of insurance from an insurer with a Best's rating of no less than A- indicating compliance with the required coverage's, has been received by the State Procurement Bureau, P.O. Box 200135, Helena, MT 59620-0135. Contractor must notify the State immediately of any material change in insurance coverage, including but not limited to changes in limits, coverage's, and status of policy. The Contractor must provide the State with copies of insurance policies upon request.

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

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

8. COMPLIANCE WITH WORKERS' COMPENSATION ACT

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

9. COMPLIANCE WITH LAWS

Contractor shall, in performance of work under this contract, fully comply with all applicable federal, state, or local laws, rules, and regulations, including but not limited to, the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by Contractor subjects subcontractors to the same provision. In accordance with 49-3-207, MCA, Contractor agrees that the hiring of persons to perform this contract will be made on the basis of merit and qualifications and without discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin of the persons performing this contract.

10. DISABILITY ACCOMMODATIONS

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

11. REGISTRATION WITH THE SECRETARY OF STATE

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

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

12. OWNERSHIP OF WORK PRODUCT

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

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

12.2 Ownership of Contractor Pre-Existing Materials. Contractor retains ownership of all literary or other works of authorship (such as software programs and code, documentation, reports, and similar works), information, data, intellectual property, techniques, subroutines, algorithms, methods or related rights and

derivatives that Contractor owns at the time this contract is executed or otherwise developed or acquired independent of this contract and employed by Contractor in connection with the services provided to the State (the "Contractor Pre-existing Materials"). Contractor Pre-existing Materials are not Work Product. Contractor shall provide full disclosure of any Contractor Pre-Existing Materials to the State before its use and to prove its ownership. If, however, Contractor fails to disclose to the State such Contractor Pre-Existing Materials, Contractor shall grant the State a nonexclusive, worldwide, paid-up license to use any Contractor Pre-Existing Materials embedded in the Work Product to the extent such Contractor Pre-Existing Materials are necessary for the State to receive the intended benefit under this contract. Such license shall remain in effect for so long as such Pre-Existing Materials remain embedded in the Work Product. Except as otherwise provided herein or as may be expressly agreed in any statement of work, Contractor shall retain title to and ownership of any hardware it provides under this contract.

13. CONTRACT TERMINATION

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

13.2 Reduction of Funding. The State must by law terminate this contract if funds are not appropriated or otherwise made available to support the State's continuation of performance of this contract in a subsequent fiscal period. (18-4-313(4), MCA.) If state or federal government funds are not appropriated or otherwise made available through the state budgeting process to support continued performance of this contract (whether at an initial contract payment level or any contract increases to that initial level) in subsequent fiscal periods, the State shall terminate this contract as required by law. The State shall provide Contractor the date the State's termination shall take effect. The State shall not be liable to Contractor for any payment that would have been payable had the contract not been terminated under this provision. As stated above, the State shall be liable to Contractor only for the payment, or prorated portion of that payment, owed to Contractor up to the date the State's termination takes effect. This is Contractor's sole remedy. The State shall not be liable to Contractor for any other payments or damages arising from termination under this section, including but not limited to general, special, or consequential damages such as lost profits or revenues.

14. EVENT OF BREACH – REMEDIES

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

- products or services furnished fail to conform to any requirement;
- failure to submit any report required by this contract;
- failure to perform any of the other terms and conditions of this contract, including but not limited to beginning work under this contract without prior State approval and breaching Section 27.1 obligations; or
- voluntary or involuntary bankruptcy or receivership.

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

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

- terminate this contract under section 21; or
- treat this contract as materially breached and pursue any of its remedies under this contract, at law, or in equity.

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

- terminate this contract after giving the State written notice of the stated failure. The written notice must demand performance of the stated failure within a specified period of time of not less than 14 days. If the demanded performance is not completed within the specified period, the termination is effective at the end of the specified period; or
- treat this contract as materially breached and, except as the remedy is limited in this contract, pursue any of its remedies under this contract, at law, or in equity.

15. WAIVER OF BREACH

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

16. FORCE MAJEURE

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

17. CONFORMANCE WITH CONTRACT

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

18. LIAISONS AND SERVICE OF NOTICES

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

Emily Cooper, Lands Section Supervisor is the State's liaison.

(Address): P.O. Box 201601

(City, State, ZIP): Helena, MT 59620-1601

Telephone: (406) 444-4165

Fax: (406) 444-2684

E-mail: ecooper@mt.gov

Greg Thornquist is Contractor's liaison.

(Address): P.O. Box 448

(City, State, ZIP): Helena, MT 59624

Telephone: (406) 449-7646

Fax: (406) 449-7887

E-mail: elkhornapp@qwestoffice.net

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

19. MEETINGS

19.1 Technical or Contractual Problems. Contractor shall meet with the State's personnel, or designated representatives, to resolve technical or contractual problems occurring during the contract term or to discuss the progress made by Contractor and the State in the performance of their respective obligations, at no additional cost to the State. The State may request the meetings as problems arise and will be coordinated by the State. The State shall provide Contractor a minimum of three full working days notice of meeting date, time, and location. Face-to-face meetings are desired; however, at Contractor's option and expense, a conference call meeting may be substituted. Consistent failure to participate in problem resolution meetings, two consecutive missed or rescheduled meetings, or failure to make a good faith effort to resolve problems, may result in termination of the contract.

20. TRANSITION ASSISTANCE

If this contract is not renewed at the end of this term, or is terminated prior to the completion of a project, or if the work on a project is terminated, for any reason, the Contractor must provide all reasonable transition assistance requested by the State, to allow for the expired or terminated portion of the services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such services to the State or its designees, for a reasonable period of time after the expiration or termination of this project or contract. Such transition assistance will be deemed by the parties to be governed by the terms and conditions of this contract, except for those terms or conditions that do not reasonably apply to such transition assistance. The State shall pay the Contractor for any resources utilized in performing such transition assistance at the most current rates provided by the contract. If there are no established contract rates, then the rate shall be mutually agreed upon. If the State terminates a project or this contract for cause, the State will be entitled to offset the cost of paying the Contractor for the additional resources the Contractor utilized in providing transition assistance with any damages the State may have otherwise accrued as a result of said termination.

21. CHOICE OF LAW AND VENUE

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

22. TAX EXEMPTION

The State of Montana is exempt from Federal Excise Taxes (#81-0302402).

23. AUTHORITY

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

24. SEVERABILITY CLAUSE

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

25. SCOPE, ENTIRE AGREEMENT, AND AMENDMENT

25.1 Contract. This contract consists of eight numbered pages, Attachment A - Scope of Work, pages 9-10 and Attachment B – Supplemental Appraisal Instructions, pages 11-12. In the event of a dispute or ambiguity arising between or among the documents, the order of precedence of document interpretation is the same order as this contract.

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

26. WAIVER

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

27. EXECUTION

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

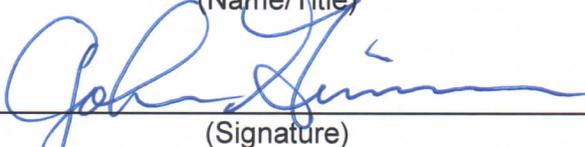
STATE OF MONTANA
Dept. of Natural Resources & Conservation
Trust Land Management Division
P.O. Box 201601
Helena, MT 59620-1601

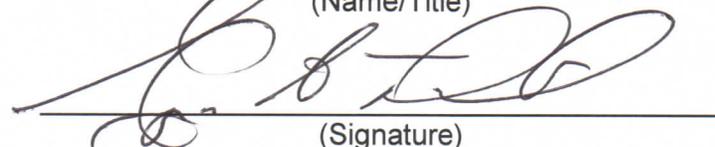
Greg Thornquist, Elkhorn Appraisal Services
P.O. Box 448
Helena, MT 59624

FEDERAL ID #: 32-0228888

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

BY: GREGORY A THORNQUIST
(Name/Title)


(Signature)


(Signature)

DATE: 6/30/15

DATE: 6/30/15

ATTACHMENT A

Scope of Work for Appraisal of State of Montana Trust Lands in Yellowstone County

CLIENT, INTENDED USERS, PURPOSE AND INTENDED USE:

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

DEFINITIONS:

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

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

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

PROPERTY RIGHTS APPRAISED:

State of Montana lands are always to be appraised as if they are in private ownership and could be sold on the open market and are to be appraised in Fee Simple interest. For analysis purposes, 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.

ASSIGNMENT CONDITIONS:

The appraiser must be a Montana certified general appraiser, and be competent to appraise the subject property. The appraisal is to conform to the latest edition of USPAP, and the opinion of value must be credible.

The appraiser is to physically inspect the subject property at a level that will allow the appraiser to render a credible opinion of current fair market value of the property, and 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, and 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), 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 a 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 appraisal on the state's lands must include state-owned improvements in the valuation, but exclude lessee-owned or licensee-owned improvements in the valuation. All appraisals are to describe the market value trends, and provide a rate of change, for the subject property market.

ATTACHMENT B

MONTANA DNRC TRUST LAND MANAGEMENT DIVISION Supplemental Appraisal Instructions

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

Subject Property (Located in Yellowstone County):

Appraiser will supply a value for the entire property and separate values for the parcels described below:

Acres	Legal Description
5.56±	Block 1, Lots 1, 2, 3 & 4, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
5.77±	Block 2, Lots 1 & 2, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
6.45±	Block 1, Lots 5 through 9, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
5.91±	Block 3, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
2.41±	Block 4, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
8.57±	Block 5, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
12.99±	Block 6, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
1.47±	Block 7, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531
0.68±	Block 8, located in N½ of Section 20, Township 1 North, Range 26 East, Yellowstone County, MT as shown on SP3698531

Area Office Contact Information:

Jeff Bollman, Planner
DNRC- Southern Land Office
1371 Rimtop Drive
Billings, MT 59105
Phone: (406) 247-4404
jbollman@mt.gov

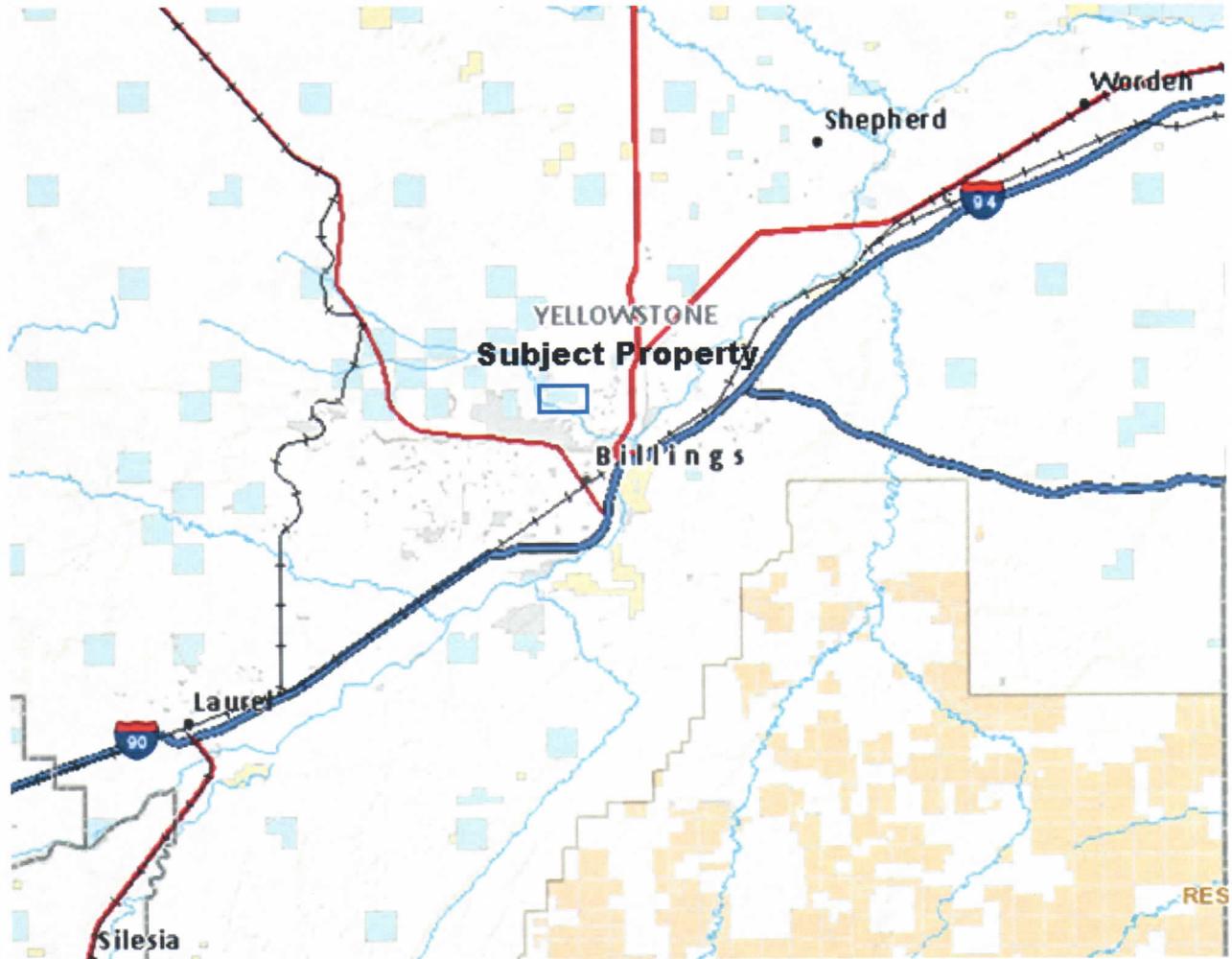
The following will be located in the body of the contract:

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

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

The DNRC will provide access to each state parcel record, as maintained by the land offices, including but not limited to aerial photos, land improvements, current lease data (lease #, name of lessee, AUMs, acres, costs, etc.), property issues, surveys (if any), and production history. The local land office will provide the contact information to the appraiser in order for the appraiser to obtain access to the property.

Location Map of Parcel



Gregory A. Thornquist
Elkhorn Appraisal Services
State of Montana, Certified General #867
P.O. Box 448
Helena, MT 59624

Appraisers Qualifications

EMPLOYMENT:	Present, Elkhorn Appraisal Services A real estate appraisal firm.	Helena, MT
	July 2006 to February 2008, Joki & Associates Real Estate Appraisers, Staff real estate appraiser.	Helena, MT
	July 1995 to July 2006, Montana State Tax Appeal Board, Board Member/Chairman	Helena, MT
	1993 - 1995, Rutherford & Associates Appraisals, Inc, Apprentice Appraiser	Billings, MT
	1987 - 1995, Thornquist Property Tax Consulting, Owner/ Tax Consultant	Billings, MT
EDUCATION:	Carroll College Business Studies	Helena, MT
	1984 - 1986 University of Northern Colorado Business Studies	Greeley, CO
	1983 Arapahoe Community College Business Studies	Littleton, CO
	Specialized Real Estate courses:	
	Litigation Appraising: Specialized Topics and Applications Appraisal Institute, September 6 & 7, 2014	
	General Appraiser Market Analysis and Highest & Best Use Appraisal Institute, April 29-May 2, 2014	
	National USPAP Update Course Appraisal Institute Seminar, January 31, 2014	
	Business Practices and Ethics Appraisal Institute, September 13, 2013	
	National USPAP Update Course Appraisal Institute Seminar, January 27, 2012	
	The Discounted Cash Flow Model: Concepts, Issues, and Apps Appraisal Institute Seminar, October 5, 2010	

Hotel Appraising – New Techniques for Today’s Uncertain Times
Appraisal Institute Seminar, October 4, 2010

Using Spreadsheet Programs in Real Estate Appraisals
Appraisal Institute Seminar, April, 2010

National USPAP Update Course
Appraisal Institute Seminar, February 5, 2010

Appraisal Curriculum Overview
Appraisal Institute Seminar, September 24-25, 2009

Requirements of UASFLA – The Yellow Book
American Society of Farm and Rural Appraisers, October 14, 2008

Office Building Valuation: A Contemporary Perspective
Appraisal Institute Seminar, September, 19, 2008

Report Writing and Valuation Analysis
Appraisal Institute, June, 2007

Uniform Standards of Professional Appraisal Practice (USPAP)
Lincoln Graduate Center, August, 2006

General Applications - Online Course
Appraisal Institute, January, 2006
Using Your HP-12C Financial Calculator - Online Course
Appraisal Institute, October, 2005

The Appraiser as an Expert Witness
Appraisal Institute, January, 2005

Separating Real & Personal Property from Intangible Business Assets
Appraisal Institute, October, 2003

Appraisal Procedures
Appraisal Institute, March, 2002

Partial Interest Valuation - Divided
Appraisal Institute, September, 2001

Litigation Skills for the Appraiser
Appraisal Institute, April, 2000

Residential Case Study
Appraisal Institute, June, 1999

Sales Comparison Valuation of Small Mixed Use Properties
Appraisal Institute, January, 1999

General Applications
Appraisal Institute, December, 1997

Basic Income Capitalization
Appraisal Institute, June, 1997

Income Approach to Valuation
International Association of Assessing Officers, October 1990

Other Related Training

Administrative Law Fair Hearing
The National Judicial College, November, 1995

Logic and Opinion Writing for Administrative Law Judges
The National Judicial College, June, 1999

STATE CERTIFICATION: State of Montana, Certified General #867, Issued December, 2007

TYPICAL APPRAISALS: Multifamily, office, skilled nursing/convalescent facility, retail, commercial, industrial, special purpose, residential condominiums, vacant land, residential and commercial subdivision land.

CLIENTS: Wells Fargo Bank, Stockman Ban, Opportunity Bank, Valley Bank of Helena, United States of America – Department of Veterans Affairs, State of Montana – Department of Natural Resources, State of Montana – Fish Wildlife and Parks, Lewis and Clark County, City of Helena, Butte-Silver Bow County, First Community Bank, Bank of Baker, 1st Interstate Bank, Citizens State Bank, Western Security Bank, First Montana Bank, Mountain West Bank, Rocky Mountain Bank, Amegy Bank, Allstate Appraisal Services, and other private parties.

