



KELLEY APPRAISAL Real Estate Appraisers & Consultants - Ph. (406)755-2015

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May 20th, 2014

Montana DNRC
Ms. Emily Cooper
P.O. Box 201601
Helena, MT 59620-1601

RE: Appraisals on 1408 Rogers Lane, Kila, MT
(Contract #147057)

Dear Ms. Cooper:

In fulfillment of our agreement as outlined in the appraisal contract dated April 16th, 2014, I am pleased to transmit herewith my Summary Report of my complete appraisal of the opinion of market value of the referenced parcels of real estate, as of May 2nd, 2014. The report set forth my value conclusions, along with a summary of supporting data and reasoning which form the basis of my opinions.

The value opinions reported are qualified by certain definitions, limiting conditions, and certifications which are set forth in these reports.

This reports are prepared for my professional fee billed to the Montana DNRC. They are intended only for use by the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).

Respectfully submitted,

James O. Kelley
Certified General Appraiser
Montana License #REA-RAG-LIC-80

Real Estate Appraisal Report



Lakefront Lot and Cabin

1408 Rogers Lane
Kila, MT

Prepared for
Montana DNRC
Ms. Emily Cooper
P.O. Box 201601
Helena, MT 59620-1601

Effective Date of Appraisal
May 2nd, 2014

Date of Appraisal Report
May 20th, 2014

By
James O. Kelley
Real Estate Appraiser

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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

CLIENT:	State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC)
INTENDED USER:	The State of Montana, The Montana Board of Land Commissioners, Department of Natural Resources and Conservation (DNRC), and Edward and Calina Garcia
INTENDED USE:	Estimate value for a potential sale
OWNER OF RECORD:	Land: State of Montana Improvements: Edward and Calina Garcia
PROPERTY APPRAISED:	1408 Rogers Lane, Kila, MT
LEGAL DESCRIPTION:	Lot 7, Rogers Lake Cabinsites, COS #18309 in Section 30, T27N, R23W, P.M.M., Flathead County, Montana (See complete legal description on page 7 of this report.)
PROPERTY RIGHT:	Unencumbered Fee Simple Estate
BUILDING IMPROVEMENTS:	This is a 2,340 square foot house that was built in 1999. This home has 1,400 sf on the ground level and 940 sf on a second story. It has seven rooms, four bedrooms and two baths. To the east of the house is a 120 sf storage shed.
CURRENT USE:	Residential
ZONING:	Rogers Lake Zoning District (Residential Uses)
HYPOTHETICAL CONDITION:	It is acknowledged that the subject site is currently leased to the owner of the building improvements. This appraisal is based on the hypothetical condition that the lease does not exist.
HIGHEST AND BEST USE:	Residential
SITE DATA:	The site is an irregularly shaped tract with a gross size of 1.545 acres and a net usable size of approximately 1.52 acres. This tract fronts on Rogers Lane on its east side and Rogers Lake on its west side.
DATE OF VALUATION:	May 2nd, 2014
DATE OF REPORT:	May 20 th , 2014

DATE OF INSPECTION: May 2nd, 2014

PURPOSE OF APPRAISAL: The purpose of this report is to estimate the market value of the subject property as defined herein. This estimate is to be used solely by the client and intended users which are The State of Montana, The Montana Board of Land Commissioners, Department of Natural Resources and Conservation (DNRC), and Edward and Calina Garcia.

ESTIMATED MARKETING TIME: Six months

SUMMARY OF THE THREE APPROACHES TO VALUE:

The following is a recap of the results of the three approaches	Land Value	Improvements Value	Overall Value
Cost Approach	\$340,000	\$190,000	\$530,000
Income Approach	N/A	N/A	N/A
Sale Comparison	\$340,000	\$190,000	\$530,000

VALUE CONCLUSIONS

Property	Value
Fee Simple value of the Site	\$340,000
Fee Simple value of the overall property	\$530,000
Contributory value of the house and other improvements	\$190,000

Note: The attached 50 pages are considered an important part of this appraisal.

APPRAISAL DEFINITION AND PROCESS

An appraisal is an unbiased estimate of the nature, quality, value or utility of an interest, or aspect of, identified real estate. The summary appraisal is based on selective research into appropriate market areas; assemblage of pertinent data; the application of appropriate analytical techniques; and the knowledge, experience and professional judgment necessary to develop an appropriate value.

The summary appraisal considers selected socioeconomic conditions as they affect the subject property. This encompasses the city and neighborhood conditions which include, but are not limited to the social, economic, governmental and environmental influences and trends as they affect the marketability and value in the marketplace of the subject property.

A physical inspection is made of the property as well as the surrounding area for the purpose of analyzing all conditions pertinent to the market value of the subject property.

Three recognized approaches to value are employed in the appraisal process. The cost approach, market (sales comparison) approach and income capitalization approach. The conclusion of each approach is stated in a summary format.

All three inter-related approaches are used in arriving at a final value. They are approached from a different direction, dealing with a separate set of circumstances and are evaluated as such, and correlated based on which set of circumstances best represents the market as it exists as of the date of the appraisal.

The cost approach is based on the premise that value of a property can be indicated by the current cost to construct a reproduction or replacement for the improvements minus that amount of depreciation evident in the structures from all causes plus the value of the land. This approach is particularly useful for appraising new or nearly new improvements and for providing an alternative to the sales comparison and income capitalization approaches. In addition, cost approach techniques are employed to derive information needed to apply both the sales comparison and income capitalization approaches to value.

The market (sales comparison) approach is most viable when an adequate number of properties of similar type have been sold recently or are currently for sale in the subject property market area. The application of this approach produces a value indication for a property through comparison with similar properties, called comparable sales. The sales prices of properties judged to be most comparable tend to set a range in which the value indication for the subject property falls.

In using the income capitalization approach, the appraiser measures the present value of the future benefits of property ownership. Income streams and values of property resale (reversion) are capitalized (converted) into a present lump-sum value. This approach is generally most applicable in appraising income producing investment properties.

The final analytical step in the summary appraisal process is the reconciliation of the indications of value into a single dollar figure or range in which the value will most likely fall. The nature of the reconciliation depends on the number of approaches which have been used (all three approaches are not always applicable in every appraisal problem) and on the reliability of the value indications derived from these approaches.

PURPOSE OF THE APPRAISAL

The purpose of this report is to estimate the market value of the subject property as defined herein. This estimate is to be used solely by the client and intended users which are The State of Montana, The Montana Board of Land Commissioners, Department of Natural Resources and Conservation (DNRC), and Edward and Calina Garcia.

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

SCOPE OF THE APPRAISAL

The following steps were followed in arriving at the final estimate of value included in the appraisal report of the subject property:

1. After receiving the assignment, a preliminary search of all available resources was made to determine market trends, influences and other significant factors pertinent to the subject property.
2. A physical inspection of the property was performed. Although due diligence was exercised while at the subject, the appraiser is not an expert in such matters as pest control, structural engineering, hazardous waste, etc. and no warranty is given as to these elements. As needed, inspections by various professionals within these fields might be recommended with the final estimate of value subject to their finds.
3. A second review of the data was then performed with the most relevant factors extracted and considered. Sales were examined and discussed with parties involved in the transactions. Market factors were weighted and their influence on the subject property was determined.
4. The appraisal report was then completed in accordance with standards dictated by THE APPRAISAL FOUNDATION. The report includes all data and information needed to lead a reader to a similar value conclusion.
5. In doing this appraisal the following criteria was used:
 1. state the identity of the client and any intended users, by name or type
 2. state the intended use of the appraisal
 3. summarize information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment
 4. state the real property interest appraised
 5. state the type and definition of value and cite the source of the definition
 6. state the effective date of the appraisal and the date of the report
 7. summarize sufficient information to disclose to the client and any intended users of the appraisal the scope of work used to develop the appraisal;
 8. summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained;
 9. state the use of the real estate existing as of the date of value and the use of the real estate reflected in the appraisal; and, when an opinion of highest and best use was developed by the appraiser, summarize the support and rationale for that opinion;
 10. clearly and conspicuously:
 - i. - state all extraordinary assumptions and hypothetical conditions; and
 - ii. - state that their use might have affected the assignment results; and
 11. include a signed certification in accordance with Standards Rule

6. The appraisal is based on the hypothetical condition that the subject is under fee simple ownership.
7. The appraisal is to allocate a separate value the State owned land and the privately owned improvements on that land.
8. See attachments "A" and "B" for additional details.
9. The appraisal report was then delivered to the client, State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC), which constituted the completion of the assignment.

INTENT OF THE REPORT

The intent of this report is to comply with the Uniform Standards of Professional Appraisal Practice as adopted by the Appraisal Standards Board of the Appraisal Foundation as of January 1st, 2014.

REFERENCES AND EXTENSION OF COLLECTION, CONFIRMATION AND REPORTING DATA

- Ms. Anne Moran - DNRC Kalispell Unit Office
- Flathead County Planning Office
- Northwest Montana Association of Realtors MLS
- Various Brokers representing comparable properties.

SALES AND MARKETING HISTORY

The subject cabin, on the leased site, sold on 6/20/11 for \$56,000. This was a bank-owned property which had been foreclosed upon. It was listed by the lender on 1/7/11 for \$79,000 and sold to the current cabin owner on 6/20/11 for \$56,000 as a cash transaction.

The land has not sold in the last three years.

PERSONAL PROPERTY

No personal property is included.

THREE APPROACHES TO VALUE

The appraiser has made reasonable effort to employ the three recognized approaches to value.

CONTINGENT AND LIMITING CONDITIONS

1. The appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The appraiser has made no survey of the property.
3. The appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made therefore.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuation for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or

structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.

6. Information, estimates, and opinions furnished to the appraiser, and contained in the report, are obtained from sources considered reliable and believed to be true and correct. However, no responsibility for the accuracy of such items furnished the appraiser can be assumed by the appraiser.

7. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the appraiser is affiliated.

8. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the Appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the Appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the exchange client or his successors and assigns, professional appraisal organizations, any state or federal department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the appraiser.

LEGAL DESCRIPTION

Lot 7, Rogers Lake Cabinsites, COS #18309 in Section 30, T27N, R23W, P.M.M., Flathead County, Montana

and

Improvement number 1371 on Lot 7, Rogers Lake Cabinsites, COS #18309 in Section 30, T27N, R23W, P.M.M., Flathead County, Montana

Assessor Number 00002714

HYPOTHETICAL CONDITION

It is acknowledged that the subject site is currently leased to the owner of the building improvements. This appraisal is based on the hypothetical condition that the lease does not exist.

DEFINITION OF MARKET VALUE

Current Fair Market value, as used in this report, is defined as follows under 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:

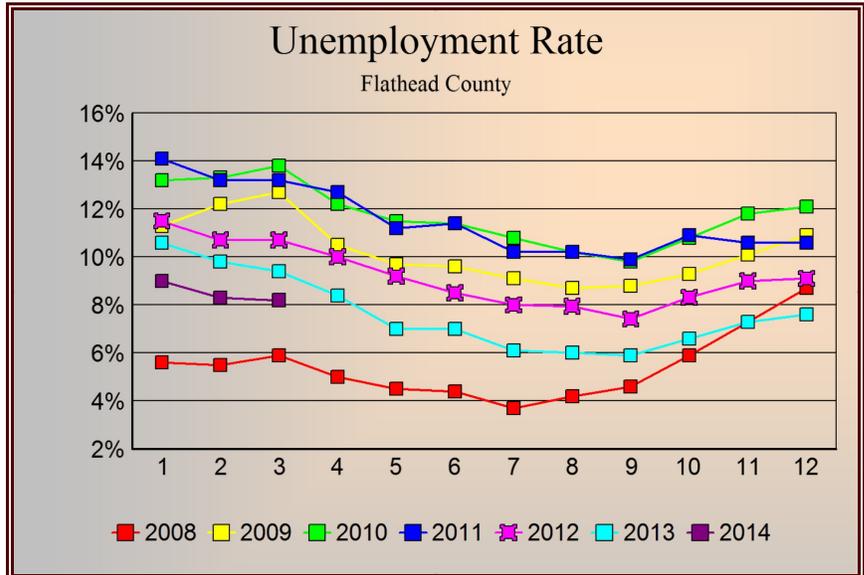
- (1) the highest and best reasonably available use and its value for such use, provided current use may not be presumed to be the highest and best use;
- (2) the machinery, equipment, and fixtures forming part of the real estate taken; and
- (3) any other relevant factors as to which evidence is offered.

DATE OF VALUATION

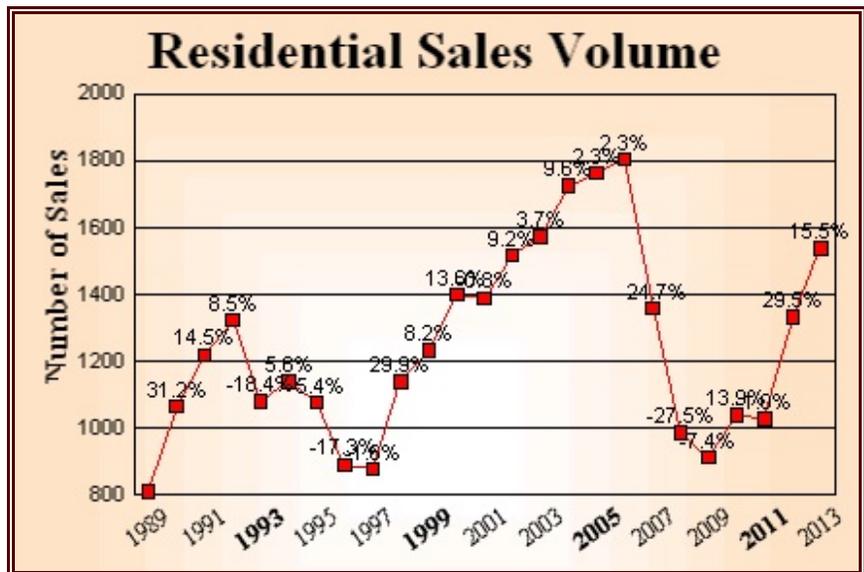
Values reported are as of the date of my physical inspection on May 2nd, 2014.

REGIONAL MARKET CONDITIONS

In the last five years, this region of Western Montana had been negatively impacted by the recent economic recession that occurred throughout the United States. This has most notably been evident in the unemployment rate which has gone from 3.5% to 5% in Flathead County to a high of 14.1% in January of 2011, with the last reported unemployment rate in March, 2014 of 8.2%.



Real estate has been most notably impacted by a substantial decrease in volume of home sales, as is indicated by the graph to the right. Along with this decrease in sales volume, the countrywide median home price decreased 16.3% in 2009, 1.5% in 2010, 8.6% in 2011, then stabilized in 2012 with a 4% increase. In 2013, there was an 11.8% increase in the median price, however this was mostly due to a decline in the number of bank-owned REO properties.



After a substantial decrease in the number of sales from 2006 through 2009, there has been a steady increase from the low in 2009. In 2012 there was nearly a 30% increase in the number of sales and in 2013, there was a 15.5% increase.

This data suggests that the prices reached their bottom around the end of 2011 and is currently improving. The number of sales are increasing and the price level appears stable.

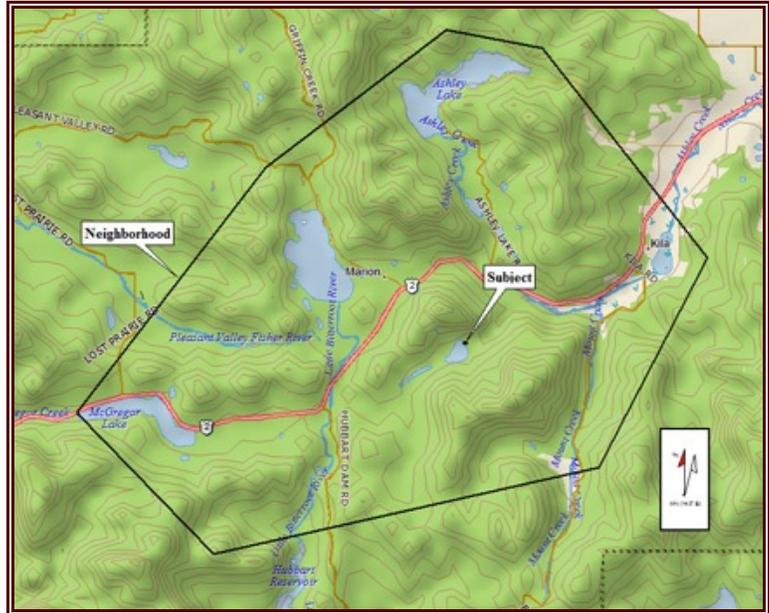
Additional data dealing with general market conditions is available in a report prepared by the appraisal at this link: <http://kelleyappraisal.net/FlatheadMarket13.pdf>

MARKET NEIGHBORHOOD

The subject neighborhood is best described as a rural mountainous area that starts around Kila, five miles west of Kalispell and extends another 20 miles to the west end of McGregor Lake.

Boundaries are: Undeveloped timberland to the north and south, Kila to the east and McGregor Lake to the west.

The neighborhood consists of a rural valley that is mostly surrounded by undeveloped timberland. Other than the timberland, most of the other land in the area has historically been used for agricultural purposes and homesites. This neighborhood takes in the Ashley Lake, McGregor Lake, Bitterroot Lake and Rogers Lake areas. These four lakes have numerous lakefront homes around them and limited residential strips along the roads that access these lakes. Outside the area where these lakes are location, the land is mostly owned by public entities or large timber companies. These areas are undeveloped timberland.



According to the Montana Department of Revenue’s property tax records, the following table shows the composition of property types in this area:

Property Type	Number	% Properties	% Acres
Argicultural	1339	24.7%	82.8%
Commercial	39	0.7%	0.1%
Farmstead	536	9.9%	11.9%
Residential	2190	40.4%	3.1%
Vacant	1313	24.2%	2.0%
Total	5417	100.0%	100.0%

Within this area, there are currently 54 homes on the market and they have an overall price range of between \$66,880 and \$3,699,000. Of these, there are 15 waterfront homes with a price range of between \$299,000 and \$3,699,000. In the last year there were 39 residential sales with a median price of \$249,900, an average price of \$273,285 and an overall sales price range of between \$74,900 and \$1,000,000. Of these 39 sales, there were seven waterfront home sales with a median price of \$310,000, an average price of \$453,786 and a range of between \$266,500 and \$965,000. Their median marketing time was 244 days.

Currently there are 137 tracts of land on the market with prices that range from \$19,900 to \$1,796,000 and sizes that range from a .3 acre to 804 acres. Of those, there are 20 waterfront tracts that are on the market and their price range is between \$180,000 and \$1,796,000. In the last year there were 35 land sales with a median price of \$108,900, an average price of \$157,788 and an overall range of between \$15,000 and \$1,100,000. Of those, there were seven tracts with water frontage. Those sales had a median price of \$300,000, an average price of \$255,143 and an overall range of between \$90,000 and \$375,000. The median marketing time was 133 days and the average was 231 days.

Electricity in the area is supplied by Flathead Electric Co-op and telephone by Century Telephone. Public water and sewer are not available.

Trends

The general development trend in the area has been for residential development around the lakes, some agricultural uses in the valleys and timber harvesting in the wooded area. Since the recession started in December of 2007, there has not been any development. This slowdown in development is likely to continue for the next few years.

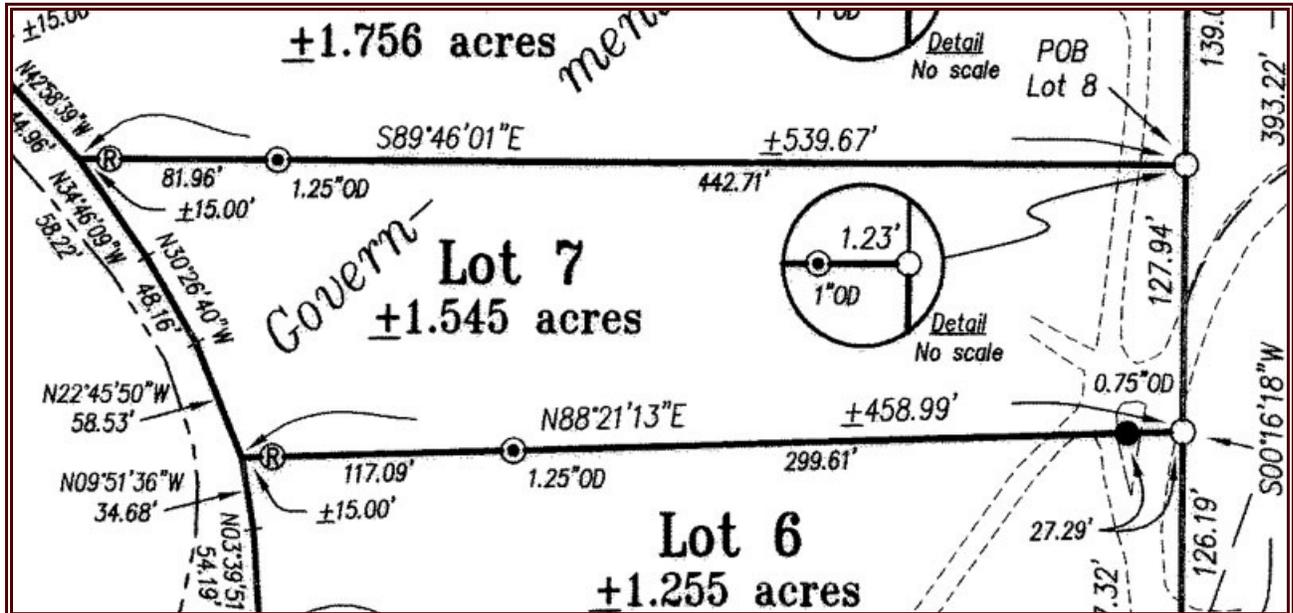
Conclusion:

The subject is an average sized waterfront site that is in an area where waterfront homes are typical.

PROPERTY DESCRIPTION

Site:

The site is an irregularly shaped tract with a gross size of 1.545 acres and a net usable size of approximately 1.52 acres. This tract fronts on Rogers Lane on its east side and Rogers Lake on its west side with 164.91 feet of lake frontage.



Site Improvements: The subject site has a private septic system as well as a gravel driveway. The footprints of the building improvements cover 1,875 sf.

Access: Legal access to the site is from Rogers Lane which adjoins the subject's east side.

Streets: Rogers Lane is a gravel surfaced public road that is owned and maintained by Flathead County.

Topography: The subject is on a rolling hill that is wooded.

Soil Conditions: The soil conditions appear acceptable of the construction of homes that are typical of this area.

Easements: The survey shows that a portion of the Rogers Lane roadway cuts through the east edge of the subject. The exact amount of the subject that is impacted by this roadway is not measured, but appears to be around 1,000 square feet. This reduces the net usable size of the subject to around 1.52 acres.



Flood Zone: The subject is not in an H.U.D. identified flood hazard area, according to FEMA Flood Hazard map #30029C2225G, dated 09/28/2007.

Environmental Hazards: My inspection of the subject site did not reveal any evidence of environmental hazards.

Utilities: Electricity and phone service are to the subject site. Public water and sewer services are not available. The subject does have a private on-site septic system and the domestic water source is from the lake.

Conclusion:

The subject site is well suited for residential use.

Zoning:

The subject is in the Rogers Lake zoning district. The County zoning regulations read as follows:

This development code is designed to implement the Rogers Lake Neighborhood Plan by protecting the quality, character and openness of Rogers Lake and the surrounding neighborhood and by providing guidance for future development.

Permitted Primary Uses

1. Agriculture/silviculture as provided for in M.C.A. 76-2-209
2. Class A and B manufactured home
3. Single-family residence
4. Temporary recreational vehicle or camping

Permitted Accessory Uses

Any of the following uses may be permitted on a tract of record in association with a principal use on the tract or group of contiguous tracts under a single ownership:

1. Agriculture/silviculture as provided for in M.C.A. 76-2-209
2. Guest house or caretaker's facility
3. Home occupation
4. Private garages, sheds, greenhouses, swimming pools and tennis courts, etc.
5. Public utility service installation
6. Temporary recreational vehicle or camping

The subject does comply with current zoning.

Building Improvements:

This is a 2,340 square foot house that was built in 1999. This home has 1,400 sf on the ground level and 940 sf on a second story. It has seven rooms, four bedrooms and two baths. To the east of the house is a 120 sf storage shed.

The house has a poured concrete foundation, is wood framed with cedar siding. The roof is a gable design and covered with a metal roofing material. The interior has wood framed walls that are finished with drywall and wood trim. The ceilings and walls are finished with drywall. The floors are finished with a mix of carpet, hardwood and a finished softwood. The bathrooms have tile floors. The primary heating system for this house is a system of electric baseboard heaters that are installed in the walls.

On the second story is a 212 sf storage attic that is not finished on the interior.

At the front of the house is a 275 sf deck and at the rear is a 200 sf porch.

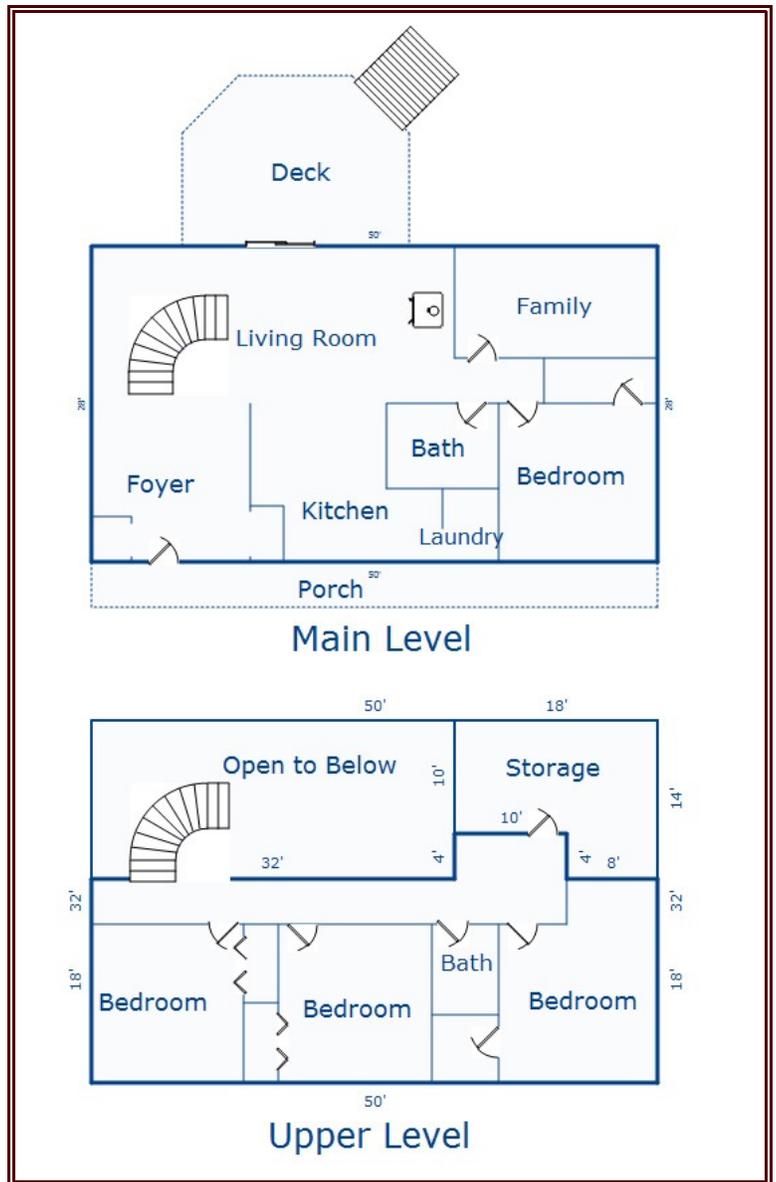
Near the middle of the site is a 120 sf storage shed that is not heated or plumbed.

Site Improvements: The subject site has a private septic system as well as a gravel driveway. The footprints of the building improvements cover 1,875 sf.

Quality: This is an average quality house, however the kitchen cabinets are a low cost design that does not have cabinet doors.

Condition:
The overall condition of the improvements is good.

Actual Age:	15 years
Effective Age:	Five Years
Estimated Remaining Economic Life:	70 years



Property Taxes:

The subject site currently owned by the State of Montana and is not subject to property taxes. The building improvements are owned by Edward and Calina Garcia and are taxed under assessor number 0002714. The 2013 taxes on the subject's improvements were \$1,290.90.

EDWARD & CALINA GARCIA
2720 3RD AVE UNIT 413
SEATTLE WA 98121

ASSESSOR NUMBER: 0002714
TAXBILL NUMBER: 201319967
SCHOOL DISTRICT: 20
GEO CODE: 07383130101134371

Property Location:

Parties with ownership interest as of January 1, 2013
Owner of Record.....GARCIA, EDWARD & CALINA

Property Description
30 27 23 IMP 1371 ON ROBERTS LAKE LOT 7

Type of Property	Taxable Market Value	Taxable Value
Improvements	95,859	2,429.79
Totals	95,859	2,429.79

Description	Percentage	Amount
County Functions	84.10%	440.27
Education	85.59%	848.82
Other	0.28%	3.81

SUMMARY OF TAXES, LEVIES & FEES

COUNTY	.067330	163.58	COUNTY LIBRARY	.006200	15.06
SHERIFF	.036200	87.95	CO PERM MED LEVY	.005000	12.15
NOXIOUS WEEDS	.001650	4.01	COUNTYWIDE MOSQUITO	.000750	1.82
911 GENER OBLIG BOND	.002070	5.03	ROAD	.021340	51.85
COUNTY PLANNING	.001700	4.13	BOARD OF HEALTH	.005740	13.95
COUNTY LAND FILL		80.73			
SUBTOTAL - TAXES FOR COUNTY FUNCTIONS...			.147980	440.27	
STATE - UNIVERSITY	.006000	14.58	GENERAL SCHOOLS	.106430	258.60
STATE - SCHOOL AID	.040000	97.19	FLAT VAL COM COLLEGE	.014200	34.50
FLATHEAD HIGH SCHOOL	.076740	186.46	KILA ELEMENTARY 20	.103550	251.60
PVCC PERMIS MED LEVY	.001600	3.89			
SUBTOTAL - TAXES FOR EDUCATION.....			.348520	848.82	
SOIL & WATER CONSERV	.001570	3.81			
SUBTOTAL - OTHER TAXES AND FEES.....			.001570	3.81	
Total Mills Levied	0.498070				
			Total Taxes and Fees . . . 1290.90		

HIGHEST AND BEST USE

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

Implied in these definitions is that the determination of highest and best use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners. An additional implication is that the determination of highest and best use results from the appraiser's judgment and analytical skill - that is, that the use determined from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In the context of most probable selling price (market value), another appropriate and alternative term to reflect highest and best use, would be most profitable use.

The definitions of highest and best use indicate that there are two types of highest and best use. The first

is highest and best use of land or a site as though vacant. The second is highest and best use of a property as improved. Each type requires a separate analysis. Moreover, in each case, the existing use may or may not be different from the site's highest and best use.

In the highest and best use analysis of both the land as vacant and the property as improved, a use must meet four criteria. The criteria are that the highest and best use must be (1) legally permissible, (2) physically possible, (3) financially feasible, and (4) maximally productive.

Highest and Best Use - As if Vacant:

Legally Permissible: The subject is zoned for agricultural and residential uses. There are no other legal restrictions that limit the subject's use.

Physically Possible: The net useable size of the subject is 1.52 acres which is large enough for the residential uses that are common in this area, but too small for most agricultural uses.

Financially Feasible: Current uses in the immediate area are nearly all residential, with a mix of year-around homes and summer recreational cabins. The subject does front on Rogers Lake and there is a steady demand for homesites with water frontage. Based on the historic uses and demand in this area for residential waterfront homesites, it is my opinion that residential is financially feasible.

Maximally Productive: Given the overall demand in the area, it is my opinion that the highest and best use, as if vacant, is for residential use.

Highest and Best Use - As Improved:

Legally Permissible: The subject is zoned for residential uses and the subject is a single-unit residential home that is legal under current zoning.

Physically Possible: The subject is a 2,340 sf single family house that was built in 1999. This house is typical of other homes in the area and is well suited for the tract of land that it sits on. There is enough room on the site for an addition to the house as well as the construction of a garage. Overall, the current improvements are physically possible.

Financially Feasible: Current uses in the immediate area are nearly all residential, with a mix of year-around homes and summer recreational cabins that are generally similar to the subject. Based on the historic uses and demand in this area for residential waterfront homes, it is my opinion that residential is financially feasible.

Maximally Productive: Given the overall demand in the area, it is my opinion that the highest and best use, as improved, is for residential use.

COST APPROACH

Definition of the Cost Approach:

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

Cost Data:

The cost approach is based on figures supplied by the Marshall and Swift Valuation Service.

Marshall and Swift Valuation Service:

Deck(s):	275	Sq. Ft.	Porch(s):	200	Sq. Ft.
Floor Area - 1st:	1400	Sq. Ft.	Basement:	0	Sq. Ft.
2nd:	940	Sq. Ft.	Finish:	0	Sq. Ft.
Gross Living Area:	2340	Sq. Ft.			

Basic Cost:	Floor Area X Cost=	2340	\$68.51	\$160,313
Roofing:		1400	\$0.73	\$1,022
Heating:		2340	-\$0.39	-\$913
Energy Adjustment:		2340	\$1.97	\$4,610
Floor Covering:		2340	\$3.63	\$8,494
Built-ins:		1	\$3,200.00	\$3,200
Other: Storage Attic		212	\$10.00	\$2,120
WS		1	\$1,500.00	\$1,500
Subtotal:				\$180,347
Basement:			None	
Porch(s):		200	\$15.28	\$3,056
Deck(s):		275	\$11.32	\$3,113
Subtotal:				\$186,516
Shed		120	\$15.00	\$1,800
Driveway:		2500	\$1.50	\$3,750
Subtotal:				\$5,550
Total of Building and Improvements:				\$192,066
Current Cost Multiplier:		1.07		
Local Multiplier:		0.94		
Adjusted Cost of Buildings and Improvements:				\$193,180
Site Clearing and Preparation:			\$3,000	
Landscaping			\$1,500	
Water and Septic System:			\$3,000	
Total Cost New:				\$200,680

Depreciation:

Physical Depreciation:

In this case, physical depreciation is broken into three separate categories. The first are those items needing immediate repair which are referred to as curable physical depreciation.

In this case, no curable physical depreciation is taken.

The second category is incurable short-lived items. Those short-lived items are as follows:

Items	Replacement Cost	Eff. Age	Est. Life	Ratio Applied		Incurable Depre.
HVAC	\$3,510	5	20	10/20	25.0%	\$878
Floor Covering	\$8,400	2	10	2/10	20.0%	\$1,680
Roof & Paint	\$4,200	3	20	3/20	15.0%	\$630
Site Improvements	\$4,500	2	30	2/30	6.7%	\$300

The final item of physical depreciation is the remaining structure which has an estimated effective age of five years and overall life of 75 years. Based on this, the long-lived portion of the subject is estimated to have physical depreciation of 5/75 or 6.7%.

Functional Obsolescence:

None is apparent.

External Obsolescence:

None is apparent.

Cost Reconciliation(Fee Simple Interest):

Estimated Cost New:				\$200,680
Physical Depreciation:			Depreciation	
Curable physical deterioration			\$0	
Incurable physical deterioration				
(Short-lived items):	Cost	% Depre.		
HVAC	\$3,510	25.0%	\$878	
Floor Covering	\$8,400	20.0%	\$1,680	
Roof & Paint	\$4,200	15.0%	\$630	
Site Improvements	\$4,500	6.7%	\$300	
Incurable physical deterioration				
(Long-lived items)	Remaining Cost			
Improvements	\$180,070	6.7%	\$12,005	
Functional Depreciation:	\$185,188	0.0%	\$0	
External Obsolescence:	\$185,188	0.0%	\$0	
Total accrued depreciation =====			\$15,492	7.7%
Depreciated value improvements				\$185,188
Add: Land Value				\$340,000
Estimated Value by the Cost Approach(Improvements):				\$525,188
Rounded to				\$530,000

Site Value: The market analysis to support the land value is on page 19 of this report.

Conclusions:

The estimated value by cost approach as of May 2nd, 2014 is:

Value	Value
Fee Simple Interest	\$530,000

SALES COMPARISON APPROACH

This approach is defined as:

"An appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and current listings, the former fixing the lower limit of value in a static or advancing market (price wise) and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market. It is a process of analyzing sales of similar recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data, (b) the verification of the sales data, (c) the degree of comparability or extent of adjustments necessary for time differences, and (d) the absence of non-typical conditions affecting the sales price."

In essence, all approaches to value (particularly when the purpose of the appraisal is to establish market value) are market related approaches since the data inputs are presumably market derived.

Land Sales:

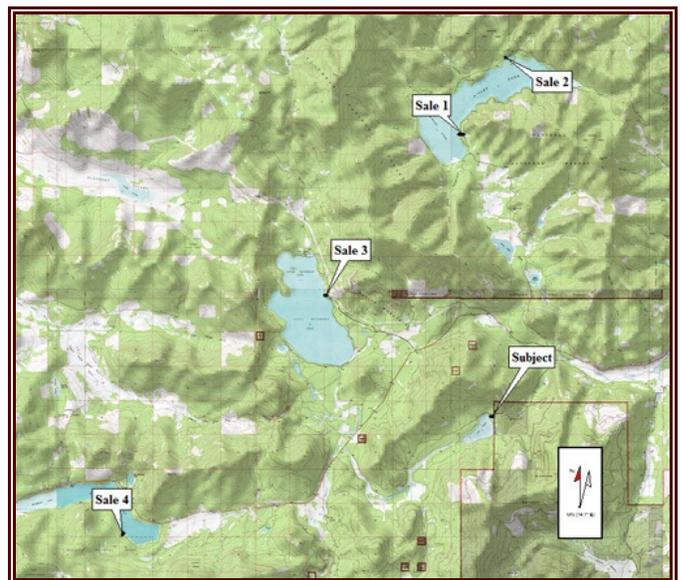
A distinct requirement of this approach is that sales of similar properties be available for comparison with the subject. In this case, there have been no sales on Rogers Lake since November of 2005, therefore sales of similar sites on competing lakes are addressed. In researching sales on competing lakes in the area, the following sales were found:

#	Address	Date	Price	Oth \$	Site \$	Size (Acre)	Wtr. Fg(ff)	\$/ff
1	4685 Ashley Lake Road	08/29/13	\$215,000	\$0	\$215,000	2.46	105.19	\$2,044
2	3918 Ashley Lake Rd.	07/12/13	\$300,000	\$0	\$300,000	0.61	160	\$1,875
3	158 Kelly Court	09/09/13	\$375,000	\$15,000	\$360,000	1.27	151	\$2,384
4	850 McGregor Lane	05/23/13	\$349,000	\$0	\$349,000	1.41	143.84	\$2,426

Sale One: This is a generally similar lakefront lot that is on the south side of Ashley Lake, eight miles north of Roger Lake. Access to the site and lake are similar to the subject site on Roger Lake. In most aspects, this lot is similar to the subject.

Sale Two: This is another sale of a lakefront lot on Ashley Lake and is also similar to the subject in most aspects, but is only 166 feet deep which limits the size of a home that could be built on this site.

Sale Three: This is another generally similar lot that is on Little Bitterroot Lake, five miles northwest of Roger Lake. The site is very



similar to the subject, but it is accessed by a paved road and the site did have a well, septic system, gazebo and dock on it at the time of sale.

Sale Four: This is a similar lakefront lot that is on McGregor Lake, 10 miles west of Rogers Lake. The lake and demand for properties is very similar to Rogers Lake, but this site is in a gated subdivision that has a community pavilion, dock, boat ramp, water system and septic system. The access to this site is also on a paved road.

The following sales grid makes a side-by-side comparison of how each of the comparables relates to the subject property.

Sales Grid:

Element	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Price		\$215,000	\$300,000	\$375,000	\$349,000
Size (Lake Frontage)	164.91	105.19	160	151	143.84
Property Rights	Fee	Fee	Fee	Fee	Fee
Terms		Cash	Cash	Cash to seller	Cash to seller
Adjustment	\$0	\$0	\$0	\$0	\$0
Adjusted Price	\$0	\$215,000	\$300,000	\$375,000	\$349,000
Condit. of Sale	Market	Equal	Equal	Equal	Equal
Adjustment	\$0	\$0	\$0	\$0	\$0
Other		None	None	See Cmts.	None
Adjustment	\$0	\$0	\$0	-\$15,000	\$0
Adjusted Price	\$0	\$215,000	\$300,000	\$360,000	\$349,000
Price per FF	\$0.00	\$2,044	\$1,875	\$2,384	\$2,426
Date of Sale		Aug-13	Jul-13	Sep-13	May-13
Adjustment		0.0%	0.0%	0.0%	0.0%
Location	Rogers Lake	Ashley Lake	Ashley Lake	Bitterroot Lake	McGregor Lake
Adjustment		0.0%	0.0%	0.0%	0.0%
Access	Good	Equal	Equal	Paved/Sup.	Paved/Sup.
Adjustment		0.0%	0.0%	-5.0%	-5.0%
Size (Lake Frontage)	164.91	105.19	160	151	143.84
Adjustment		0.0%	0.0%	0.0%	0.0%
Aver. Depth per Ftg.	402	1019	166	366	427
Adjustment		0.0%	10.0%	0.0%	0.0%
Other	None	None	None	None	C.Amenities
Adjustment		0.0%	0.0%	0.0%	-10.0%
Zoning	Residential	Equal	Equal	Equal	None
Adjustment		0.0%	0.0%	0.0%	0.0%
Net Adjustments		0.0%	10.0%	-5.0%	-15.0%
Indicated Value / FF		\$2,044	\$2,063	\$2,265	\$2,062

Adjustments:

Property Rights: All property rights transferred were fee simple and no adjustment is warranted.

Terms: All sales were cash or cash equivalent, so no adjustment is necessary.

Conditions of Sale: All sales were arms length and no adjustment is warranted.

Other: All are equal.

Date of Sale: Prior to 2007 property values had been increasing then when the recent recession started in December of 2007, property values went in a decline and finally leveled off around the end fo 2011 and beginning of 2012. All sales occurred in the last 12 month, therefore no adjustment is made.

Location: Ashley Lake, Little Bitterroot Lake and McGregor Lake are all small lakes in the same area as Rogers Lake and are all considered equal in general market appeal.

Access: Sales one and two are accessed by gravel roads that are similar to the subject's access. Sales three and four are accessed by paved roads, so a 5% adjustment is made to account for that difference.

Size: Size will be addressed in the final the reconciliation.

Average Depth per Frontage: The subject has an average depth of 402 feet which is very similar to sales three and four. Sale one is deeper, but that additional depth does not add to the functional utility of the site. Sale two is only 160 feet deep, which does limit the size and number of building improvements that could be built on that site, therefore a 10% adjustment is made to account of the limitation in utility.

Other: Sales one, two and three are all equal. Sale four site is in a gated subdivision that has a community pavilion, dock, boat ramp, water system and septic system. These subdivision community amenities justify a 10% adjustment.

Zoning: All are equal.

Physical Comparison Reconciliation:

The overall indicated value range of the four comparables addressed in the sales grid is between \$2,044 and \$2,265 per front foot of water frontage. Of these, sales one and two are considered the most similar because Ashley Lake is accessed by a gravel road that is similar to the subject and there were no other improvements or other amenities that needed to be accounted for. Based on sales one and two, it is my opinion that the most probable value of the subject site is \$2,050 per front foot times 164.91 front feet for a rounded value of \$340,000.

Improvement Comparables:

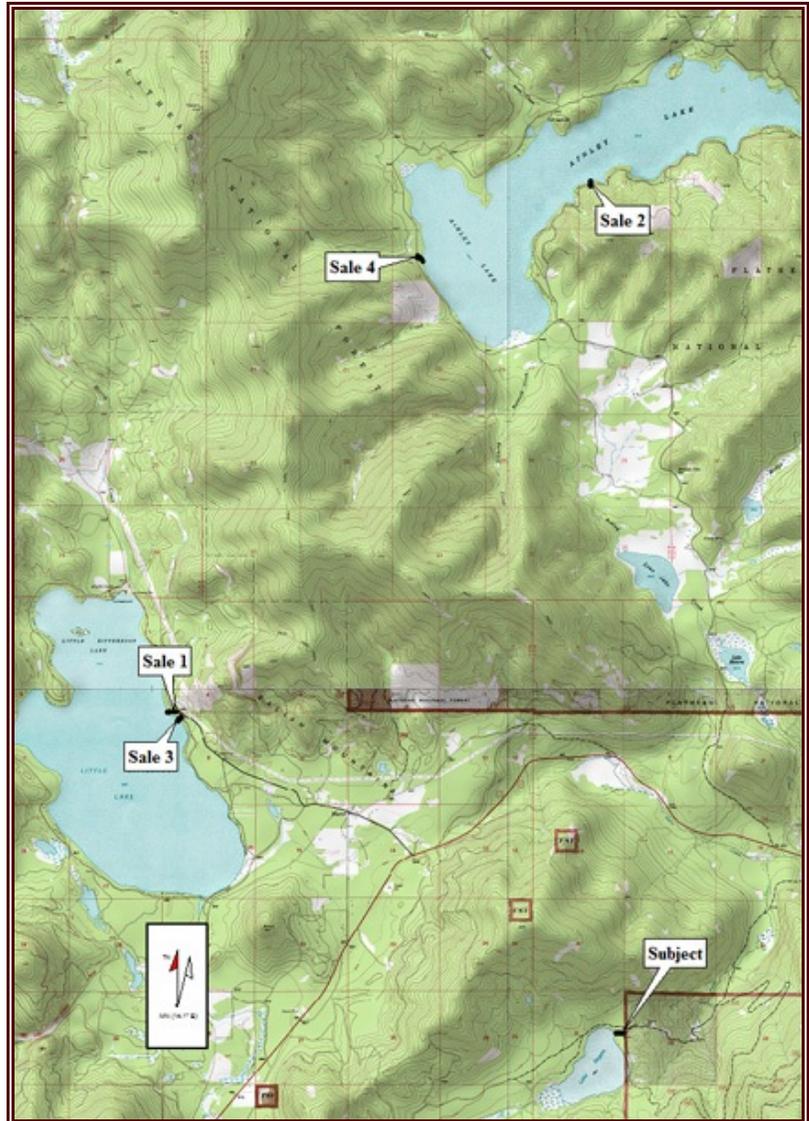
Analysis and Comments on Market Data
Market Data Tabulation

#	Address	Date	Price	
1	1190 N. Bitterroot Rd.	05/07/13	\$365,000	House (1,120 sf)
2	4214 Ashley Lake Dr.	09/01/12	\$475,000	House (1,208 sf)
3	1140 N. Bitterroot Road	10/31/12	\$575,000	House (2,088 sf)
4	5530 N. Ashley Lake Rd.	06/10/13	\$965,000	House (2,005 sf), (2) Garages, Oth.

Sale One: This is the sale of a lakefront home that is located six miles northwest, on Little Bitterroot Lake. This is a house that was originally built as a garage, then converted to a temporary residence. It still has the garage doors, but the interior is finished as a cabin. The exterior is equal to the subject, but the interior finish is far inferior in quality. The home sits on a lake front lot that is valued at around \$300,000, making is \$40,000 less valuable than the subject’s site.

Sale Two: This is a lakefront home that is located nine miles north, on Ashley Lake. The house is smaller than the subject, but similar in overall quality. It does have a basement that is finished as additional living area. Like the subject, this property does not have a garage. This site is valued at around \$350,000, making is \$10,000 more valuable than the subject’s site.

Sale Three: This is the older sale of a lakefront house that is 300 feet south of sale one. This house is similar in size to the subject, but superior in quality and it does have a daylight



basement that is finished as living area. At the time of this sale, the site was valued at around \$300,000, making it \$40,000 less valuable than the subject's site.

Sale Four: This is the sale of a high-quality lakefront home that is located nine miles north of the subject, on Ashley Lake and across the lake from sale one. It is far superior to the subject in quality plus it has a 2,005 sf basement that is fully finished as additional living area. It also has two garages, a RV hookup and a shower house. The site is valued at around \$500,000, making it \$160,000 more valuable than the subject's site.

The sales grid on the following pages makes a side-by-side comparison of how each of the comparables relates to the subject property.

Sales Grid (Sales One and Two):

Item	Subject	Sale One	Adj.	Sale Two	Adj.
Sales Price			\$365,000		\$475,000
Data and/or		MLS #316935		MLS #311262	
Verification Source		Broker/PRC		Broker/PRC	
VALUE ADJ					
Sales or Financing		Cash	\$0	Conventional	\$0
Concessions		None	\$0	None	\$0
Date of Sale/Time		05/07/13	\$0	09/01/12	\$0
Location	Average	Equal		Equal	
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple	
Site	1.52 Ac/165 ff	1.25 Ac./150 ff	\$40,000	1.25 Ac./174 ff	-\$10,000
View	Average	Equal		Equal	
Waterfront	Rogers Lake	L.Bitterroot Lake		Ashley Lake	
Design and Appeal	Average	Equal		Equal	
Quality of Construction	Average	Inferior@/\$20/sf	\$22,000	Equal	\$0
Age	15 Years	13 Years		11 Years	
Condition	Average	Equal		Equal	
Above Grade	Rms Bdr. Bath	Rms Bdr. Bath		Rms Bdr. Bath	
Room Count	7 - 4 - 2	3 - 1 - 1	\$3,000	4 - 2 - 1	\$3,000
Gross Living Area	2,340	1,120	\$98,000	1,208	\$91,000
Basement (sf)	0	0	\$0	960	-\$12,000
Basement Finish	None	None		100% Finished	-\$38,000
Functional Utility	Average	Equal		Equal	
Heating/Cooling	EBB/Average	Equal		Equal	
Energy Efficient Items	Average	Equal		Equal	
Garage/Carport	None	None		None	
Porch, Patio, Deck,	Deck, Porch	Deck/Inf.	\$3,000	Decks	\$0
Fireplace(s), etc.	1 WS	None	\$1,500	WS	\$0
Fence, Pool, etc.	None	None		None	
Other	Shed	None	\$1,000	None	\$1,000
Other	None	None		None	\$0
Net Adj. (total)			\$168,500		\$35,000
Adjusted Sales Price					
of Comparable			\$533,500		\$510,000

Sales Grid (Sale Three and Four):

Item	Subject	Sale Three	Adj.	Sale Four	Adj.
Sales Price			\$575,000		\$965,000
Data and/or		MLS #313276		MLS #319886	
Verification Source		Broker/PRC		Broker/PRC	
VALUE ADJ					
Sales or Financing		Conventional	\$0	Cash	\$0
Concessions		None	\$0	None	\$0
Date of Sale/Time		10/31/12	\$0	06/10/13	\$0
Location	Average	Equal		Equal	
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple	
Site	1.52 Ac/165 ff	1.09 Ac./152 ff	\$40,000	1.66 Ac./245 ff	-\$160,000
View	Average	Equal		Equal	
Waterfront	Rogers Lake	L.Bitterroot Lake		Ashley Lake	
Design and Appeal	Average	Equal		Equal	
Quality of Construction	Average	Superior@\$20/sf	-\$42,000	Superior@\$40/sf	-\$80,000
Age	15 Years	11 Years		8 Years	
Condition	Average	Equal		Equal	
Above Grade	Rms Bdr. Bath	Rms Bdr. Bath		Rms Bdr. Bath	
Room Count	7 - 4 - 2	7 - 3 - 2		7 - 3 - 2	\$0
Gross Living Area	2,340	2,088	\$20,000	2,005	\$27,000
Basement (sf)	0	1,158	-\$14,000	2005	-\$24,000
Basement Finish	None	100% Finished	-\$46,000	Finished	-\$80,000
Functional Utility	Average	Equal		Equal	
Heating/Cooling	EBB/Average	Equal		GFA&AC	-\$4,000
Energy Efficient Items	Average	Equal		Equal	
Garage/Carport	None	None		936&832 sf	-\$44,000
Porch, Patio, Deck,	Deck, Porch	Decks	\$0	Decks	\$0
Fireplace(s), etc.	1 WS	FP	-\$2,000	FP	-\$2,000
Fence, Pool, etc.	None	None		None	
Other	Shed	None	\$10,000	RV H-up, Show Hs.	-\$15,000
Other	None	None		None	
Net Adj. (total)			-\$34,000		-\$382,000
Adjusted Sales Price					
of Comparable			\$541,000		\$583,000

Adjustments:

Sales or Financing: All are equal.

Concessions: There are no reported sales concessions on any of the sales.

Date of Sale/Time: Prior to 2007 property values had been increasing then when the recent recession started in December of 2007, property values went in a decline and finally leveled off around the end of 2011 and beginning of 2012. All sales occurred in the last 24 months, therefore no adjustment is made.

Location: All are generally equal.

Leasehold/Fee Simple: The subject and all comparables are fee simple. No adjustment is made.

Site: This adjustment accounts for a mix of site size, the amount of water frontage, the shape of the site and the general topography. All of these factors are considered in making the adjustments shown on the sales grids.

View: All are generally equal.

Waterfront: All are generally equal.

Design and Appeal: All are generally equal.

Quality of Construction: Sale two is generally equal. Sale one is inferior to the subject and is adjusted at \$20 per square foot. Sales three is superior to the subject and is adjusted at \$20 per square foot. Sale four is superior to both the subject and sale four, therefore a greater adjustment of \$40 per sf is made.

Age: Age and condition are lumped together in the condition adjustment.

Condition: This is a reasonable estimate to account for the apparent differences.

Room Count: Sales one, two and four are all equal. A \$3,000 adjustment is made on sale three to account for the additional bathroom.

Gross Living Area: All are adjusted at \$80 per square foot for the differences in size.

Basement (sf): All are adjusted at \$12 per square foot for the basement shell size.

Basement Finish: An estimate of the contributory value of the basement finished area is made. Sales two, three and four are adjusted at \$40 per square foot for the finished area.

Functional Utility: All are generally equal.

Heating/Cooling: All are generally equal.

Energy Efficient Items: All are generally equal.

Garage/Carport: The garages are adjusted at \$25 per square foot.

Porch, Patio, Deck: Most are generally equal to the subject.

Fireplace(s), etc.: The subject has a wood stove, which is inferior to the fireplaces of sales three and four.

Fence, Pool, etc. All are generally equal.

Other: The difference in the contributory value of the features associated with the comparables are adjusted for the estimated value difference.

Reconciliation:

The comparable sales indicate a range of between \$510,000 and \$583,000. Of these, sales two and three are the most similar properties with indicated values of \$510,000 and \$541,000. Based primarily on these two sales, a middle figure of \$530,000 is considered the most probable value. This value is also supported by sales one and four.

Conclusion:

As noted in the scope of this appraisal, both the value of the State owned land and the privately owned improvements are to be addressed. In this case, the total value of the property is estimated to be \$530,000, of that \$340,000 is the value of the State owned land and the remaining \$190,000 in the value of the privately owned improvement.

In conclusion, the indicated value by the sales comparison approach, as of May 2nd, 2014 is:

Property	Value
Fee Simple value of the Site	\$340,000
Fee Simple value of the overall property	\$530,000
Contributory value of the house and other improvements	\$190,000

FINAL RECONCILIATION

It is considered good practice among professional appraisers to use the three basic approaches to value when possible in valuing real estate. If each approach could be done exactly correct, each would give (theoretically) exactly the same answer. Since appraising is not an exact science, but rather, a matter of estimating value based upon available data, those in the appraisal business use the three approaches in order to best bracket value by using each as a check, one against the other.

The following is a recap of the results of the three approaches	Land Value	Improvements Value	Overall Value
Cost Approach	\$340,000	\$190,000	\$530,000
Income Approach	N/A	N/A	N/A
Sale Comparison	\$340,000	\$190,000	\$530,000

Cost Approach: The strength of the cost approach is that it approaches value based on what it would cost to replace the subject, less depreciation. In the Flathead market, there had been a lot of new construction prior to 2007.

The weakness is that cost does not always reflect value and the recent recession has resulted in the severe slowdown in new construction.

Income Approach: A single family residence is not typically purchased for its income potential, therefor the income approach is not considered.

Sale Comparison Approach: The strength of the sales comparison approach is that it makes a direct, physical comparison of similar competing properties and is reflective of what the market pays for this type of property.

The weakness is that there are few sales of similar properties, but this is still considered the strongest approach to value that is available.

Conclusion:

After considering both the cost approach and the sales comparison approach, it is my opinion that the sales comparison approach offers the best and most reliable support for the current market value

Based on all the analysis incorporated herein and subject to the statement of contingent and limiting conditions stated in this report, the final value of the subject property, as of May 2nd, 2014 is estimated to be:

Property	Value
Fee Simple value of the Site	\$340,000
Fee Simple value of the overall property	\$530,000
Contributory value of the house and other improvements	\$190,000

Marketing Time:

The appraised value stated in this report assumes the definition of market value as is stated on page 7 of this report.

Northwest Montana MLS data on Waterfront Residential Sales	Number Sold	Average DOM
Current Waterfront Residential Listings in Flathead County	84	326
2014 Waterfront Residential Sales in Flathead County - To date	16	332
2013 Waterfront Residential Sales in Flathead County	47	375
2012 Waterfront Residential Sales in Flathead County	64	467
2011 Waterfront Residential Sales in Flathead County	39	319
2010 Waterfront Residential Sales in Flathead County	59	288
2009 Waterfront Residential Sales in Flathead County	45	235
2008 Waterfront Residential Sales in Flathead County	46	210

It is noted that there are currently 84 waterfront residential properties that are on the market in Flathead County, however most are substantially overpriced to the point that they are unlikely to sell at any time. Over the last six years, there has been an average of 50 properties sold each year in the County. It is also noted that the market is currently improving, therefore the marketing times will likely be decreasing. Based on this data, it is estimated that if the subject were offered for sale at a market price, the marketing time should be around six months.

CERTIFICATE OF APPRAISAL

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

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant real property appraisal assistance to the person signing this certification.

Based upon the information contained in this report, my general experience as an appraiser, and subject to the statement of contingent and limiting conditions stated on page [6](#) of this report, it is my opinion that the Market Value, as of the date of May 2nd, 2014 is:

Property	Value
Fee Simple value of the Site	\$340,000
Fee Simple value of the overall property	\$530,000
Contributory value of the house and other improvements	\$190,000

James O. Kelley
General Certificate #REA-RAG-LIC-80
Expires 3/31/15

Date: May 20th, 2014

EXPERIENCE AND QUALIFICATIONS

of James O. Kelley

EDUCATION:

1975 - University of Montana - Bachelor of Arts in Business Administration specializing in Real Estate and Finance.

Appraisal Courses:

1976 - American Institute of Real Estate Appraisers - Residential Appraisal Course #8.

1985 - American Institute of Real Estate Appraisers - Capitalization Theory and Tech Part A and Part B.

1987 - American Institute of Real Estate Appraisers - Standards of Professional Practice.

1991 - Appraisal Institute - Case Studies in Real Estate Valuation.

1993 - Appraisal Institute - Standards of Professional Practice, Parts A and B.

1994 - Appraisal Institute - Report Writing and Valuation Analysis.

1995 - Appraisal Institute - Standards of Professional Practice, Parts A.

1999 - Appraisal Institute - Sales Comparison Valuation of Small Mixed-Use Properties.

2000 - Appraisal Institute - Standards of Professional Practice, Part C.

2002 - Appraisal Institute - Standards of Professional Practice, Part C.

2004- Appraisal Institute - Standards of Professional Practice.

2006- McKissock School - Standards of Professional Practice.

2007- Appraisal Institute - Standards of Professional Practice.

2009- Appraisal Institute - Standards of Professional Practice.

2011- McKissock School - Standards of Professional Practice.

2012- Appraisal Institute - Standards of Professional Practice.

2014- Appraisal Institute - Standards of Professional Practice.

Appraisal Seminars:

1984 - American Institute of Real Estate Appraisers - Conservation Easement appraisal seminar.

1985 - American Institute of Real Estate Appraisers - Real Estate Investment analysis seminar.

1985 - American Institute of Real Estate Appraisers - Seminar on Federal Home Loan Bank Board Regulation R41B.

1986 - American Institute of Real Estate Appraisers - Seminar on Evaluating Commercial Construction.

1987 - American Institute of Real Estate Appraisers - Seminar on Appraising Single Family Residences.

1988 - American Institute of Real Estate Appraisers - Seminar on Appraising for insurance purposes.

1988 - American Institute of Real Estate Appraisers - Seminar on Ranch Appraising.

1989 - American Institute of Real Estate Appraisers - Seminar on Rates, Ratios & Reasonableness

1989 - American Institute of Real Estate Appraisers - Seminar on Discounted Cash Flow Analysis.

1990 - American Institute of Real Estate Appraisers - Seminar on being a witness in litigation.

1990 - American Institute of Real Estate Appraisers - Seminar on Hazardous Waste Sites.

1991 - Appraisal Institute - Seminar on Small Residential Income Property Valuation.

1991 - Appraisal Institute - Preparation seminar for state licensing and certification of appraisers.

1992 - Appraisal Institute - Seminar of FIRREA requirements.

1992 - Appraisal Institute - Seminar on the legal environment of appraising.

1993 - Appraisal Institute - Seminar on the Americans With Disabilities Act.

- 1993 - Appraisal Institute - Seminar on Complex Residential Properties.
- 1994 - Appraisal Institute - Seminar on the new URAR appraisal form.
- 1994 - Appraisal Institute - Seminar on Understanding Limited Appraisals.
- 1995 - Appraisal Institute - Seminar on Discounted Cash-Flow Analysis.
- 1995 - Appraisal Institute - Seminar on Subdivision Analysis.
- 1996 - Appraisal Institute - Seminar on 30 Specialized Appraisal issues.
- 1996 - Appraisal Institute - Seminar on Fair Lending and the Appraiser.
- 1997 - Appraisal Institute - Seminar on Alternative Residential Report Forms.
- 1998 - Appraisal Institute - Seminar on Small Motel/Hotel Valuation, Missoula, MT
- 1999 - Appraisal Institute - Seminar on Data Confirmation and Verification Methods.
- 2001 - Appraisal Institute - Seminar on Partial Interest Valuation(Divided).
- 2002 - Appraisal Institute - Seminar on Partial Interest Valuation(Undivided).
- 2002 - Appraisal Institute - Commercial Appraisal Review.
- 2003 - Appraisal Institute - Seminar on Appraisal Data Technology and Digital Reports (Instructor).
- 2003 - Appraisal Institute - Separating Real and Personal Property from Intangible Business Assets.
- 2004- Appraisal Institute - Seminar on Special Purpose Properties - A Road Less Traveled
- 2004 - Appraisal Institute - Seminar on Evaluating Commercial Construction.
- 2005 - Appraisal Institute - Seminar on the new URAR appraisal form.
- 2006 - Appraisal Institute - Seminar on Subdivision Valuation.
- 2007- University of Guizhou, School of Finance and Economics, Guiyang, China, – Property Rights and Appraisal Methods in the United States (as the Instructor)
- 2007- Appraisal Institute - Analyzing Commercial Lease Clauses - Implications for Property Value and Marketability.
- 2008- Appraisal Institute - Seminar on Office Building Valuation.
- 2009- Appraisal Institute - Seminar on Appraisal Curriculum Overview
- 2010- Appraisal Institute - Discounted Cash Flow Models; Concepts, Issues and Apps.
- 2010- Appraisal Institute - Hotel Appraising - New Techniques for Today's Uncertain Times
- 2011- Attacking and Defending an Appraisal in Litigation.
- 2012 - NAR - Valuing in a Declining Market
- 2012 - NAR - Consulting and Scope of Work

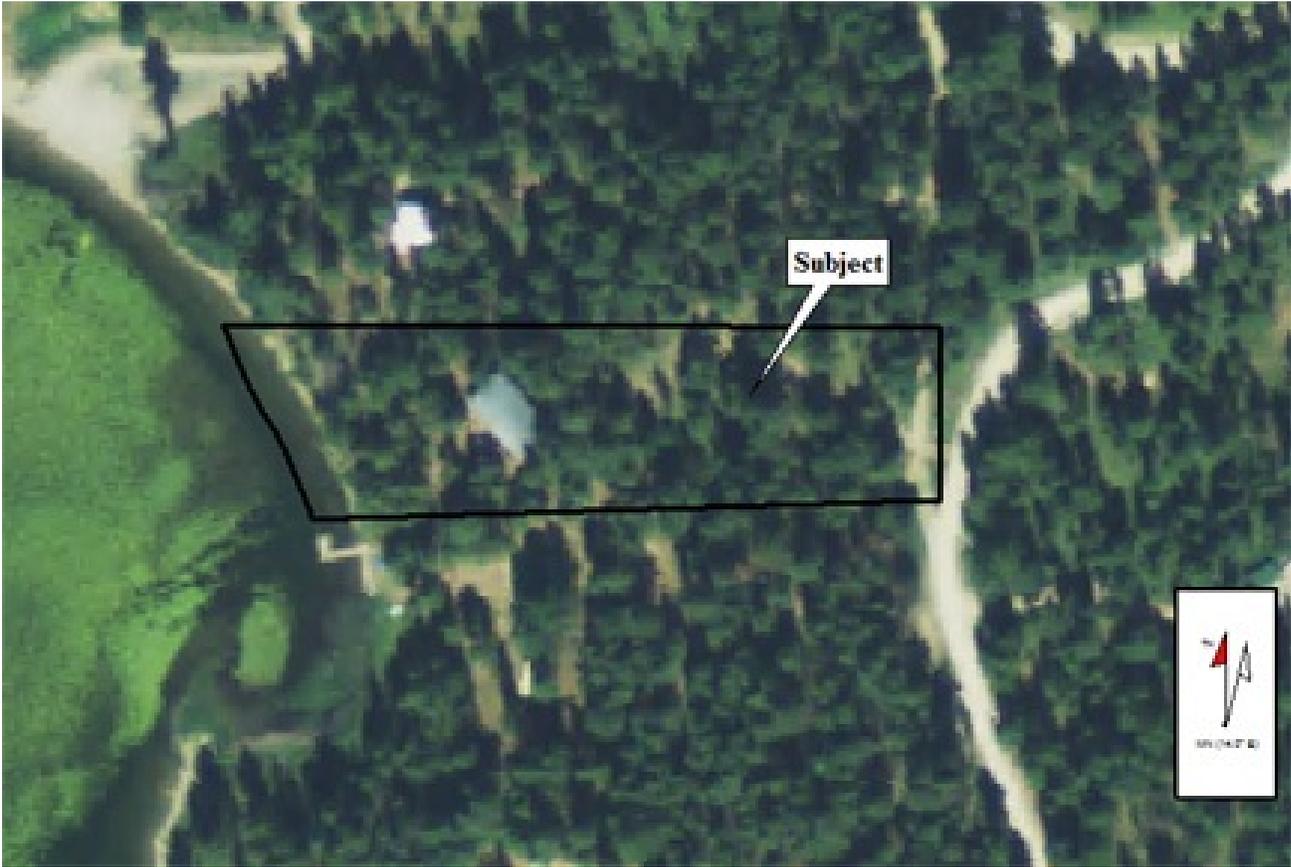
LICENSES:

Certified by the State of Montana. Currently hold Certified General Real Estate Appraiser Certificate #REA-RAG-LIC-80

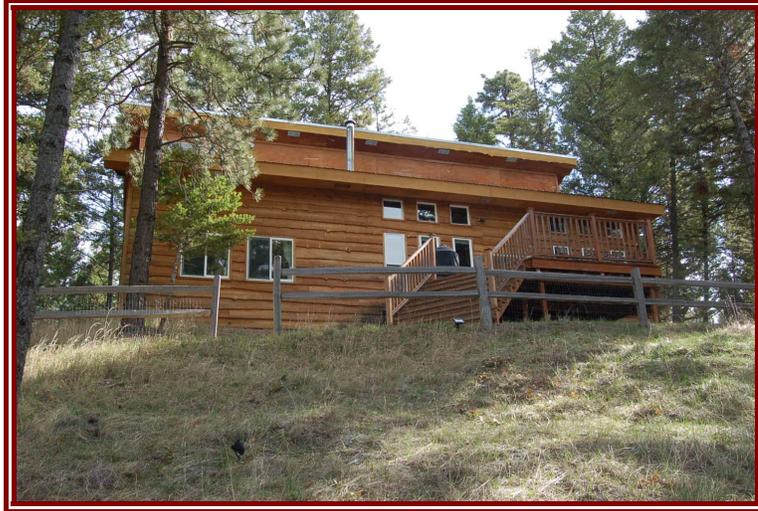
EXPERIENCE:

- 1975-77 First Bank Western Montana, Missoula - Appraiser and Construction Inspector.
- 1977-79 First Federal Savings Bank, Kalispell - Real Estate Appraiser and Loan Officer.
- 1979-81 Charter First Mortgage, Kalispell - Assistant Manager and Loan officer.
- 1981-83 Chuck Olson Real Estate, Kalispell - Real Estate Salesman.
- 1981-87 Flathead Valley Community College - Part-time instructor of Real Estate Principles, Practices, Finance and Real Estate Appraisal.
- 1983-Present Independent Real Estate Appraisals for real estate lenders, government agencies, relocation companies and various individuals.

PHOTOS OF THE SUBJECT



PHOTOS OF THE SUBJECT

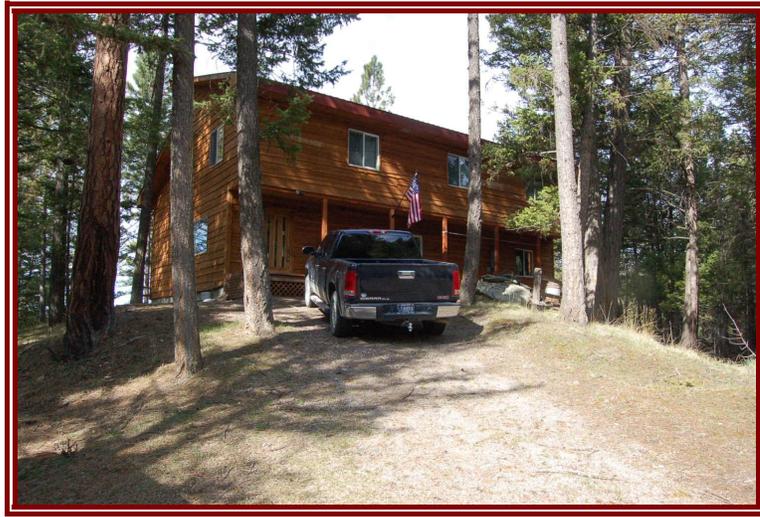


Looking SE at the front

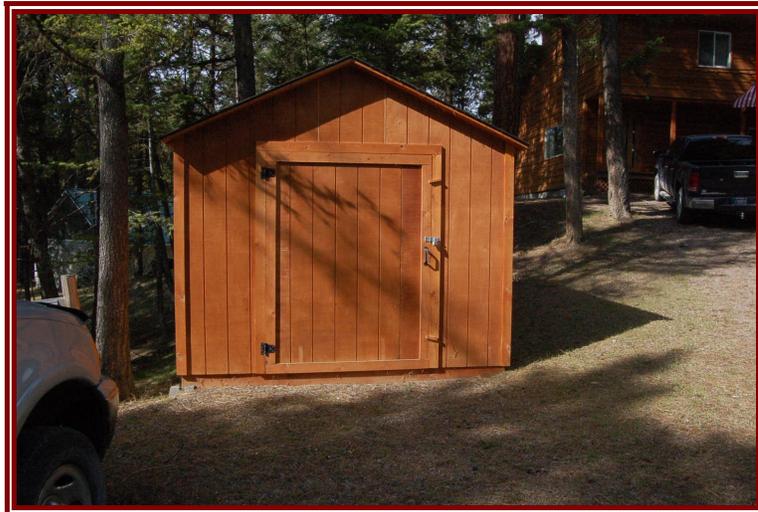


Looking East at the front

PHOTOS OF THE SUBJECT



Looking NW at the rear

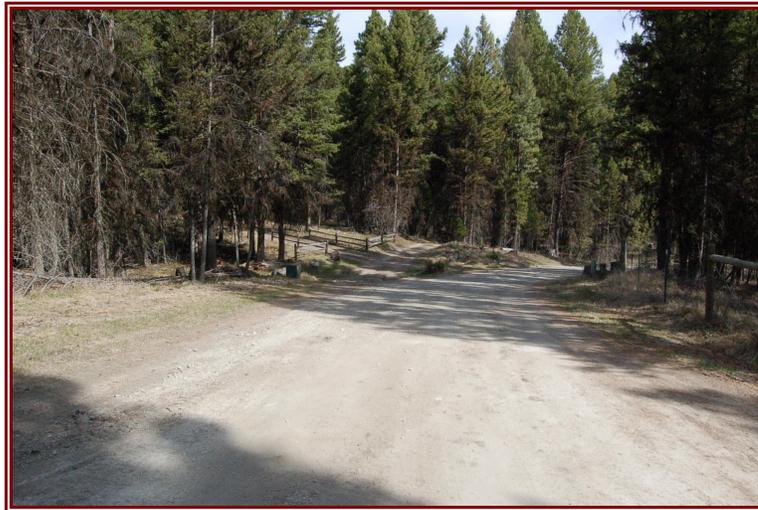


Storage Shed

PHOTOS OF THE SUBJECT



Looking south along the subject's shoreline



Rogers Lane with the subject to the left

COMPARABLE LAND SALES

COMPARABLE LAND SALE #1

GRANTOR	Kieth & Sue Urbach; and Bruce & Pamela Gibson
GRANTEE	Ryan & Jennifer Richards
LEGAL DESCRIPTION	N2 L31 & S2 L32, Ashaley Lake Villa Sites, 14-28-24, Flathead County
ASSESSOR NUMBER	0266125
SALES PRICE	\$215,000 – DOM=123
LISTED PRICE	\$225,000 on 8/20/13
TERMS	Cash to the seller
VERIFIED WITH	Broker - Dusty Dziza
DATE OF SALE	B/S=8/29/13, Closed=9/27/13
RECORDING DATA	201300025047

PROPERTY DESCRIPTION

LOCATION	4685 Ashley Lake Road, Kalispell, Mt.
SITE	2.46 Acre with 105.19 feet of Lake Frontage
IMPROVEMENTS	Vacant
TOPOGRAPHY	Level near the lake then goes up a wooded hillside
ACCESS	Good from Ashley Lake Road
ZONING	Ashley Lake Neighborhood Plan
UTILITIES	Power and phone to the site.

ANALYSIS OF SALE

SITE	\$2,044 per front foot of water frontage
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COMPARABLE LAND SALE #2

GRANTOR	James Lewis
GRANTEE	Randy & Gaylene Birky
LEGAL DESCRIPTION	Lot 3, E,erald Point on Ashley Lake #1, Flathead County
ASSESSOR NUMBER	0002569
SALES PRICE	\$300,000 – DOM=133
LISTED PRICE	\$329,500 on 3/14/13
TERMS	Cash to the seller
VERIFIED WITH	Broker - Linda Chauner
DATE OF SALE	B/S=7/12/13, Closed=7/25/13
RECORDING DATA	201300018270

PROPERTY DESCRIPTION

LOCATION	3918 N. Ashley Lake Road, Kalispell, Mt.
SITE	.61 Acre with 160 feet of Lake Frontage
IMPROVEMENTS	Vacant
TOPOGRAPHY	Level site that is lightly wooded, then a small drop to the shoreline
ACCESS	Good from North Ashley Lake Road
ZONING	Ashley Lake Neighborhood Plan
UTILITIES	Power and phone to the site.

ANALYSIS OF SALE

SITE	\$1,875 per front foot of water frontage
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COMPARABLE LAND SALE #3

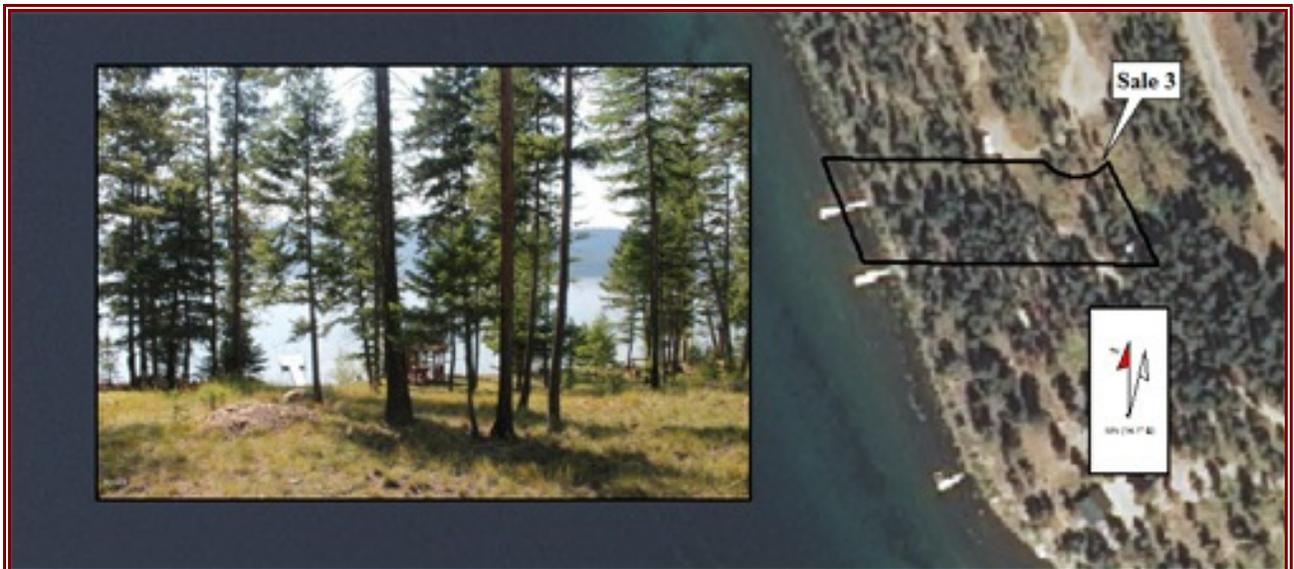
GRANTOR	Anders & Debra Engdahl
GRANTEE	Gregory & Amy Ellers
LEGAL DESCRIPTION	Lot 5, Kelly Subdivision, 4-27-24, Flathead County
ASSESSOR NUMBER	0003960
SALES PRICE	\$375,000 – DOM=36
LISTED PRICE	\$375,000 on 9/5/13
TERMS	Cash to the seller, Conventional bank loan
VERIFIED WITH	Broker - Phil Neuharth
DATE OF SALE	B/S=9/9/13, Closed=10/11/13
RECORDING DATA	201300026461

PROPERTY DESCRIPTION

LOCATION	158 Kelly Court, Marion, Mt.
SITE	1.27 Acre with 151 feet of Lake Frontage
IMPROVEMENTS	A gazebo, dock, well and septic system on the site (Value of around \$15,000)
TOPOGRAPHY	Lightly wooded slope down to the lake
ACCESS	Good from Kelly Court
ZONING	Little Bitterroot Lake Zoning District
UTILITIES	Power and phone to the site.

ANALYSIS OF SALE

IMPROVEMENTS	\$15,000
SITE	\$360,000 (\$2,384per front foot of water frontage)



COMPARABLE LAND SALE #4

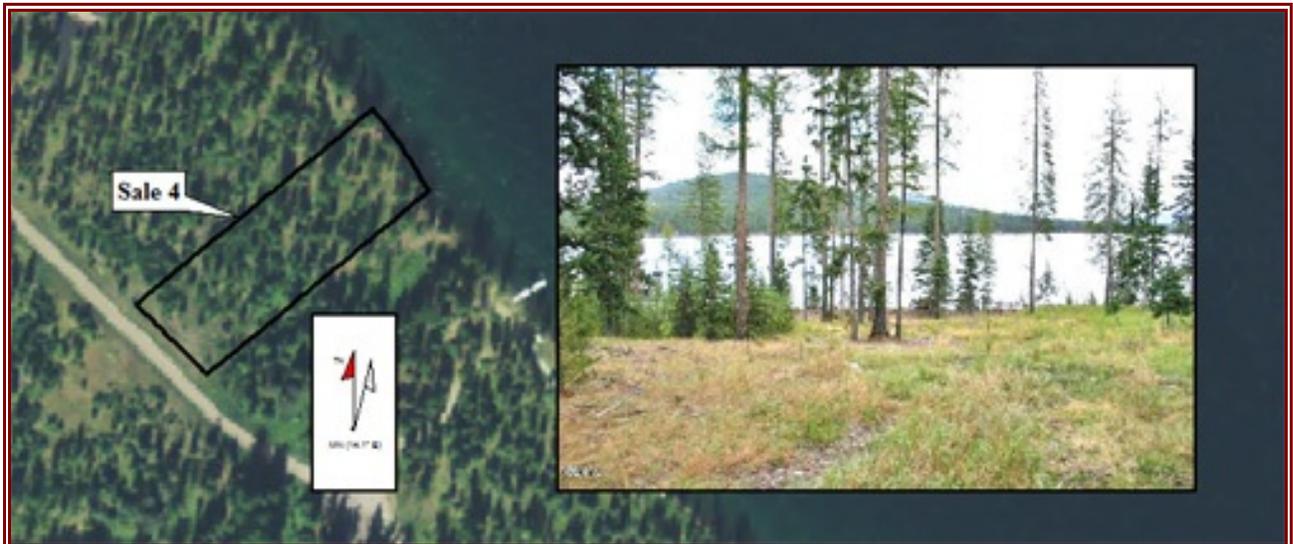
GRANTOR	Dirk & Tonya Rash; Trust
GRANTEE	Justin Morrison
LEGAL DESCRIPTION	Lot 4 of Amd. Lots 4-6, McGregor Land Highlands, 9-26-25, Flathead County
ASSESSOR NUMBER	0006543
SALES PRICE	\$349,000 – DOM=28
LISTED PRICE	\$365,000 on 5/17/13
TERMS	Cash to the seller, Conventional bank loan
VERIFIED WITH	Broker - Scott Hollinger
DATE OF SALE	B/S=5/23/13, Closed=6/14/13
RECORDING DATA	201300014528

PROPERTY DESCRIPTION

LOCATION	850 McGregor Lane, Marion, Mt.
SITE	1.41 Acres with 143.84 feet of Lake Frontage
IMPROVEMENTS	Vacant
TOPOGRAPHY	Level and lightly wooded
ACCESS	Good from McGregor Lane
ZONING	None
OTHER	This tract is in a gated subdivision and there is a community pavilion, dock, boat ramp, water system and septic system.
UTILITIES	Power and phone to the site.

ANALYSIS OF SALE

SITE	\$2,426 per front foot of water frontage
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IMPROVED COMPARABLES

COMPARABLE SALE #1

GRANTOR	Michael & Janice Hammet
GRANTEE	HC 100
LEGAL DESCRIPTION	Lot 1, North Bitterroot Lake, 9-27-24, Flathead County
ASSESSOR NUMBER	0002182
SALES PRICE	\$365,000 – DOM=1,162
LISTED PRICE	\$525,000 on 4/12/10 and last relisted on 1/7/13 for \$370,000
TERMS	Cash to the seller through 1031 exchange
VERIFIED WITH	Broker - Scott Hollinger
DATE OF SALE	B/S=5/7/13, Closed=6/17/13
RECORDING DATA	201300014650

PROPERTY DESCRIPTION

LOCATION	1190 N. Bitterroot Road, Marion, Mt.
SITE	1.25 Acre with 150 feet of Lake Frontage
IMPROVEMENTS	There is an 1,120 sf cabin that was built as a garage, then converted to a residence. The exterior is designed as a good quality building, but the interior is only fair quality, as it was originally intended to be a temporary residence, until a house was built. It was built in 2001 and is in good condition.
TOPOGRAPHY	The site is on a gentle slope down to the lakeshore.
ACCESS	Good from a paved street
ZONING	Bitterroot Lake neighborhood plan
UTILITIES	Power and phone to the site. There is a private well and onsite septic system.

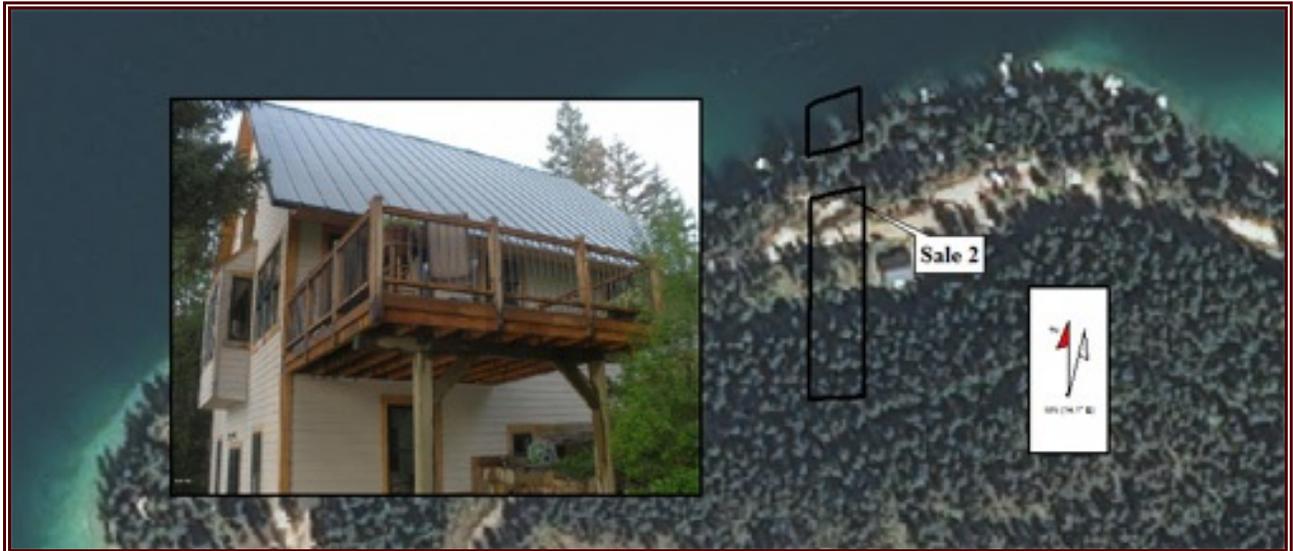


COMPARABLE SALE #2

GRANTOR	Jason & Mary Rasco
GRANTEE	Henry & Theresa Heller
LEGAL DESCRIPTION	Lot 2, Ashley Lake South Shore Lots, 12-28-24, Flathead County
ASSESSOR NUMBER	0099406
SALES PRICE	\$475,000 – DOM=213
LISTED PRICE	\$675,000 on 3/5/12
TERMS	Cash to the seller with conventional bank loan
VERIFIED BY	Broker - Susan Julian
DATE OF SALE	B/S=9/1/12, Closed=10/4/12
RECORDING DATA	201200023091

PROPERTY DESCRIPTION

LOCATION	4214 Ashley Lake Drive, Mt.
SITE	1.25 Acres with 174 feet of Lake Frontage
IMPROVEMENTS	There is a 1,208 sf house with a 996 sf on the main level and a 248 sf loft level. There is also a 960 sf basement that is fully finished. This is an average quality house that built in 2003. There is a 144 sf deck and a 168 sf shed, but no garage.
TOPOGRAPHY	The site is on a hillside that goes down to the lake.
ACCESS	Good from the county road
ZONING	Ashley Lake planning zone
UTILITIES	Power and phone to the site. There is a private well and onsite septic system.



COMPARABLE SALE #3

GRANTOR	William & Lisa Benedetto
GRANTEE	Greg & Patricia Tempel
LEGAL DESCRIPTION	Lot 1, North Bitterroot Lake, Phase 3, 9-27-24, Flathead County
ASSESSOR NUMBER	0001030
SALES PRICE	\$575,000 – DOM=195
LISTED PRICE	\$725,000 on 6/6/12
TERMS	Cash to the seller
VERIFIED WITH	Broker - Larry Wakefield
DATE OF SALE	B/S=10/31/12, Closed=12/18/12
RECORDING DATA	201200030201

PROPERTY DESCRIPTION

LOCATION	1040 N. Bitterroot Road, Mt.
SITE	1.09 Acre with 152 feet of Lake Frontage
IMPROVEMENTS	There is an 2,088 sf house with 1,158 sf on the main level and 930 sf in the second story. It also has an 1,158 sf basement that is fully finished. This is a good quality house that built in 2002. There are 444 sf of decks around the house and no garage
TOPOGRAPHY	The site is wooded and has a gentle slope down to the lake.
ACCESS	Good from a paved street
ZONING	Bitterroot Lake neighborhood plan
UTILITIES	Power and phone to the site. There is a private well and onsite septic system..

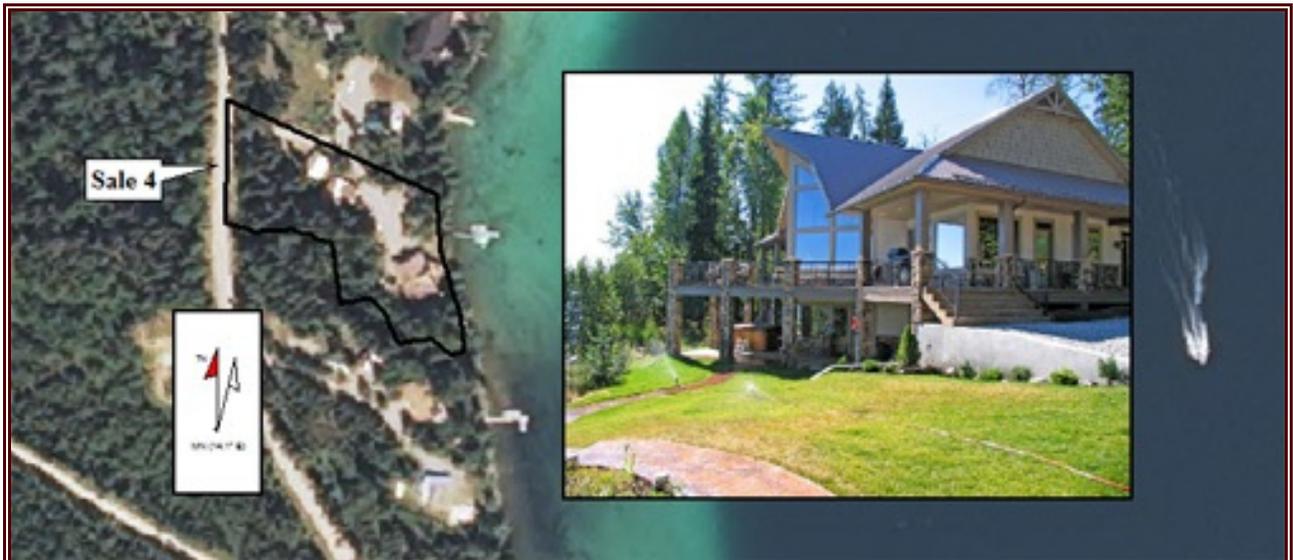


COMPARABLE SALE #4

GRANTOR	Kendall Nielson
GRANTEE	Daren & Jennifer Ridiger
LEGAL DESCRIPTION	Tr. 1A in NW4, 15-28-24, Flathead County
ASSESSOR NUMBER	0001933
SALES PRICE	\$965,000 – DOM=39
LISTED PRICE	\$1,00,000 on 5/19/13
TERMS	Cash to the seller
VERIFIED WITH	Broker - Scott Hollinger
DATE OF SALE	B/S=6/10/13, Closed=6/27/13
RECORDING DATA	201300015806

PROPERTY DESCRIPTION

LOCATION	5530 N. Ashley Lake Road, Kila, Mt.
SITE	1.66 Acres with 245 feet of Lake Frontage
IMPROVEMENTS	There is a 2005 sf house with an 2005 sf basement that is fully finished. This is a good quality house that built in 2005. There is a 491 sf of deck around the house, a 936 sf garage, an 832.sf garage, a 440 sf carport, a 112 sf shed/bath house and an RV hookup.
TOPOGRAPHY	The site is wooded and has a gentle slope down to the lake.
ACCESS	Good from the county road with a gravel surface
ZONING	Ashley Lake planning zone
UTILITIES	Power and phone to the site. There is a private well and onsite septic system.



ATTACHMENT "A"

ATTACHMENT A

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

CLIENT, INTENDED USERS, PURPOSE AND INTENDED USE:

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

DEFINITIONS:

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

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

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

PROPERTY RIGHTS APPRAISED:

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

EFFECTIVE DATE OF VALUATION AND DATE OF INSPECTION:

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

SUBJECT PROPERTY DESCRIPTION & CHARACTERISTICS:

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

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

ASSIGNMENT CONDITIONS:

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

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

Along with using the sales comparison approach to value in this appraisal, (using comparable sales of like properties in the subject's market or similar markets), the appraiser will also consider the cost and income approaches to value. The appraiser will use those approaches, as applicable, in order to provide a credible opinion of value. Any approaches not used are to be noted, along with a reasonable explanation as to why the approach or approaches were not applicable. The appraisal will be an Appraisal Report as per USPAP, that will describe adequately, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions. All hypothetical conditions and extraordinary assumptions must be noted.

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

All appraisals are to describe the market value trends, and provide a rate of change, for the markets of the subject property. Comparables sales used should preferably be most recent sales available or be adjusted for market trends if appropriate. The comparable sales must be in reasonable proximity to the subject, preferably within the same county or a neighboring county. Use comparable sales of like properties.

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

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

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

Appraised Values Required:

The appraisal for cabin and home sites must:

1. Include a total market value of the property, with the hypothetical condition that land and improvements are in fee simple ownership, with one owner.
2. Include a separate market value for the state-owned cabin or home site (land), under the hypothetical condition of it being vacant raw land exclusive of real property improvements.
3. Allocate a separate market value for the non-state-owned improvements from the total market value derived in 1 above.
4. Valuation of the improvements must account for all forms of obsolescence.
5. The appraiser must also allocate what portion of the appraised value for the cabin or home site (land) would be attributable to the value of the access across other state land to the cabin or home site.

ATTACHMENT "B"

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 Flathead County):

Sale # 713, 1.545+ acres; Lot 7, Rogers Lake Cabinsites; COS 18309, Section 30, T27N-R23W P.M.M., Flathead County Montana. See survey of the parcel below.

Access to field inspect the cabin site parcel and improvements should be coordinated with the Area Office contact listed below. The area office contact will provide the access that will be conveyed with the cabin site at the time of appraisal site inspection.

Area Office Contact Information:

Anne Moran, Kalispell Unit Planner

655 Timberwolf Parkway, Suite 1

Kalispell, MT 59901-1215

Phone: 406/751-2274

Fax: 406/751-2287

amorah@mt.gov

Lessees:

Edward & Calina Garcia

2720 3rd Avenue & 413

Seattle, WA 98121

206/664-1122 home 206/351-3015 cell

esgar1000@gmail.com

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

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

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

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