

THE APPRAISAL GROUP, LTD.

Real Estate Appraisers and Consultants

"A Sound Appraisal is Investment Insurance"

State Certified General Appraisers
Steven M. Repac
Thomas C. Moss (1951-2003)

State Licensed Residential Trainee
Becky Ketterling

Emily Cooper, Lands Section Supervisor
State of Montana, MT Board of Land Commissioners, DNRC
P.O. Box 201601
Helena, MT 59620-1601

31 Jul 17

Re: Appraisal Report for DNRC Request: Sale 888
T2N, R27E, Sec.16: NW4NW4SW4
6725 12 Mile Road, Shepherd, MT 59079

Dear Ms. Cooper:

Please find enclosed the appraisal report on the above referenced property rights. The property rights appraised are the fee simple rights of surface ownership of a state-owned tract of land currently leased by Robert Schwab. The effective date of the appraisal is 29 Jun 17 – the date of inspection. In my opinion, the total property value of the identified property rights as of the effective date of value is:

\$145,000

The allocation breaks out as follows:

Value of the Raw Land: \$ 37,500

Value of the Improvements \$107,500

There are Hypothetical Conditions connected with this report: the property was valued as Fee Simple Interest, and the site is valued as though it is vacant raw land, without any site improvements, utilities, or buildings (per DNRC Scope of Work for Appraisal of Potential Property Sale through the Cabin & Home Site Sale Program). The use of a Hypothetical Condition is used for the purpose of analysis, but is contrary to what is known by the appraiser to exist on the effective date of this assignment results.

This report has been prepared in compliance with prevailing standards outlined in the Uniform Standards for Professional Appraisal Practice (USPAP). This Appraisal Report is intended to comply with requirements set forth under Standards Rule 2-2(a) of USPAP.

The attached report contains the description, analysis and supportive data for the conclusions, final opinion of value, descriptive photographs, limiting conditions and appropriate certifications. These documents comprise the appraisal in its entirety. Thank you for this appraisal opportunity. Please call with any questions or concerns.



Steven M. Repac
MT. General Certification No. 058
Tax I.D. No. 20-2004445

Steve Repac Home Office: 1533 Clark Avenue, Billings, MT • (406) 248-3945 • rredskin@outlook.com

APPRAISAL OF



LOCATED AT:

6725 12 Mile Road
Shepherd, MT 59079

FOR:

Client: State of Montana, Montana Board of Land Commissioners, Department of Natural Resources & Conservation (DNRC)
Box 201601
Helena, MT 59620-1601

BORROWER:

N/A

AS OF:

June 29, 2017

BY:

Steven M. Repac
1533 Clark Avenue, Billings, MT 59102

Uniform Residential Appraisal Report

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

SUBJECT	Property Address 6725 12 Mile Road		City Shepherd	State MT	Zip Code 59079
	Borrower N/A		Owner of Public Record Schwab, Robert (State of MT Land Lease)	County Yellowstone	
	Legal Description T2N, R27E, S16, NW4NW4SW4				
	Assessor's Parcel # I00169A (Imps on State Land Lease #9396)		Tax Year 2016	R.E. Taxes \$ 632.49	
	Neighborhood Name N/A: Residential Rural		Map Reference 03-1134-16-1-01-01-0003	Census Tract MT1110001501	
	Occupant <input type="checkbox"/> Owner <input checked="" type="checkbox"/> Tenant <input type="checkbox"/> Vacant		Special Assessments \$ N/A	<input type="checkbox"/> PUD	HOA \$ N/A <input type="checkbox"/> per year <input type="checkbox"/> per month
	Property Rights Appraised <input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)				
	Assignment Type <input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input checked="" type="checkbox"/> Other (describe)		DNRC Evaluation of Potential Sale of State Land to Lessee		
	Lender/Client State of MT, MT Bd of Land Comm., DNRC Address DNRC, Emily Cooper, PO Box 201601, Helena, MT 59620-1601				
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					
Report data source(s) used, offering price(s), and date(s). Billings MLS, MT Cadastral, Yellowstone County Tax & Assessment Search (Orion Data)					
Buyer's Realtors: Data Collection Dates: 6/15/2017 - 7/27/2017					

CONTRACT	<input type="checkbox"/> did <input checked="" type="checkbox"/> did not analyze the contract for sale or why the analysis was not performed. N/A - See 'Assignment Type' above			
	Contract Price \$ N/A	Date of Contract N/A	Is the property seller the owner of public record? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Data Source(s)
	Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, report the total dollar amount and describe the items to be paid.			

Note: Race and the racial composition of the neighborhood are not appraisal factors.												
Neighborhood Characteristics				One-Unit Housing Trends				One-Unit Housing		Present Land Use %		
Location	<input type="checkbox"/> Urban	<input type="checkbox"/> Suburban	<input checked="" type="checkbox"/> Rural	Property Values	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining	PRICE	AGE	One-Unit	30 %	
Built-Up	<input type="checkbox"/> Over 75%	<input checked="" type="checkbox"/> 25-75%	<input type="checkbox"/> Under 25%	Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Over Supply	\$(000)	(yrs)	2-4 Unit	%	
Growth	<input type="checkbox"/> Rapid	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Slow	Marketing Time	<input type="checkbox"/> Under 3 mths	<input checked="" type="checkbox"/> 3-6 mths	<input type="checkbox"/> Over 6 mths	93 Low	1	Multi-Family	%	
Neighborhood Boundaries								2,900 High		115	Commercial	5 %
								280 Pred.		25	Other Ag/Vac	65 %
Neighborhood Description								See Attached Addendum				
Market Conditions (including support for the above conclusions)								See Attached Addendum				

SITE	Dimensions Approximately 300' x 313'		Area 93,900 s.f. / 2.16 acres		Shape Square	View Rural / Rurban		
	Specific Zoning Classification None		Zoning Description N/A					
	Zoning Compliance <input type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming (Grandfathered Use) <input checked="" type="checkbox"/> No Zoning <input type="checkbox"/> Illegal (describe)							
	Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use?						<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If No, describe. See Attached
	Addendum							
	Utilities	Public	Other (describe)	Public	Other (describe)	Off-site Improvements—Type	Public	Private
Electricity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Water	<input type="checkbox"/>	<input checked="" type="checkbox"/> Cistern-2,000 gal.	Street County Paved Rd	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gas	<input type="checkbox"/>	<input checked="" type="checkbox"/> Propane	Sanitary Sewer	<input type="checkbox"/>	<input checked="" type="checkbox"/> Septic & Drainfield	Alley None	<input type="checkbox"/>	<input type="checkbox"/>
FEMA Special Flood Hazard Area <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		FEMA Flood Zone D		FEMA Map # 80111C1020#		FEMA Map Date 11/06/13		
Are the utilities and off-site improvements typical for the market area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, describe.								
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, describe.								

GENERAL DESCRIPTION		FOUNDATION		EXTERIOR DESCRIPTION		INTERIOR	
Units <input checked="" type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit	<input type="checkbox"/> Concrete Slab <input checked="" type="checkbox"/> Crawl Space	Foundation Walls	Concrete/Fair	Floors	Carpet/Poor		
# of Stories 1	<input type="checkbox"/> Full Basement <input type="checkbox"/> Partial Basement	Exterior Walls	Vinyl Siding/Avg.	Walls	Sheetrock/Fair		
Type <input checked="" type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Det./End Unit	Basement Area sq. ft.	Roof Surface	Asphalt Shingle/Good	Trim/Finish	Painted Wood/Fair		
<input checked="" type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.	Basement Finish %	Gutters & Downspouts	Yes - Newer/Good	Bath Floor	Carpet/Poor		
Design (Style) Ranch	<input type="checkbox"/> Outside Entry/Exit <input type="checkbox"/> Sump Pump	Window Type	Dbl Hung Alum/Avg.	Bath Wainscot	Wallppr/Vnl Surr		
Year Built 1930	Evidence of <input type="checkbox"/> Infestation	Storm Sash/Insulated	Aluminum	Car Storage	<input checked="" type="checkbox"/> None		
Effective Age (Yrs) Eff:87yrs / Act:87yrs	<input type="checkbox"/> Dampness <input checked="" type="checkbox"/> Settlement	Screens	In Sash	<input checked="" type="checkbox"/> Driveway	# of Cars 3+		
Attic <input checked="" type="checkbox"/> None	Heating <input checked="" type="checkbox"/> FWA <input type="checkbox"/> HWBB <input type="checkbox"/> Radiant	Amenities	<input type="checkbox"/> WoodStove(s) #	Driveway Surface	Gravel		
<input type="checkbox"/> Drop Stair <input type="checkbox"/> Stairs	<input type="checkbox"/> Other Fuel Propane	<input type="checkbox"/> Fireplace(s) #	<input type="checkbox"/> Fence	<input type="checkbox"/> Garage	# of Cars		
<input type="checkbox"/> Floor <input type="checkbox"/> Scuttle	Cooling <input type="checkbox"/> Central Air Conditioning	<input type="checkbox"/> Patio/Deck	<input checked="" type="checkbox"/> Porch Enclosed	<input type="checkbox"/> Carport	# of Cars		
<input type="checkbox"/> Finished <input type="checkbox"/> Heated	<input type="checkbox"/> Individual <input type="checkbox"/> Other	<input type="checkbox"/> Pool	<input type="checkbox"/> Other	<input type="checkbox"/> Att.	<input type="checkbox"/> Det.	<input type="checkbox"/> Built-in	
Appliances <input type="checkbox"/> Refrigerator <input checked="" type="checkbox"/> Range/Oven <input type="checkbox"/> Dishwasher <input type="checkbox"/> Disposal <input type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Other (describe)							
Finished area above grade contains: 6 Rooms 2 Bedrooms 1 Bath(s) 928 Square Feet of Gross Living Area Above Grade							
Additional features (special energy efficient items, etc.). Domicile: Newer gutters, siding (Some hail damage); roofing replaced 2010 on domicile & two sheds. S-BAR-S Pole Building (30' x 60') good condition, with covered equipment storage (20' x 60') on north side). Grain bin & various minor livestock outbuildings.							
Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.). See Attached Addendum							
Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe. Livability of the domicile is negatively affected by the level of deferred maintenance. This phenomenon is noted in leased or rented properties, because equity buildup is not possible if the property is not owned by the inhabitant.							
Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If No, describe. Due to the domicile's high degree of deferred maintenance, reduced utility is noted. Most properties in this market neighborhood exhibit generally average to good levels of upkeep, which sustains their utility and promotes stable values.							

Uniform Residential Appraisal Report

DNRC Sale 888
File No. 6725 12 Mile Rd.

SALES COMPARISON APPROACH

There are 1 comparable properties currently offered for sale in the subject neighborhood ranging in price from \$ 189,900 to \$ 189,900																	
There are 2 comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$ 170,000 to \$ 190,000																	
FEATURE			SUBJECT			COMPARABLE SALE NO. 1			COMPARABLE SALE NO. 2			COMPARABLE SALE NO. 3					
6725 12 Mile Road						2655 North 13th Road			8528 Razor Creek			7720 HWY 312					
Address Shepherd, 59079						Worden, MT 59088			Shepherd, MT 59079			Shepherd, MT 59079					
Proximity to Subject						10 miles NE			4 miles NE			3 miles SE					
Sale Price			\$ N/A			\$ 145,000			\$ 170,000			\$ 136,499					
Sale Price/Gross Liv. Area			\$ 0.00 sq. ft.			\$ 107.89 sq. ft.			\$ 166.34 sq. ft.			\$ 121.22 sq. ft.					
Data Source(s)						MLS #261319 / Drive-by Inspection			MLS #262911 / Drive-by Inspection			MLS#234154 / Drive-by Inspection					
Verification Source(s)						Cadastral/Orion, Selling Realtor			Cadastral/Orion, Selling Realtor			Cadastral/Orion, Selling Realtor					
VALUE ADJUSTMENTS			DESCRIPTION			DESCRIPTION			+(-) \$ Adjustment			DESCRIPTION			+(-) \$ Adjustment		
Sale or Financing						Conventional			Conventional			Cash - Auction					
Concessions						No Concessions			No Concessions			No Concessions					
Date of Sale/Time			N/A			20 May 16 (5)			29 Jul 16 (1)			8 Oct 13 (6)			5,000		
Location			Rural			Rural			Rural			Rural					
Leasehold/Fee Simple			Fee Simple			Fee Simple			Fee Simple			Fee Simple					
Site			93,900 sf / 2.16ac			103,368sf / 2.37ac			84,942sf / 1.95 ac			134,252sf / 3.08 ac			-8,000		
View			Rural / Rurban			Rural			Rural			Rural					
Design (Style)			Ranch			Ranch			Ranch			Ranch					
Quality of Construction			Fair			Average			Average-Good			Fair					
Actual Age			87 Act / 75 Eff			108 Act / 60 Eff			67 Act / 40 Eff			87 Act / 75 Eff					
Condition			Fair			Average			Good			Fair					
Above Grade			Total	Bdrms.	Baths	Total	Bdrms.	Baths	Total	Bdrms.	Baths	Total	Bdrms.	Baths			
Room Count			6	2	1	7	3	1	7	3	1	7	3	1	-1,000		
Gross Living Area			928 sq. ft.			1,344 sq. ft.			1,022 sq. ft.			1,126 sq. ft.			-3,000		
Basement & Finished			Crawl Space			Partial - Unfin.			Crawl Space			1,126 sf- 2BR,			-3,400		
Rooms Below Grade						(Dirt Floor)						Bath			-2,500		
Functional Utility			Average			Equal			Equal			Equal					
Heating/Cooling			Propane- No AC			Propane- No AC			Newer GFA /AC			Propane- No AC					
Energy Efficient Items			None			None			None			None					
Garage/Carport			None			2 Det / Poor			2 Det.+lean-to/Good			2 Det / Fair			-3,500		
Porch/Patio/Deck			Ent Stoop - Fair			Entry Stoop - Good			Sm CovStoop-Good			Sm Cov Stoop-Fair					
OTHER EXTERIOR:			Pole Barn-60'x30' w/			Barn (poor cond)			Well, Irrigation H2O			Well, Shed,					
			lean-to; well, 2-shed,			Irrigation water,			Shed, Fnc, Corrals			Irrigation H20,					
NET EXT ADJ:			Irr H20, Landscape			Well, Landscape			L.Sheds,Lndscp			Landscaping			21,750		
Net Adjustment (Total)						+ - 8,450			+ - 10,650			+ - 5,350					
Adjusted Sale Price						Net Adj. -5.8%			Net Adj. -6.3%			Net Adj. 3.9%					
of Comparables						Gross Adj. 24.4%			Gross Adj. 27.1%			Gross Adj. 35.3%			\$ 141,849		
I <input checked="" type="checkbox"/> did <input type="checkbox"/> did not research the sale or transfer history of the subject property and comparable sales. If not, explain																	
My research <input type="checkbox"/> did <input checked="" type="checkbox"/> did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.																	
Data source(s)																	
My research <input type="checkbox"/> did <input checked="" type="checkbox"/> did not reveal any prior sales or transfers of the comparable sales for the year prior to the date of sale of the comparable sale.																	
Data source(s) MLS																	
Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).																	
ITEM			SUBJECT			COMPARABLE SALE NO. 1			COMPARABLE SALE NO. 2			COMPARABLE SALE NO. 3					
Date of Prior Sale/Transfer			NONE			NONE			NONE			NONE					
Price of Prior Sale/Transfer																	
Data Source(s)																	
Effective Date of Data Source(s)																	
Analysis of prior sale or transfer history of the subject property and comparable sales The lack of sales histories for the subject property and comparables is indicative of this broader area; properties typically have a low turnover rate.																	
Summary of Sales Comparison Approach. The Sales Comparison Approach generally indicates that a sales price between \$136,000 and \$160,000 could be supported, although the lower range is more appropriate given that the adjusted values of two of the three comparables are between \$136,500 and \$142,000 and have more similarities to the subject property. Some of the subject improvements (livestock sheds) have high utility to the current operator in supporting agricultural use on State land; the utility/value of these improvements is much lower to a broader market however, who are likely to utilize small acreages for single family residences with adjunct home/hobby businesses. The subject pole barn is considered to have good utility for an array of home or hobby businesses. The fact that the subject property is not zoned is thought to contribute to value since many buyers are looking for less-restrictive properties close to town services. Final value is concluded to be near the mean of the indicated values.																	
Indicated Value by Sales Comparison Approach \$ 145,000																	
Indicated Value by: Sales Comparison Approach \$ 145,000 Cost Approach (if developed) \$ 37,500 Income Approach (if developed) \$																	
Value Allocation: The value of the site (as directed by the client to be 2.16 acres (+/-), with legal access) is concluded to be \$37,500.																	
The value of the improvements is concluded to be \$107,500.																	
This appraisal is made <input checked="" type="checkbox"/> "as is," <input type="checkbox"/> subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, <input type="checkbox"/> subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or <input type="checkbox"/> subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair: See Extraordinary Assumptions and Hypothetical Conditions in the attached addenda.																	
Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is \$ 145,000 as of 29 Jun 17, which is the date of inspection and the effective date of this appraisal.																	

Uniform Residential Appraisal Report

[illegible]

Uniform Residential Appraisal Report

APPRAISER'S CERTIFICATION: The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.
2. I performed a complete visual inspection of the interior and exterior areas of the subject property. I reported the condition of the improvements in factual, specific terms. I identified and reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.
3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.
4. I developed my opinion of the market value of the real property that is the subject of this report based on the sales comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment. I further certify that I considered the cost and income approaches to value but did not develop them, unless otherwise indicated in this report.
5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior sales of the subject property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.
6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.
7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.
8. I have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land.
9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.
10. I verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property.
11. I have knowledge and experience in appraising this type of property in this market area.
12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.
13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.
14. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property.
15. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.
16. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.
17. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
18. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).
19. I personally prepared all conclusions and opinions about the real estate that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.
20. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.
21. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department, agency, or instrumentality of the United States; and any state, the District of Columbia, or other jurisdictions; without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).

Uniform Residential Appraisal Report

DNRC Sale 888
File No. 6725 12 Mile Rd.

22. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.

23. The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.

24. If this appraisal report was transmitted as an “electronic record” containing my “electronic signature,” as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

25. Any intentional or negligent misrepresentation(s) contained in this appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws.

In regard to # 19 Above: See 'Supervisory Appraiser's Certification' section below Labeled '#19' for 'Significant Real Property Appraisal Assistance' by Becky Ketterling, MT Appraisal Trainee REA-RET-LIC-9169.

SUPERVISORY APPRAISER'S CERTIFICATION: The Supervisory Appraiser certifies and agrees that:

- 1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.
- 2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.
- 3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.
- 4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.
- 5. If this appraisal report was transmitted as an “electronic record” containing my “electronic signature,” as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

19 Above, within the 'Appraiser's Certification' section, 'Significant Real Property Appraisal Assistance:' Becky Ketterling, MT Appraisal Trainee REA-RET-LIC-9169, provided significant real property appraisal assistance to the person signing this certification. Significant appraisal includes assistance with site description and analysis, building and neighborhood inspections and descriptions, research of comparable sales and market analysis, final reconciliation and report writing.

APPRAISER

Signature _____
Name Steven M. Repac
Company Name The Appraisal Group, Ltd.
Company Address 1533 Clark Avenue, Billings, MT 59102

Telephone Number 406-248-3945
Email Address rlredskin@outlook.com
Date of Signature and Report 31 Jul 17
Effective Date of Appraisal 29 Jun 17
State Certification # REA-RAG-LIC-58
or State License # _____
or Other (describe) _____ State # _____
State MT
Expiration Date of Certification or License 31 Mar 18

ADDRESS OF PROPERTY APPRAISED
6725 12 Mile Road
Shepherd, Mt 59079

APPRAISED VALUE OF SUBJECT PROPERTY \$ 145,000

LENDER/CLIENT
Name Emily Cooper, Lands Section Supervisor, DNRC
Company Name State of MT, MT Bd of Land Comm., DNRC
Company Address DNRC, PO Box 201601
Helena, MT 59620-1601
Email Address _____

SUPERVISORY APPRAISER (ONLY IF REQUIRED)

Signature _____
Name _____
Company Name _____
Company Address _____

Telephone Number _____
Email Address _____
Date of Signature _____
State Certification # _____
or State License # _____
State _____
Expiration Date of Certification or License _____

SUBJECT PROPERTY
☐ Did not inspect subject property
☐ Did inspect exterior of subject property from street
Date of Inspection _____
☐ Did inspect interior and exterior of subject property
Date of Inspection _____

COMPARABLE SALES
☐ Did not inspect exterior of comparable sales from street
☐ Did inspect exterior of comparable sales from street
Date of Inspection _____

ADDENDUM

Borrower: N/A		File No.: 6725 12 Mile Rd.
Property Address: 6725 12 Mile Road		Case No.: DNRC Sale 888
City: Shepherd	State: Mt	Zip: 59079
Lender: State of MT, MT Bd of Land Comm., DNRC		

Neighborhood Boundaries

South: I-94; West: HWY 87N; East: Worden; North: Larger ranches north of the Yellowstone River.

Neighborhood Description

Residential Rural/Agricultural. The neighborhood and relevant market area for the subject property is characterized by a high degree of mixed-use ownership: 1) small to medium lots (typically 1-10 acre) in subdivisions with restrictive covenants; 2) stand-alone properties without zoning and little to no restrictions whose domiciles range from manufactured (mobile) homes, modular and stick-built residences on a wide variety of tract sizes; 3) larger agricultural properties with headquarter domiciles as well as numerous outbuildings and (4) unimproved farm and/or range land. Maintenance and upkeep of properties are also highly varied; some exhibiting extreme levels of depreciation, while others reflect ongoing maintenance and pride of ownership. Original construction dates range from 1900-2017.

Neighborhood Market Conditions

From a broad market perspective, demand for land in this section of Yellowstone County remains strong and is stable to increasing, depending on both the property location and on the intent of land use; e.g. hobby "ranchettes," and other recreation properties near town services are popular, agriculture land without good connectivity is less popular, etc. Due to the relatively small sample size of comparable sales within the subject's immediate neighborhood, the search for comparable sales was expanded to more outlying areas to approximate similar characteristics. The market area examined for this appraisal report includes rural property with close proximity to major transportation arteries (I-90 & I-94) as well as properties within 20-30 minutes, or 15-25 miles, of Billings which is Montana's largest city. Strong industry (refineries, health care, etc.) and a low unemployment rate (3.9%) in Billings make commuting to work from surrounding areas a popular option. Communities outside Billings offer access to the city while providing smaller school systems, which is often a priority to families, as well as larger properties, more flexible land use, and a more tranquil 'country' setting. These smaller properties, typically from one to ten acres, are in high demand and low supply (per Realtor interviews and sales data analysis) making comparable properties and recent sales difficult to find. Low sales volume and sample sizes also make it difficult to analyze market conditions and extrapolate market movement over time.

Highest and Best Use

The Highest and Best use of this 2.16 acre tract is for a single family residence; however, due to the subject domicile's age/condition, maximal value would necessitate remodeling or replacement within a relatively short time-frame.

Condition of the Property

SITE UTILITY: Historically, the 2.16 acre site has been a part of a much larger state section of land that was leased as agricultural property. These adjacent lands are irrigated hay lands that are considered typical for the area and that appear to be well-tended. This land is not subject to any known restrictions of use, conditions or covenants. The lessee reports that he pays for ditch water from the Billings Bench Water User's Association (BBWA) for a total of approximately 90 acres. Ostensibly, the subject tract (2.16 acres) could solely be irrigated if chosen. This situation is considered similar to the comparable sales chosen for analysis in this report. There is good utility and desirability for smaller parcels such as the subject tract, especially if located in this area (surrounded by smaller rural subdivisions) and close to town services. The scarcity of these types of land tracts is noted; their price-points are not to the level that they would exclude a large class of potential buyers.

DOMICILE: The domicile was reportedly built in 1930, so the actual age of the domicile is 87 years. The effective age is estimated to be 75 years - and the remaining economic life is estimated to be five (5) years - assuming upkeep and maintenance levels remain static. The structure is considered to be in "fair" condition; there is significant deferred maintenance noted. Although the home has a newer roof (2010), and newer gutters, portions of the vinyl siding exhibit signs of hail damage. A portion of the sheetrock in one bedroom shows signs of water damage, as shown in an attached photo. The porch was enclosed at some point and the furnace has been recently replaced. A 2,000 gallon cistern is situated approximately 50' - 60' southwest of the home. The cistern had recent root-growth issues that were reportedly remediated by the homeowner and a friend with a backhoe. The septic tank sits approximately 20' north of the domicile; the drain field is another 50' beyond that to the north.

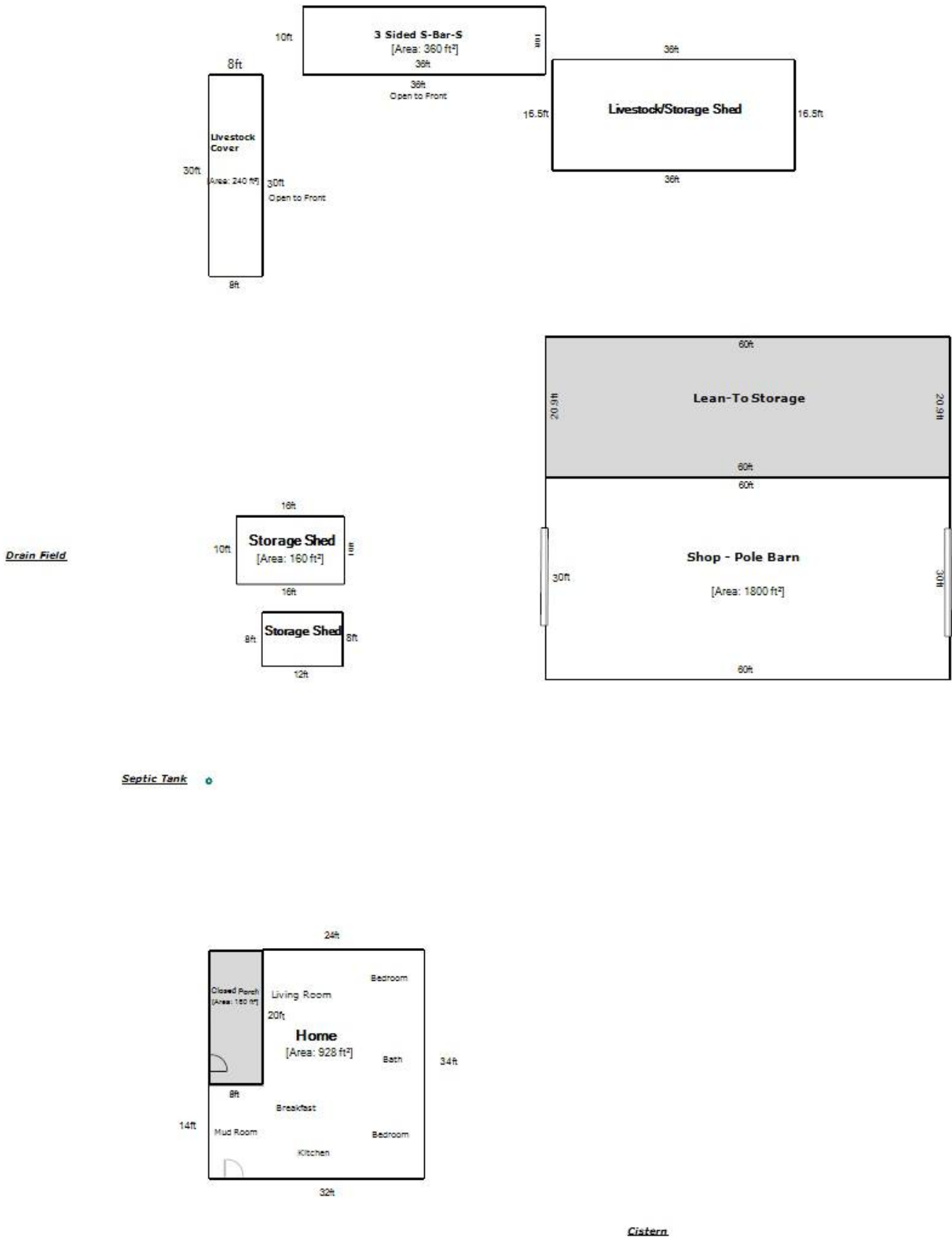
OUTBUILDINGS - POLE BARN: The 30' x 60' S-Bar-S metal pole-barn shop building is situated approximately 90' to the northwest of the domicile. It was reportedly built in 1990, and is considered to be in average to good condition overall. The exterior structure has 6" x 6" vertical posts, a partial concrete floor (with some minor cracking noted,) two sliding end doors (one 14' wide and the other 12' wide) at the west and east ends respectively, 10' sidewalls, gutters, electricity and ridge skylights. The pole-building is neither heated nor insulated. An attached, covered lean-to on the north side measures approximately 20' x 60', and provides additional shelter for farm equipment. The overall utility of this outbuilding is considered to have good appeal for most buyers in this marketplace - there are many buyers who desire a shop building for welding or equipment repair and want to live on a tract of land that has no restrictions for these types of uses. The contributory value of the shop building is concluded to be \$22,000.

OUTBUILDINGS - OTHER: The remainder of the outbuildings on the subject tract consist of (1) open-face livestock shelters, and (2) low-cost storage sheds. The livestock shelters are situated near the north end of the subject tract and are of varying heights and sizes; all exhibit significant deferred maintenance. Originally designed as a sheep barn, the 16.5' x 36' building is currently being used as a storage shed. The two remaining outbuildings measure 36' x 10' and 30' x 8' and were designed for small animal (pigs, sheep) confinement, but are not currently being used. The utility of these livestock sheds is considered to be "fair"; they were designed for use with a much larger agricultural operation (principally used when the lessee's father used the State lease as pasture land). The broader marketplace would likely not place a high value on these livestock sheds if they didn't participate in a 4H program, for example. The storage sheds consist of two sheds on concrete pads situated just north of the domicile. One shed is 8' x 12' and the other is 10' x16'; both have newer roofs (2010) and average utility. The grain bin reportedly has a 1,000 bu. capacity with a concrete floor - its primary use is for storage and has average utility. These structures have minimal contributory value.

FLOORPLAN SKETCH

Borrower: N/A	File No.: 6725 12 Mile Rd.
Property Address: 6725 12 Mile Road	Case No.: DNRC Sale 888
City: Shepherd	State: Mt Zip: 59079
Lender: State of MT, MT Bd of Land Comm., DNRC	

Sketch



18 ft

Living Area		Area Calculation			
Home	928 ft²	Home			x 1.00 = 928 ft²
Nonliving Area					
Closed Porch	160 ft²	8ft x 24ft	14ft x 34ft	1.00 =	112 ft²
Pole Barn	1800 ft²			1.00 =	816 ft²
Covered Open Sided	1254 ft²				
Storage Shed	96 ft²				
Storage Shed	160 ft²				
Open Front, Covered	360.00 ft²				
Open Front, Covered	240 ft²				
Livestock/Storage Shed	594 ft²				
Total Living Area (rounded):	928 ft²				

DIMENSION LIST ADDENDUM

Borrower: N/A	File No.: 6725 12 Mile Rd.
Property Address: 6725 12 Mile Road	Case No.: DNRC Sale 888
City: Shepherd	State: Mt Zip: 59079
Lender: State of MT, MT Bd of Land Comm., DNRC	

GROSS BUILDING AREA (GBA)		<u>928</u>
GROSS LIVING AREA (GLA)		<u>928</u>
Area(s)	Area	% of GLA % of GBA
Living	<u>928</u>	<u>100.00</u>
Level 1	<u>928</u>	<u>100.00</u>
Level 2	<u>0</u>	<u>0.00</u>
Level 3	<u>0</u>	<u>0.00</u>
Other	<u>0</u>	<u>0.00</u>
GBA		
Basement <input type="checkbox"/>	<u> </u>	<u> </u>
Garage <input type="checkbox"/>	<u>1,800</u>	<u> </u>
Other <input type="checkbox"/>	<u>4,664</u>	<u> </u>

Area Measurements					Area Type						
Measurements		Factor		Total	Level 1	Level 2	Level 3	Other	Bsmt.	Garage	
<u>8.00</u>	x	<u>14.00</u>	x	<u>1.00</u> =	<u>112.00</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>24.00</u>	x	<u>34.00</u>	x	<u>1.00</u> =	<u>816.00</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x	_____ =	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	x	_____	x								

SUBJECT PROPERTY PHOTO ADDENDUM

Borrower: N/A		File No.: 6725 12 Mile Rd.
Property Address: 6725 12 Mile Road		Case No.: DNRC Sale 888
City: Shepherd	State: Mt	Zip: 59079
Lender: State of MT, MT Bd of Land Comm., DNRC		



FRONT VIEW OF
SUBJECT PROPERTY

Appraised Date: June 29, 2017
Appraised Value: \$ 145,000



REAR VIEW OF
SUBJECT PROPERTY



STREET SCENE

Borrower: N/A	File No.: 6725 12 Mile Rd.
Property Address: 6725 12 Mile Road	Case No.: DNRC Sale 888
City: Shepherd	State: Mt
Lender: State of MT, MT Bd of Land Comm., DNRC	Zip: 59079



S-Bar-S Pole Barn (30' x 60') with Lean-To Storage



Pole Barn Lean-To: Covered Equipment Storage to the North



Two Sheds and Propane Tank



Outbuildings: 3-sided sheds



Rear of Property to the West
Shop, Storage and Equipment



Rear of Property to Southwest
Grain Bin and Additional Outbuildings

Borrower: N/A	File No.: 6725 12 Mile Rd.
Property Address: 6725 12 Mile Road	Case No.: DNRC Sale 888
City: Shepherd	State: Mt
Lender: State of MT, MT Bd of Land Comm., DNRC	Zip: 59079



FRONT OF DOMICILE AND FRONT STEPS



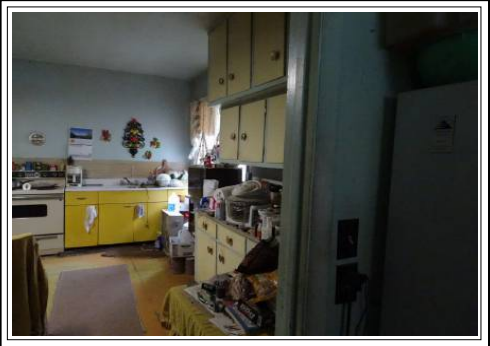
DOMICILE FOUNDATION



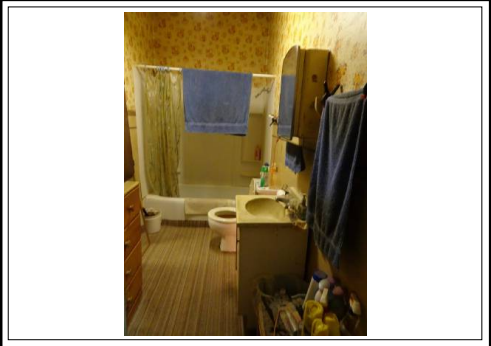
BACK OF DOMICILE



DOMICILE FOUNDATION Photo 2



DOMICILE: Kitchen



DOMICILE: Bath



DOMICILE: Living Room



DOMICILE: Dining Area & Kitchen



DOMICILE: Hallway Entry



DOMICILE: One of Two Bedrooms



DOMICILE: Bedroom Water Damage



DOMICILE: Enclosed Porch

COMPARABLE PROPERTY PHOTO ADDENDUM

Borrower: N/A		File No.: 6725 12 Mile Rd.
Property Address: 6725 12 Mile Road		Case No.: DNRC Sale 888
City: Shepherd	State: Mt	Zip: 59079
Lender: State of MT, MT Bd of Land Comm., DNRC		



COMPARABLE SALE #1

2655 North 13th Road
Worden, MT 59088
Sale Date: 20 May 16 (5)
Sale Price: \$ 145,000



COMPARABLE SALE #2

8528 Razor Creek
Shepherd, MT 59079
Sale Date: 29 Jul 16 (1)
Sale Price: \$ 170,000

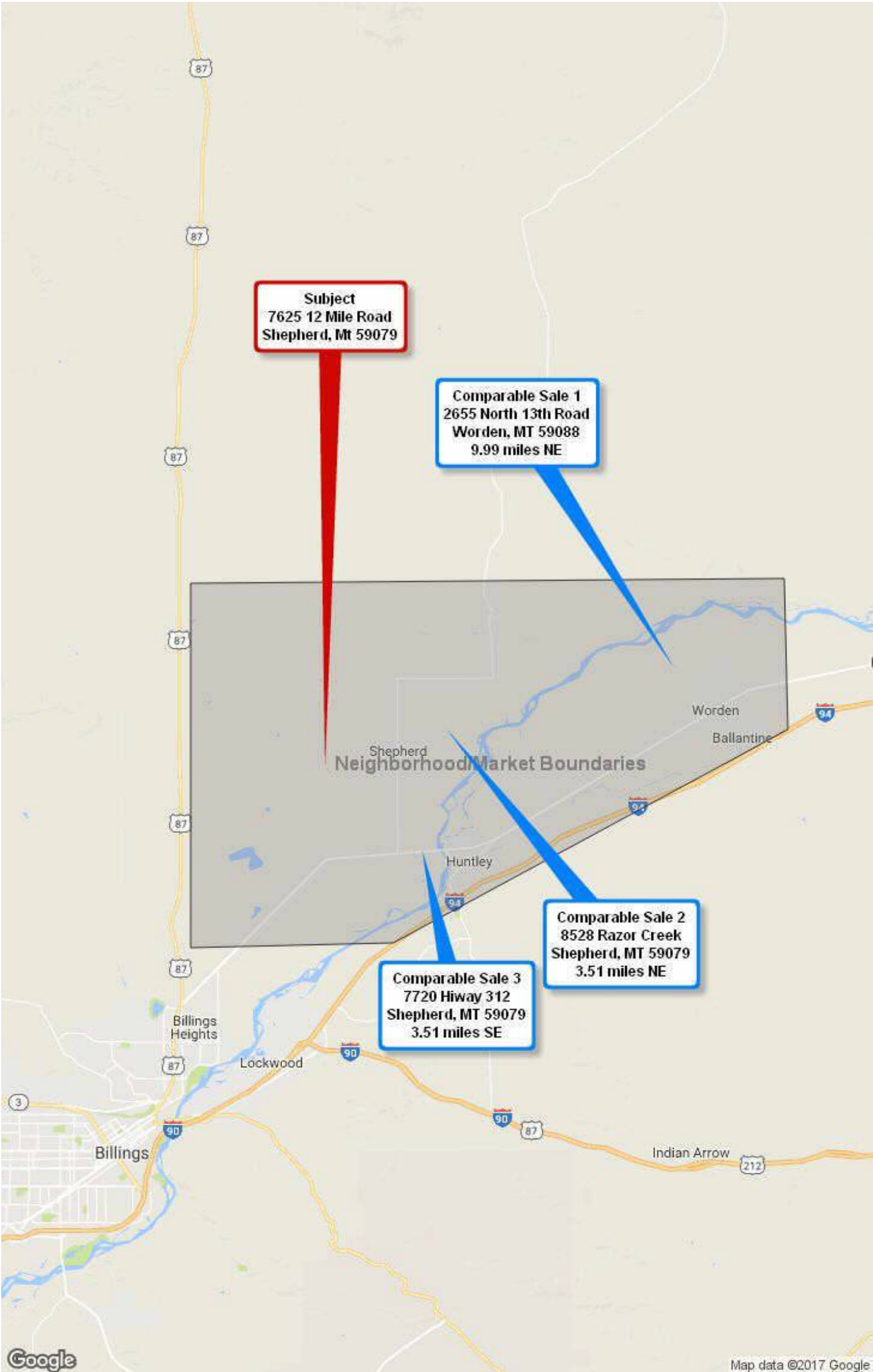


COMPARABLE SALE #3

7720 HWY 312
Shepherd, MT 59079
Sale Date: 8 Oct 13 (6)
Sale Price: \$ 136,499

LOCATION MAP

Borrower: N/A	File No.: 6725 12 Mile Rd.
Property Address: 6725 12 Mile Road	Case No.: DNRC Sale 888
City: Shepherd	State: Mt Zip: 59079
Lender: State of MT, MT Bd of Land Comm., DNRC	



APPRAISAL ADDENDUM

6725 12 Mile Road, Shepherd, MT 59079

Sale 888 - State Land (State of Montana, Department of Natural Resources & Conservation, DNRC)

Intended User

This appraisal report was ordered by the DNRC - Tust Land Management Division and has been prepared for the State of Montana, the Montana Board of Land Commissioners, and the DNRC, in addition to lessee Robert Schwab . Simply because a third party may receive a copy of this appraisal does not mean that the third party is an "Intended User" as defined in this report, and use of this report by others is not intended by the appraiser. The appraisal has been prepared in compliance with the requirements of the client and "Uniform Standards of Professional Appraisal Practices" (2016-2017 Edition).

Purpose of Appraisal and Definition of Value

The stated purpose is to provide the clients with a credible opinion of current fair market value of the appraised subject property and is intended for use in the decision making process concerning the potential sale of said subject property. Market Value, as used in the following report, is defined in the Uniform Standards of Professional Appraisal Practice, as published by the OCC (12 CFR, Part 34, Subpart C- Appraisals, 34.42 Definitions, [g]) as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of good title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable period of time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto;
- the price represents normal consideration for the property sold unaffected by special or creative financing or sales concessions.

Estimate of Exposure Time

The exposure time period is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. In my opinion, for a smaller tract of land located along 12 Mile Road, in the vicinity SW of Shepherd, MT., containing the subject improvements, the estimated exposure time would be one to three months. This assumes that the property would be listed for sale at a price point that is slightly above the appraised value, and competently and efficiently marketed. I base this on the level of interest noted in the marketplace for a product the likes of which are reflected in the subject property.

Scope of Work Used to Develop the Appraisal

The scope of this appraisal, specifically, the extent of the process of collecting, confirming, and reporting data, is presented as a means of conveying the methodology employed in assembling data. The scope of this appraisal included a detailed inspection of the subject site and the subject improvements and a review and analysis of neighborhood development trends. The subject property is analyzed using all appropriate, accepted valuation techniques and the appraisal process includes the assemblage, verification and analysis of all appropriate market data; and finally, reconciliation of the property's value.

In this particular appraisal, several sources are utilized for both general and detailed information pertaining to the subject property, the comparable sales and the area real estate market. Data sources include, but are not limited to, office files, market participants including brokers, agents, title companies, the Billings MLS Service, Yellowstone County Clerk and Records Office, the Yellowstone County Assessor's Office, the Billings/Yellowstone County Planning Department, and information from various tradesmen/contractors. This written appraisal document was completed on 31 Jul 17.

Personal Property / Fixtures / Intangible Items

No items of personal property are included in the value estimates provided herein. For the purposes of this analysis, appliances are considered to be fixtures which have been attached or installed in such a manner as to become part of the real property. Inclusion of appliances is considered typical in most residential sales transactions, and the contributory value of these fixtures is reflected in each of the valuation approaches contained in this appraisal. No intangible items are included in the value estimates.

Assumptions and Limiting Conditions

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title consideration. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised as if free and clear of any and all liens or encumbrances unless otherwise stated. No title report was provided to the appraiser.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering and architectural data is assumed to be correct. The plot plans, building plans, and all other illustrative material in this report are included only to assist the reader in visualizing the material.
6. It is assumed that there are no hidden or unapparent conditions of the subsoil that render it less valuable. However, no responsibility is assumed for such conditions or for arranging engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated herein is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered in the appraisal report.
10. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any legal use on which the value estimate contained herein is based.

11. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
12. This appraisal report has been made with the following ***extraordinary assumptions***:
 - None
13. This appraisal report has been made with the following ***hypothetical conditions***:
 - The property is valued in the Fee Simple Interest, and the site is valued as though it is vacant raw land, without any site improvements, utilities, or buildings (per DNRC Scope of Work for Appraisal of Potential Property Sale through the Cabin & Home Site Sale Program). The use of a Hypothetical Condition is used for the purpose of analysis, but is contrary to what is known by the appraiser to exist on the effective date of this assignment results.

This appraisal report has been made with the following general limitations:

1. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.
3. The appraiser herein by reason of this appraisal is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, sales, or other media without the prior written consent and approval of the appraiser.

Highest and Best Use

The highest and best use analysis is a progressive process whereby the determined highest and best use is found to meet each of the following four criteria: physically possible, legally permissible, financially feasible, and maximally productive. Based on a review of neighborhood development and market demand, the use of the subject as of the date of value is as a single-family residence with ancillary buildings to enhance a hobby-farm use; however, due to the subject domicile's age and condition, maximal value would necessitate extensive remodeling or replacement of same in a short time-frame.

Three Approaches to Value

There are three generally recognized approaches to estimating the value of real estate - the Cost Approach, the Sales Comparison Approach, and the Income Approach. This analysis utilizes the Sales Comparison Approach only. The Cost Approach is not employed since land sales in this area are few and depreciation is hard to quantify on older homes and outbuildings. The Income Approach is not utilized because, typically, smaller rural properties are not sold on the basis of their rental earnings potential. The omission of the Cost and Income Approaches does not diminish the credibility of this report.

Adjustment Process - Sales Comparison Approach

To the greatest extent possible, all adjustments are made to reflect market-recognized differences. A convenient and commonly-used method to organize data is by arranging the data on a market data grid. Each important difference between the comparable properties and the subject property that could affect property value is considered an element of comparison. Each element is assigned a row on the grid, and total property prices or unit prices of the comparables are adjusted to reflect the value of these differences. The process is a way for appraisers to model typical buyer actions and to analyze sales data to quantify the impact of certain characteristics on value.

Sale No. 1 - 2655 North 13th Road, Worden, MT

This sale is located approximately 10 miles northeast of the subject property in a highly similar area of Yellowstone County. The sale is a 1909 single-family ranch with 1,344 square feet of gross living area on a 2.37 acre tract. The sale occurred on 5/20/16; the lack of significant change in land and housing prices since 2016 eliminates the need for time adjustments in order to account for market movement. A net upward adjustment of \$13,500 was made to account for inferior net 'Exterior Features' when compared to the subject property. While this property has a barn (dated and in poor condition) and a small amount of landscaping, the subject property has a 30'x60' pole barn which is newer, in superior condition, and provides greater utility with inside storage and an exterior 21'x60' lean-to covering. Downward adjustments reflect the following home elements of this comparable sale: higher construction quality, a lower 'effective age' and superior condition due to maintenance and renovations, a larger gross living area, and one additional bedroom. An additional downward adjustment was made to account for its detached two-car garage and an entry stoop in good condition. The adjusted indication of value is \$136,550.

Sale No. 2 - 8528 Razor Creek, Shepherd, MT

This sale is located in the Shepherd area, approximately four miles northeast of the subject property in a similar area of Yellowstone County. The sale is a 1950 single-family ranch with 1,022 square feet of gross living area on a 1.95 acre tract. The sale occurred on 7/29/16; the lack of significant changes in land and housing prices since 2016 eliminates the need for time adjustments in order to account for market movement. A net upward adjustment of \$17,750 was made to account for the subject property's exterior features, which includes a 30'x60' pole barn with inside storage and an exterior 21'x60' lean-to covering, as well as an additional loafing shed, outbuilding, grain bin and storage shed. Downward adjustments were made to account for the comparable sale's higher quality home construction with a 40 year effective age (vs. a 67 year actual age) and average - good condition reflecting maintenance and some updates, an extra bedroom, additional gross living area, a larger kitchen with greater utility, a newer furnace and central air, a two-car detached garage with lean-to storage, and a small, covered stoop in good condition. The adjusted indication of value is \$159,350.

Sale No. 3 - 7720 HWY 312, Shepherd, MT

This sale is located approximately three miles southeast of the subject property in a similar area of Yellowstone County. The sale is a 1930 single-family ranch with 1126 square feet of main level gross living area on 3.08 acres. The sale occurred on 10/8/13; a market time adjustment was made for this sale, since the amount of time that passed since 2013 was slightly under four years, and some market movement since that time has been noted. A net upward adjustment of \$21,750 was made to account for inferior overall 'Outdoor Features.' This property lacks the subject property's 30'x60' pole barn with inside storage and an exterior 21'x60' lean-to covering, as well as an additional shed and a grain bin. An additional upward adjustment was made to reflect this comparable's lack of appliances, including a water heater. Downward adjustments were made for one additional bedroom, a larger gross living area, a partially finished basement, and a two-car detached garage. This comparable was an auction property sold 'As Is' and listed for \$65,000. At that time, it exhibited little to no maintenance or updating and was in poor condition. The property was purchased by a mortgage broker for \$136,499, per the seller's Realtor.

EXTERIOR FEATURES WORKSHEET:

1) URAR Page 2 - Sales Comparisons, last entry 'Net Ext. Adj' or net exterior adjustments. These net adjustment amounts are broken out as per the supplemental table below:

ADJUSTMENTS: EXTERIOR FEATURE EVALUATION								
	Subject Property	Notes	Sale 1	Notes	Sale 2	Notes	Sale 3	Notes
Pole Barn + Lean To	22000		0	None	0	None	0	None
Outbuilding(s)	1500	3 @ \$500	1500	3 @ \$500	2000	2 @ \$1000 Qua	1500	3 @ \$500
Shed(s)	500	2 @ \$250	500	2 @ \$250	250	1 @ \$250	250	1 @ \$250
Irrigation Water	Yes	Equal	Yes	Equal	Yes	Equal	Yes	Equal
Well	3000	Equal	3000	Equal	3000	Equal	3000	Equal
Standard Barn	0	None	8000	Fair Qual.	0	None	0	None
Grain Bin	500	100k bu. \$50/bu.	500	Similar to Subj. Prop.	0	None	0	None
Corrals	0	None	0	None	2500	ality Enclos	0	None
Landscaping	1000	Mature Trees	1500	Mature Trees+Yard	2000	Mature Trees +	1000	Mature Trees
Fenced Yard	0	None	0	None	1000	Yes	1000	Yes
Contributory Value:	28500		15000		10750		6750	
*DIFFERENCE REQUIRING ADJUSTMENT:			13500		17750		21750	
(**Subject property exterior feature value vs. Comparable Sale)								

LAND VALUE: The land value, as though vacant with no improvements, of the subject property is determined to be \$37,500, or near \$0.40/sf, or \$17,360 per acre (rounded). The evaluation of small tract land sales is embodied in the supplemental table below:

Table of Comparable Lot Sales

Lot Sales Analysis		DNRC Sale No. 888		6725 12 Mile Road			
#	Address	Sale Date	Sale Price	Size (ac.)	Sq.Ft.	\$/Sq.Ft.	
1	0 Haynes Road	3-Aug-16	\$30,000	1.033	44,997	\$0.67	
2	8125 Shepherd Road	27-Jan-17	\$55,000	4.426	192,797	\$0.29	
3	6134 Shepherd Road	10-Jul-13	\$45,000	1.000	43,560	\$1.03	
4	7807 12 Mile Road	7-Dec-15	\$29,000	3.953	172,193	\$0.17	
5	7446 Ty Trace	17-Feb-17	\$24,500	2.070	90,169	\$0.27	
Subj.				2.160	94,090		
		Mean	\$36,700	2.496	108,743	\$0.49	
		Median	\$30,000	2.070	90,169	\$0.29	

The raw land value was derived from the following information: Sales of 1 to 4.4 acre tracts (un-zoned with few to no restrictions) in the subject property's market area between 2013 and 2017 have ranged in price from \$24,500 – \$55,000. Sales prices do not correlate to the size of the tract; for example, a one acre tract sold for \$45,000 in 2013 and a 3.95 acre tract sold for \$29,000 in 2015. Two sales in 2017 alone were for \$11,800 and \$12,400 per acre. The subject tract is bordered on the east, north, and south sides by State land, which will not likely be developed – privacy is assured. Across 12 Mile Road to the west, a 1.0 acre subdivision is developing with use restrictions – and to the northwest a 5.0 acre subdivision is developing with restrictions. Orderly, sustainable development is likely assured. Using this most recent data, a supportable value for the subject property is closer to the mean at \$0.40/sf or \$37,500 (2.16 acres at \$17,360/acre.) Typically, vacant, raw land sales in this area reflect roughly 15%-20% of the total value of a property similar to our subject property.

CERTIFICATION

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 I have no personal interest or bias with respect to the parties involved.
- 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 (3) year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made an internal and external inspection of the properties that are the subject of this report.
- Becky Ketterling, MT Appraisal Trainee REA-RET-LIC-9169, provided significant real property appraisal assistance to the person signing this certification. Significant appraisal assistance includes site, building and neighborhood inspections and descriptions, research of comparable sales and market analysis, final reconciliation and report writing.

Respectfully submitted,



Steven M. Repac
Certified General Appraiser
MT REA-RAG-LIC-58

Date: 31 Jul 17

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

DEFINITIONS:

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

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

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

PROPERTY RIGHTS APPRAISED:

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

EFFECTIVE DATE OF VALUATION AND DATE OF INSPECTION:

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

SUBJECT PROPERTY DESCRIPTION & CHARACTERISTICS:

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

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

ASSIGNMENT CONDITIONS:

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

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

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

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

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

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

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

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

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

Appraised Values Required:

The appraisal for each cabin and home site must:

1. Include a total market value of the property, with the hypothetical condition that land and improvements are in fee simple ownership, with one owner.
2. Include a separate market value for the state-owned cabin or home site (land), under the hypothetical condition of it being vacant raw land exclusive of real property improvements.
3. Allocate a separate market value for the non-state-owned improvements, from the total market value derived in 1 above.
4. Valuation of the improvements must account for all forms of obsolescence.

MONTANA DNRC TRUST LAND MANAGEMENT DIVISION

Supplemental Appraisal Instructions

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

Subject Property (Located in Yellowstone County):

Sale #	Acres	Legal Description
888	2.16 ±	Lot in NW¼NW¼SW¼, T2N-R27E, Sec. 16

DNRC Contact Information:

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

Lessees:

Sale 888 Robert Schwab 6725 12 Mile Rd. Shepherd, MT 59079 (406) 373-5324
--

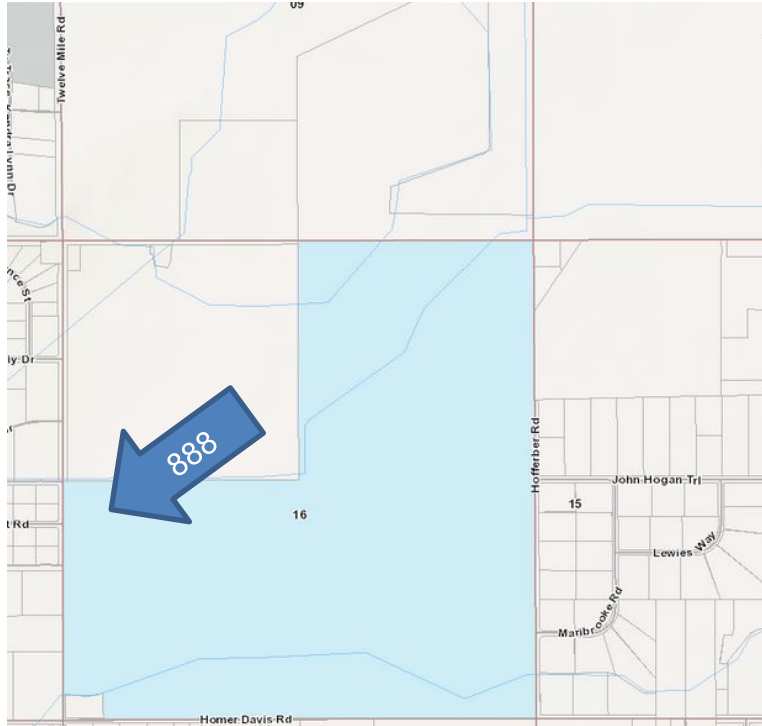
The following will be located in the body of the contract:

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

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

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

YELLOWSTONE COUNTY SALE LOCATION MAP



Sale No. 888

NW 1/4 NW 1/4 SW 1/4 T2N-R27E Sec. 16

