

APPRAISAL REPORT

PayneWest Insurance Office Building
and
Adjoining Surface Parking Lots

2323 Second Avenue North
Billings, Montana

APPRAISAL FOR: Yellowstone County Commissioners
c/o Daniel L. Schwarz, Chief Deputy County Attorney
217 North 27th Street
Yellowstone County Courthouse
Billings, MT 59107

APPRAISAL BY: George L. Simek
2320 3rd Avenue North
Billings, MT 59101
(406) 245-6926

EFFECTIVE DATE: February 23, 2016

DATE OF REPORT: November 4, 2016

G.L.Simek

Certified General Real Estate Appraiser and Consultant
2320 3rd Avenue North
Billings, MT 59101
(406) 245-6926

November 4, 2016

Yellowstone County Commissioners
c/o Daniel L. Schwarz, Chief Deputy County Attorney
217 North 27th Street
Yellowstone County Courthouse
Billings, MT 59107

RE: PayneWest Insurance office building and adjoining surface parking lots
2323 2nd Avenue North
Billings, Montana

Dear Mr. Schwarz:

As previously agreed to and appropriate for this appraisal, I hereby furnish you with an Appraisal Report on the above referenced property located in Billings, Montana.

The purpose of this appraisal is to provide a supported opinion of the market value range of the subject property that will be used as an aid in or to support decisions related to purchasing the real property. The property rights appraised are the fee simple estate. The value(s) reported in the Reconciliation and Certification of Value sections are subject to the Assumptions and Limiting Conditions contained in this report. The reader's attention is specifically directed to the Exceptional Assumptions and Limiting Conditions on page 14 of this report.

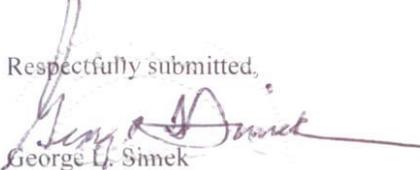
The narrative report that follows sets forth my value conclusions along with the identification of the property and summary discussions of pertinent facts about the area, the subject property, comparable data, the results of the investigation and analysis undertaken and the reasoning that form the basis of my opinion.

This report was prepared for and my professional fee billed to the client, Yellowstone County Commissioners. The intended users are appropriate Yellowstone County Officials and is intended for their sole and exclusive use. **This report may not be distributed to or relied upon by other unintended users, persons or entities. Parties who receive a copy of this report as a consequence of disclosure requirements applicable to the appraiser's client do not become intended users of the report unless they are specifically identified by the appraiser at the time of the assignment. Any entity/person receiving a copy of this appraisal report from the client does not, as a consequence, become a party to the appraiser-client relationship. The appraiser is not obligated to discuss any aspect of this report with unintended users, entities or third parties nor is he responsible or liable for any unauthorized use of this report. Any use of this report other than the intended use stated in this report nullifies and voids the analysis and value estimate(s) provided herein.**

The report is in compliance with written and/or oral instructions from Mr. Daniel L. Schwarz and conforms to the Uniform Standards of Professional Appraisal Practice (USPAP).

I trust you will find the information contained within this report useful for your needs. In the event you have any questions, please do not hesitate to contact the appraiser.

Respectfully submitted,



George L. Simek
Certified General Real Estate Appraiser with endorsement of Real Estate Appraiser Mentor
State of Montana, License No. REA-RAG-LIC-426

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INTRODUCTION



**PayneWest Insurance Office Building
2323 2nd Avenue North
Taken by George L. Simek on 10/14/2016**

SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS

Primary Owner: Hoiness LaBar Insurance, Inc.
P.O. Box 30638
Billings, MT 59107-0638

Property Address: Parcel 1 – Northwest corner of North 23rd and 2nd Avenue North
Billings, MT
Parcel 2 – 217 North 24th Street
Billings, MT
Parcel 3 – 209 North 24th Street
Billings, MT
Parcel 4 – 2323 2nd Avenue North
Billings, MT

Legal Descriptions:

Legal Description Summary	
Identification	Legal Description
Parcel 1	Lots 1 and 2, Block 62, Billings Original Townsite
Parcel 2	Lots 17 and 18, Block 62, Billings Original Townsite
Parcel 3	Lots 19 and 20, Block 62, Billings Original Townsite
Parcel 4	Lots 21, 22, 23 and 24, Block 62, Billings Original Townsite

All four parcels are located in the City of Billings, Yellowstone County, in the State of Montana.

Area Economic Conclusions: Professional/medical office, retail, service, restaurant/casino/lounge, financial institutions, hotel/motel, government office buildings, surface parking lots, retirement facilities, single and multi-family structures and public bus transfer complex.

Type of Property: Office facility with adjacent paved parking lots.

Highest & Best Use: As Vacant – Service or professional office uses. Alternatively, use as surface parking lots on an interim basis or assemblage with adjacent properties may be maximally productive.

As Improved – Continued use as a professional office facility with adjacent surface parking lots.

2015 Taxes –

2015 Tax Summary		
Identification	Tax Code	2015 Real Estate Tax Liability
Parcel 1	A00402	\$ 2,047.61
Parcel 2	A00412	\$ 1,873.45
Parcel 3	A00413	\$ 1,932.39
Parcel 4	A00414	\$19,510.69

Zoning: All four parcels are situated in the Central Business District (CBD)

Site Size –

Site Area Summary	
Identification	Gross Site Area
Parcel 1	7,000 SF
Parcel 2	7,000 SF
Parcel 3	7,000 SF
Parcel 4	14,000 SF

Building Improvements: Parcels 1, 2 and 3 – None (surface parking lots).
Parcel 4 – 17,926 SF of professional office space.

Office Building SF Summary	
Identification	Area in SF
Main Floor	3,606 SF
Upper Level	7,160 SF
Lower Level	<u>7,160 SF</u>
GBA in SF	17,926 SF
Basement Area ¹	2,112 SF

¹Approximately 608 SF± is finished.

Observation Date: 10/14/2016 and 10/18/2016

Effective Date: 2/23/2016

Value Indications		
Land Value		
	Site 3:	\$266,000
Cost Approach:		NA
Sales Comparison Approach		
	Direct Comparison Site 1:	\$129,500
	Direct Comparison Site 2:	\$252,000
	Direct Comparison Site 3:	<u>\$1,377,400</u>
	Direct Comparison Sites 1, 2 and 3:	\$1,758,900
Income Capitalization Approach		
	Direct Capitalization:	\$1,729,500 to \$1,898,000

TYPE OF APPRAISAL REPORT

Appraisal Report	Restricted Report
X	

Appraisal Report – A written report that is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the USPAP standards for an Appraisal Report. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated within this report. The appraiser is not responsible for unauthorized use of the report.

COMPETENCY STATEMENT

I, George L. Simek, have the education, knowledge and experience to competently complete an appraisal of the subject property. Refer to the appraiser’s qualifications in the Addenda.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to provide a supportable opinion of the market value range of the subject property as of the effective date of the appraisal, February 23, 2016.

INTENDED USE/USER OF THE APPRAISAL

This appraisal will be used as an aid in or to support decisions related to purchasing the real property. The intended users are appropriate Yellowstone County officials. **This report may not be distributed to or relied upon by other unintended users, persons or entities. Parties who receive a copy of this report as a consequence of disclosure requirements applicable to the appraiser’s client do not become intended users of the report unless they are specifically identified by the appraiser at the time of the assignment. Any entity/person receiving a copy of this appraisal report from the client does not, as a consequence, become a party to the appraiser-client relationship. The appraiser is not obligated to discuss any aspect of this report with any unintended users, entities or third parties which are not stated as an intended user in this report nor is he responsible or liable for any unauthorized use of the report. Any use of this report other than the intended use stated in this report nullifies and voids the analysis and value estimate(s) provided herein.**

This appraisal was requested by Mr. Daniel L. Schwarz. This appraisal has been completed to comply with USPAP and written/oral instructions from Mr. Daniel L. Schwarz.

SCOPE OF THE APPRAISAL

I discussed the assignment with the client and observed the existing structural and site improvements on 10/14/2016. In addition, I referenced Yellowstone County CAMA data.

I examined the subject's marketing area to determine the existing and proposed inventory as well as demand for and marketability of the subject property. Based on the location of the subject property, surrounding land use/trends and structural improvements, the highest and best use of the land as vacant and as improved was determined.

I searched the local market for recent land sales in the downtown area in addition to utilizing land sales from my data base. The land sales selected are based on location and zoning; they are not selected on the sale price. A land value was reported for the subject property.

The Cost Approach is a good indicator of the value when the improvements are new or relatively new, represent the highest and best use of the land or where there are few sales or limited lease data available. The subject property was developed in 1959 and has been renovated over the years. The Cost Approach would require estimating the effective age of the improvements in order to determine the amount of depreciation to apply to the reconstruction cost new. There are adequate but limited sales and income/expense data available with which to determine a value indication by the Income Capitalization and Sales Comparison Approaches. Therefore, a value opinion by the Cost Approach has not been included in this report.

A survey of professional office rental rates in the downtown area was conducted. Rental rates and a vacancy rate for the subject property were estimated. The landlord's operating expenses were estimated and deducted from the effective gross income to derive the net operating income. A cap rate was determined from sales of office properties in the community and the downtown area. Cap rates from the mortgage equity band of investment method were referenced. The net operating income was capitalized and a value range indication was generated.

I searched the local market for sales of professional office properties in the downtown area and utilized sales from my data base. Four sales, one pending sale and one listing were identified and analyzed with respect to the subject property. A value estimate by the Sales Comparison Approach was reported.

The value range indicated by the Income Capitalization Approach and the value estimate indicated by the Sales Comparison Approach were reconciled and a value opinion range of the fee simple estate was reported.

DEFINITION OF MARKET VALUE¹

"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 are the consummation of a sale as of a specific date and the passing of 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 time is allowed for exposure in the open market;
- payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.

PROPERTY RIGHTS APPRAISED

The property rights appraised are the fee simple estate.

NON-REALTY ITEMS

No personal property items, e.g., furniture, fixtures and equipment (FF&E) or other non-realty items have been included in the value estimates provided herein. There is considerable FF&E (chairs, tables, desks and portable walls) that is reported to be included in the sale of the subject property if the client exercises their option to purchase the property. The client may contact an expert in valuing FF&E if desired.

¹ Federal Register, Rules and Regulations, Volume 55, No. 165, page 34696.

ASSUMPTIONS AND LIMITING CONDITIONS

1. The effective date of value to which the opinions expressed in this report apply is set forth in the certification. The appraiser assumes no responsibility for economic or physical factors occurring at some later date that may affect the opinions stated herein.
2. No opinion is intended to be expressed for legal matters that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.
3. No opinion as to title is rendered. Data on ownership and the legal descriptions were obtained from sources generally considered reliable. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.
4. An engineering survey has not been conducted by the appraiser. Except as specifically stated, data relative to size and area was taken from sources considered reliable.
5. The maps, plats and exhibits included herein are for illustration only and used as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.
6. No opinion is expressed as to the value of subsurface oil, gas, or mineral rights and that the property is not subject to surface entry for the exploration or removal of such materials except as expressly stated.
7. Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal unless such arrangements are made a reasonable time in advance and at an additional fee.
8. A title report was not made available to the appraiser. The appraiser assumes no responsibility for such items of record not disclosed in a title report or by his normal investigation in the appraisal process.
9. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report.
10. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined and considered in this report.
11. It is assumed that all required licenses, certificates of occupancy, or other legislative or administrative authority from any local, state or national governmental, or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.

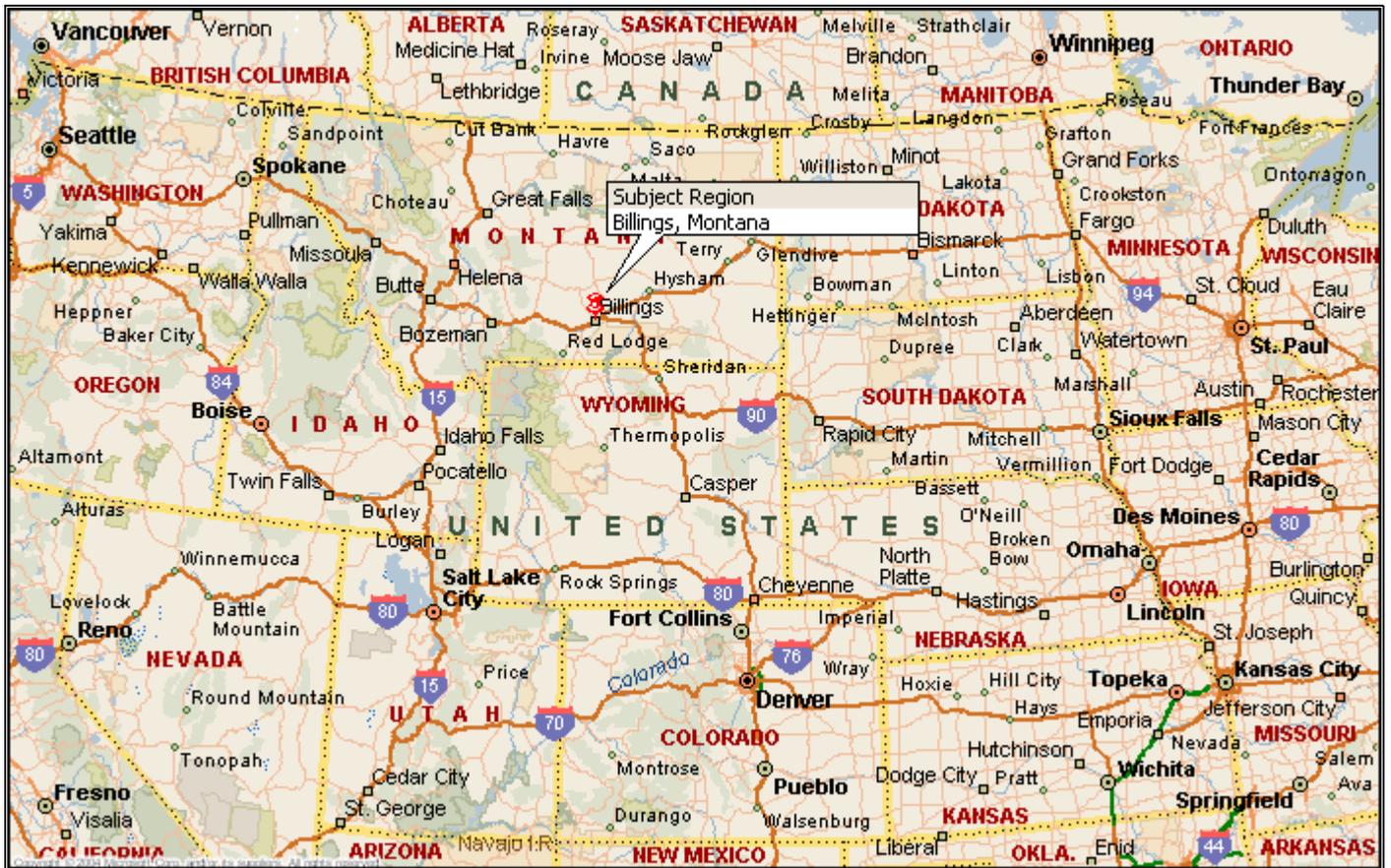
12. It is assumed that the utilization of the land and improvements are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. Unless otherwise stated in this report, the existence of hazardous material that may or may not be present on the property was not observed by the appraiser. The appraiser has no knowledge of the existence of such material on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as toxic waste, asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
14. On January 26, 1992, the Americans with Disabilities Act (ADA) became effective. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.
15. The appraiser **is not** a property inspector, general contractor, structural engineer, environmental specialist, plumber, electrician, roofer, pest control specialist, etc. A physical inventory of the subject property is required as part of the appraisal process in order to a) adequately describe the real estate in the appraisal report, b) develop an opinion of the highest and best use, and c) make meaningful comparisons in the valuation of the property, but it does not constitute an expert inspection of the property. In addition, the appraiser does not have professional expertise regarding deed restrictions, FEMA and zoning classifications. Zoning classification data is obtained from the City/County Planning and FEMA data is based on FEMA maps when available. The property inventory and appraisal do not guarantee that the property is free of defects including code violations. In order to fully and adequately determine the condition of the subject property, the client and/or parties involved with the property are encouraged to consult specialists in their respective fields of expertise. The appraiser makes no warranties, either expressed or implied.
16. The liability of George L. Simek is limited to the client and to the fee collected. **This report may not be distributed to or relied upon by other unintended users, persons or entities. Parties who receive a copy of this report as a consequence of disclosure requirements applicable to the appraiser's client do not become intended users of the report unless they are specifically identified by the appraiser at the time of the assignment. Any entity/person receiving a copy of this appraisal report from the client does not, as a consequence, become a party to the appraiser-client relationship. The appraiser is not obligated to discuss any aspect of this report with any unintended users, entities or third parties nor is he responsible or liable for any unauthorized use of this report. Any use of this report other than the intended use stated in this report nullifies and voids the analysis and value opinion(s) provided herein.** The appraiser assumes no responsibility for any costs incurred to discover or correct any deficiencies of any type present in the property, physically, financially, economically or legally.

17. This appraisal report contains "trade secrets and commercial or financial information" which is privileged and confidential and exempt from disclosure under 5 U.S.C. 552 (b) (4). Disclosure of the contents of this report is governed by the Bylaws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report shall be used for any purposes by anyone but the client specified in the report, nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser. Notify George L. Simek of any request to reproduce this appraisal in whole or in part.

EXCEPTIONAL ASSUMPTIONS AND LIMITING CONDITIONS

1. The State of Montana is a "nondisclosure" state and as such, sale prices of real estate are not publicly recorded, therefore, few centralized sources of sale prices for real estate transactions exist. In addition, no one associated with a real estate sale transaction is obligated to release or verify information. The client is hereby notified that it is possible there may be sales of comparable properties of which I have no knowledge and have not analyzed herein. The information presented herein has been gathered from sources deemed reliable and every effort has been made to insure its accuracy.
2. A Phase I Environmental report was not made available to the appraiser. The analysis and value(s) reported herein are null and void should such an environmental report disclose the presence of hazardous substances on or within the subject site. The client is urged to retain an expert in this field, if desired.
3. Yellowstone County and assigns agree to indemnify and hold harmless, George L. Simek, Real Estate Appraiser and Consultant and employees/trainees from any and all claims for loss and liabilities of any nature whatsoever arising out of or related to this contract, the appraisal report, or use of this report for any other use by any unintended user.
4. The effective date of this report is the date requested by the client which is based on a lease negotiated between PayneWest Insurance, Inc. and Yellowstone County on February 23, 2016.
5. Desks, chairs, tables and portable walls pictured in the subject pictures are not included in the value opinion range stated in this report. These fixtures are FF&E and will be purchased separately by the client if they exercise their option to purchase the property.
6. Gross building, office and basement areas are based on Yellowstone County CAMA data.

REGIONAL LOCATION MAP



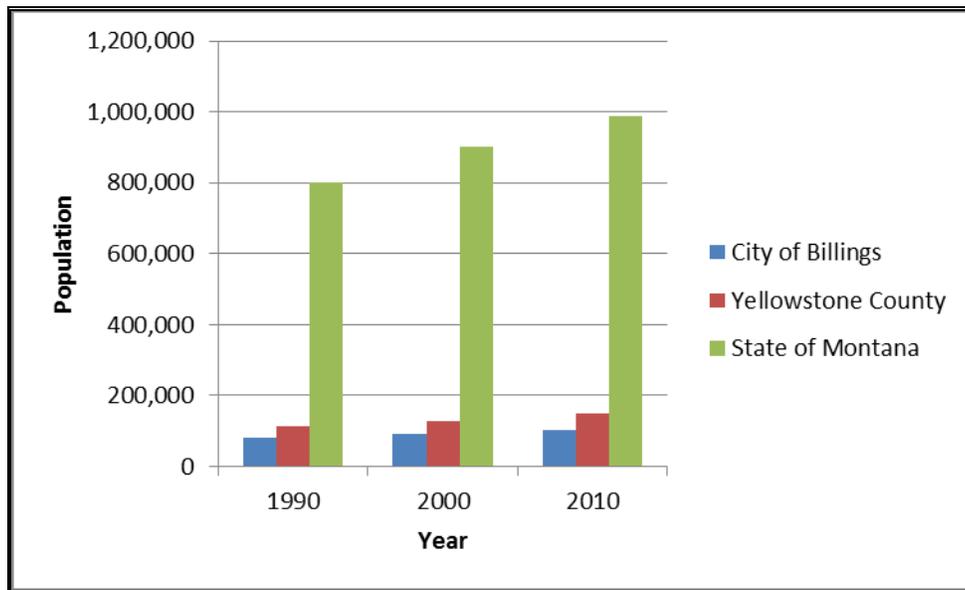
REGION/CITY DATA/TRENDS

The City of Billings, county seat of Yellowstone County, is located in south central Montana, midway between Seattle, Washington and Minneapolis, Minnesota and 550 miles northwest of Denver, Colorado.

Billings is a transportation hub for Montana which includes Logan International Airport and Greyhound Bus Lines, a transcontinental bus line. Burlington Northern and Montana Rail Link Railroads transport freight to and from the area; passenger rail service is not available. Interstate Highways 90 and 94 intersect at Billings and are supplemented by several other major highways. City buses and taxi services provide local and interurban service throughout the city.

Social Forces

Historical population statistics for Billings, Yellowstone County and Montana according to the U.S. Census Bureau are illustrated in the graph on the following page.



According to estimated census population figures put together by the U.S. Census Bureau, the Montana population increased by 2.60% from 2010 to 2013, Yellowstone County increased by 2.64% and Billings has increased in population by 2.46% over the same time period.

Economic Forces

Billings is Montana’s largest trade and service center and enjoys a diversified business economy for manufacturing, wholesale distribution, retailing, governmental agencies, medical, oil, gas and coal industries and agricultural related businesses. In addition, Billings has a modern regional shopping center located in the western portion of the community. Its department stores and specialty shops attract customers from all parts of the trade area.

Agriculture, tourism and recreation also play a major role in the city’s and area’s economy.

While no one industry is believed to play a decisive role in the future of the city, the Billings economy receives positive impact from the development of oil, gas and coal reserves in eastern Montana, northeastern Wyoming and western North Dakota. In addition, Billings has received economic benefits from the mining activity at the Stillwater Mine located approximately 100 miles southwest of the community. There is renewed interest in coal mining in the Roundup area and the Stillwater Mining operations that could have an impact in the local economy.

The City of Billings has two general hospitals, the Billings Clinic and St. Vincent Hospital, which serve a large population in Montana and northern Wyoming.

Billings has numerous commercial banks, savings banks and credit unions. There are public and private lower educational institutions that include parochial, elementary, middle and high schools with two four-year colleges and a number of vocational and trade schools that offer a wide variety of vocational and technical training.

The major employers in the Billings area according to the Census and Economic Information Center, Montana Department of Commerce are the Federal Government, the Billings Clinic, Billings School District #2, St. Vincent Hospital and Health Center, State of Montana, City of Billings, Better Business Systems, Yellowstone County, Wells Fargo Bank and First Interstate Bank.

Since 1995 the unemployment rate for Yellowstone County has consistently averaged about one percentage point below the state average and has remained well below the national average since at least 1989. The unemployment rate for August 2016 for the nation was reported to be 4.9%, 4.3% for Montana and 3.2% for Yellowstone County.

Governmental Forces

Billings has a council-manager form of government comprised of the mayor, ten council members and a city manager. The City of Billings Police and Fire departments provide security and fire protection services. All utility services and public transportation are available.

There is a city/county planning department that governs new commercial and residential building developments.

Environmental Factors

The geography for Billings is a mix of plains and mountains. The city is situated 3,126 feet above sea level.

The climate is semi-arid with low year-round humidity with moderate annual precipitation and temperatures.

Trends

The economy is projected to keep expanding. Renewed interest in mining operations in the Roundup and Stillwater areas has some long-term employment growth potential.

The general retail market in the central business district is not as strong as in previous years. The trend has been towards specialty retail establishments. There are several street level retail rental suites in the “prime” downtown area that are available for lease. There has been an increase in development activity with respect to renovation of existing facilities into mixed use apartment, retail and/or office buildings as evidenced by the current renovation of the Babcock Building located at the southwest corner of North Broadway and 2nd Avenue North and the renovation of the Northern Hotel located at the southeast corner of North Broadway and 1st Avenue North. In addition, a new Federal Courthouse located along 2nd Avenue North just east of North 27th Street, a Federal office building at 4th Avenue North and North 20th Street, a new bank and office building at the northwest corner of North Broadway and 4th Avenue North and a public library at the southwest corner of 6th Avenue North and North Broadway have been completed. The former Greyhound Bus Station located at the southwest corner of North 25th Street and 1st Avenue North has been renovated and converted into an entertainment venue. A new office/retail and parking garage has been completed at the northeast corner of North Broadway and Montana Avenue. In addition, a large office, retail, hotel and convention center and apartment complex to be developed in the downtown area is in the planning stages.

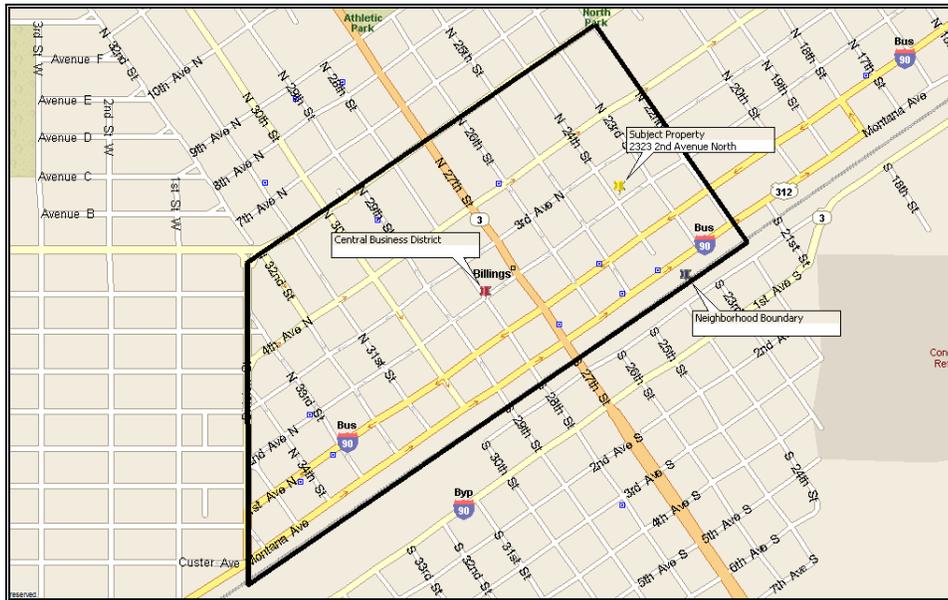
There has been sporadic commercial and residential development in the Billings Heights, Lockwood and west/southwest Billings areas. There continues to be strong retail development along King Avenue West in the Montana Sapphire Subdivision and around the Shiloh Road/I-90 Interchange in addition to an increase in new commercial development activity taking place in the TransTech Subdivision north of the Shiloh Road/I-90 Interchange.

The multi-family market has remained stable as additional supply has been added with vacancy rates reported to be in the range from 0% to 5%. Landlords and leasing agents report that apartment rental rates are increasing.

There was a slowdown in new single-family residential development including demand for homes at the upper end of the value range starting in spring/summer of 2008 and continues today. Tightening credit standards has also had an impact on demand. On the negative side, due to a slowdown in the Bakken oil field activity in North Dakota and eastern Montana, there has been a decrease in demand for truck/trailer repair and service and demand for large warehouse/shop space to provide support services for Bakken oil drilling equipment and personnel. In addition, there has been an increase in the amount of professional office space available for lease in the community. Local residential real estate appraisers report that the residential home market is still good.

Overall, the economic outlook for the immediate and foreseeable future for Billings and the general vicinity is positive. Household income and population are expected to grow at modest, sustainable rates.

NEIGHBORHOOD MAP



NEIGHBORHOOD DATA/TRENDS

The boundaries of the subject neighborhood are 6th Avenue North (N), Division Street (W), railroad tracks (S) and North 22nd Street (E). The subject property is located near the middle of the designated neighborhood’s easterly boundary and approximately four blocks east of the central business core of the downtown area.

Access to the neighborhood is provided from Montana Avenue, 2nd and 4th Avenues North and Grand Avenue from the west, North/South 27th Streets from the north and south, North 30th Street from the north and 1st, 3rd and 6th Avenues North from the east. In addition, there are numerous east/west and north/south collector streets that provide access to the neighborhood. The South 27th Street/I-90 Interchange is located approximately 1¼ miles southeast of the southerly neighborhood boundary.

Utilities include public water and sewer, natural gas, electricity and telephone services. The utilities appear adequate to serve the needs of the various commercial and residential properties in the neighborhood.

Police and fire protection and public transportation are available.

Typical occupancies include general commercial, hotels and motels, casinos/lounges/restaurants, retail stores, financial institutions, medical/professional office, service, apartments, residential/commercial condominiums and surface and structural parking facilities. There are also older single and multi-family properties dispersed throughout the neighborhood. The commercial and residential structures reflect a wide mix of ages and design.

Trends

My investigation of the subject neighborhood indicates that it appears to be in a revitalization stage. The neighborhood was originally developed 70 to 80 years ago as the central business district and residential area of the community. The current trend is for the renovation/remodeling of existing structures into office, specialty retail and restaurant establishments including the conversion of smaller residential properties into surface parking lots. Those areas on the fringe of the subject neighborhood have remained static with little development or sales activity to date.

A new Federal Courthouse, a federal office building, an office/bank facility, a public library and parking/office/retail structure have recently been completed. The Babcock Building and the Northern Hotel have been extensively renovated and a large apartment, hotel and convention center, office, parking garage and retail complex to be located in the downtown area is in the planning stages.

On the negative side, there are several retail and office buildings in the prime downtown area that have rental suites available for lease.

In conclusion, the economy of the central business district does not appear as strong as in previous years, however, there is still interest in the downtown area as evidenced by the renovation/remodeling and sales of existing buildings in the central business district.

PROPERTY DATA

TAX AND ASSESSMENT DATA

The Yellowstone County Assessor’s records for the subject property are illustrated in the table below. The taxes do not include any furniture, fixtures and equipment (FF&E).

AD VALOREM TAX INFORMATION		
Code/Classification	Market Value	2015 Taxes
A00402		
Land Value	\$119,175.00	
Improvement Value	<u>\$ 8,920.00</u>	
Total Value	\$128,095.00	\$2,047.61
A00412		
Land Value	\$119,175.00	
Improvement Value	<u>\$ 0.00</u>	
Total Value	\$119,175.00	\$1,873.45
A00413		
Land Value	\$119,175.00	
Improvement Value	<u>\$ 0.00</u>	
Total Value	\$119,175.00	\$1,932.39
A00414		
Land Value	\$ 145,425.00	
Improvement Value	<u>\$1,307,175.00</u>	
Total Value	\$1,452,600.00	\$19,510.69

Special Assessments

The appraiser has no actual knowledge nor has received any notice of any other special assessments levied or about to be levied against all or any part of the subject property.

ZONING

The subject property is situated within the Central Business District (CBD) zoning district.

On-site Parking

There are no on-site parking requirements for properties situated in the CBD. However, there are approximately 66 on-site parking spaces on the northerly and easterly sides of the property counted during the field observation. There is street parking available along North 24th and North 23rd Streets and along 2nd Avenue North. In addition, there are several surface parking lots in minimal walking distance to the subject property.

SUBJECT PICTURES



North and west elevations of the subject building looking to the southeast from near northwest corner of site.
Taken by George L. Simek on 10/14/2016



South and west elevations of the subject building looking to the northeast from near southwest corner of site.
Taken by George L. Simek on 10/14/2016



South and east elevations of the subject building looking to the northwest from near southeast corner of site.
Taken by George L. Simek on 10/14/2016



East and north elevations of the subject building looking to the southwest from near northeast corner site.
Northerly parking lot (Site 2) in foreground of photograph.
Taken by George L. Simek on 10/14/2016



Northerly parking lot (Site 2) looking to the east from North 24th Street entrance to lot.
Taken by George L. Simek on 10/14/2016



Easterly parking lot (Site 1) looking to the west from North 23rd Street entrance to lot.
Taken by George L. Simek on 10/14/2016



Looking to the south along the east side of North 24th Street from near northwest corner of northerly parking lot.
Subject property at left center of photograph.
Taken by George L. Simek on 10/14/2016



Looking to the north along the east side of North 24th Street from near southwest corner of subject property.
Subject property at right center of photograph.
Taken by George L. Simek on 10/14/2016



Looking to the east along the north side of 2nd Avenue North from near southwest corner of subject property.
Subject property at left center of photograph.
Taken by George L. Simek on 10/14/2016



Looking to the west along the north side of 2nd Avenue North from near southeast corner of easterly parking lot.
Subject property at right center of photograph
Taken by George L. Simek on 10/14/2016



Looking to the north along the west side of North 23rd Street from southeast corner of easterly parking lot.
Subject property at lower left corner of photograph.
Taken by George L. Simek on 10/14/2016



Looking to the south along the west side of North 23rd Street from northeast corner of easterly parking lot.
Subject property at right center of photograph.
Taken by George L. Simek on 10/14/2016



Private lower level peripheral office area (typical).
Taken by George L. Simek on 10/18/2016



Employee "bull pen" office area (typical).
Taken by George L. Simek on 10/18/2016



Employee work area (typical).
Taken by George L. Simek on 10/18/2016



Conference area (typical).
Taken by George L. Simek on 10/18/2016



First floor client reception area.
Taken by George L. Simek on 10/18/2016



Stairs leading to upper and lower level office areas.
Taken by George L. Simek on 10/18/2016



Employee break room and lounge area.
Taken by George L. Simek on 10/18/2016



Men's restroom (typical).
Taken by George L. Simek on 10/18/2016



Women's restroom area (typical).
Taken by George L. Simek on 10/18/2016



Basement employee lounge area.
Taken by George L. Simek on 10/18/2016



Mechanical area.
Taken by George L. Simek on 10/18/2016



Fire suppression water supply system.
Taken by George L. Simek on 10/18/2016

SITE MAP



For purposes of this analysis, the subject property will be separated into three separate sites. Site 1, outlined in red, is the easterly parking lot, Site 2, outlined in yellow, is the northerly parking lot and Site 3, outlined in blue, has an office building situated on it and also has a small parking lot near the northwest corner of the site.

Site 1 – This site is a rectangular shaped corner parcel located at the northwest corner of 2nd Avenue North and North 23rd Street. The site has 50’ of frontage along the west side of North 23rd Street and 140’ of frontage along the north side of 2nd Avenue North with a gross site area of 7,000 SF. There are curb, gutters and sidewalks present. The northerly boundary abuts private property and a paved public alley runs along the westerly boundary. The site has good visibility from North 23rd Street and 2nd Avenue North. Access to the site is from one curb cut on North 23rd Street and from the public alley.

Site 2 – This site is a rectangular shaped interior parcel located along the east side of North 24th Street. The site has 100’ of frontage along the east side of North 24th Street. The northerly and southerly boundaries abut private property and a paved public alley runs along the easterly boundary. The site has a gross area of 14,000 SF. There are curb, gutters and sidewalks present. The site has good visibility from North 24th Street. Access to the site is from one curb cut on North 24th Street and from the public alley.

Site 3 – This site is a rectangular shaped corner parcel located at the northeast corner of 2nd Avenue North and North 24th Street. The site has 100’ of frontage along the east side of North 24th Street and 140’ of frontage along the north side of 2nd Avenue North with a gross site area of 14,000 SF. There are curb, gutters and sidewalks present. The northerly boundary abuts the northerly parking lot (Site 2) and a paved public alley runs along the easterly boundary. The site has good visibility from North 24th Street and 2nd Avenue North. Access to the site is from one curb cut on North 24th Street.

North 23rd and North 24th Streets are paved two way collector streets and 2nd Avenue North is a paved two lane one-way east bound minor arterial in this area of the community. The three sites are generally level and at grade with adjacent properties and streets.

All utility services are available to the three sites. There are overhead power/telephone lines that run along the east side of the public alley.

According to FIRM Map No. 30111C1270E, the sites are not situated within a designated flood zone. Yellowstone County is located within Seismic Zone 1.

The physical inventory of the subject site did not reveal any other visual easements and/or restrictions, encroachments, nuisances, hazards, detrimental influences or private deed restrictions that would impact site utilization or value.

Site 1

Site Improvements –

There are trees, grass, underground sprinkler system, storm drain and concrete walk ways. There are 24 paved and striped parking spaces with concrete parking bumpers.

Structural Improvements – None

Site 2

Site Improvements –

There are trees, grass, underground sprinkler system, storm drain and concrete walk ways and curbing. There are 28 paved and striped parking spaces.

Structural Improvements – None

Site 3

Site Improvements –

There are trees, grass, bushes, underground sprinkler system, storm drain and concrete walk ways and curbing. There are 14 paved and striped parking spaces.

Structural Improvements –

FOOTING/FOUNDATION:	Concrete.
FLOOR STRUCTURE:	Concrete/wood.
FLOOR COVER:	Carpeting, sheet/vinyl tile, ceramic tile and concrete.
FRAME:	Wood frame.
EXTERIOR WALL:	Natural brick and painted wood siding. Exterior doors are metal in metal frames and wood/glass in wood frames. Windows are double/single pane fixed, awning and casement in wood frames.
PARTITIONS:	Wood stud framing with painted concrete block/sheetrock, vinyl wallpaper, wood paneling and ceramic tile wainscoting. Doors are wood/glass in wood frames.
CEILING:	Fixed and lay-in acoustical tiles, painted sheetrock, exposed wood beams with florescent and incandescent lighting.
ROOF STRUCTURE:	Gable.
ROOF COVER:	Built-up and membrane.
HVAC:	Gas fired forced air heat and air conditioning.
ELECTRICAL:	All wiring systems assumed to be in compliance with applicable federal, state and local codes. The number and type of fixtures and outlets are typical for the quality of construction and occupancy.
PLUMBING:	There are men's and women's restrooms on the upper and lower levels with a combination of sinks, urinals and toilets in each. In addition, there is a shower and sauna area on the upper level. The plumbing is typical for the quality of construction and occupancy.
INSULATION:	Yes, batt insulation.
INTERIOR FINISH:	Good.

QUALITY/CONDITION: The overall quality of the materials and workmanship is good quality construction in good condition overall with minor signs of deferred maintenance. There are areas on the exterior wood siding that reflect chipped/peeling paint and wood decay.

COMMENTS: The office facility has a wet fire suppression system. There is a partial basement with storage and mechanical areas.

HIGHEST AND BEST USE

In appraisal practice the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are 1) legal permissibility, 2) physical possibility, 3) financial feasibility and 4) maximum profitability. Highest and best use analysis involves assessing the subject as if vacant and as improved.

Vacant Land Highest and Best Use

The sites are situated within the Central Business District (CBD) Zoning District. A wide variety of general commercial, retail, service, medical and professional office, restaurants, lounges, hotels/motels, banking and financial institutions, vehicle parking and multi and single-family uses are allowed.

The subject sites are not located within a designated flood hazard zone. Yellowstone County is located within Seismic Zone 1.

The appraiser is not aware of any other private covenants, conditions or restrictions (CCR's), nuisances, hazards or detrimental influences that run with the land. **However, a survey and title report should be consulted for final determination; neither of these documents has been supplied to the appraiser.**

Site 1 – The site is a corner parcel with a gross area of 7,000 SF. All utility services to the site are available. The parcel has good visibility and convenient access. There are curb, gutters and sidewalks present.

Site 2 – This site is an interior parcel with a gross area of 14,000 SF. All utility services to the site are available. The parcel has good visibility and convenient access. There are curb, gutters and sidewalks present.

Site 3 – The site is a corner parcel with a gross area of 14,000 SF. All utility services to the site are available. The parcel has good visibility and convenient access. There are curb, gutters and sidewalks present.

While soils were not independently investigated, no apparent adverse conditions with respect to topography and soil bearing characteristics were observed at the time of the visual inventory. Soils were not independently investigated and no opinion as to the suitability for any specific use has been rendered by the appraiser. In summary, there are no obvious physical deficiencies that preclude proper development of the sites.

The nature of existing improvements in the area reflect restaurants, casinos, medical/professional office, retail, service, financial institutions, single and multi-family residential structures and surface parking uses. The prime retail area of the central business district is located approximately five blocks to the west of the subject sites.

The Northern Hotel located at the southeast corner of North Broadway and 1st Avenue North and the Babcock building located at the southwest corner of North Broadway and 2nd Avenue North have been renovated. In addition, a new Federal Courthouse located along 2nd Avenue North just east of North 27th Street, a Federal office building at 4th Avenue North and North 20th Street, a new bank and office building at the northwest corner of North Broadway and 4th Avenue North and a public library at the southwest corner of 6th Avenue North and North Broadway have been developed. The former Greyhound Bus Station located at the southwest corner of North 25th Street and 1st Avenue North has been renovated and converted into an entertainment venue. A new office/retail and parking garage has been completed at the northeast corner of North Broadway and Montana Avenue and 112 North Broadway has been renovated into two retail spaces. A large apartment, hotel and convention center, office, retail and parking structure to be located in the downtown area is in the planning stages.

Developers and leasing agents of commercial space in the central business district report that a major concern expressed from potential tenants in the downtown area is limited parking.

There are professional office, service, restaurants/lounge/casinos, single and multi-family residential structures and surface parking lots in close proximity to the subject sites that appear to be successful. On the other hand, there are several street level retail/office suites in the prime downtown area that are vacant and available for lease. The subject sites are on the fringe of the CBD area and are not situated along major arterials, therefore, retail uses may not be financially feasible.

It is concluded that the maximally productive use of the subject sites as vacant may be for service or professional office uses. Alternatively, use as surface parking lots on an interim basis or assemblage with adjacent properties may be maximally productive.

Improved Property Highest and Best Use

The sites are situated within the CBD Zoning District. A wide variety of general commercial, retail, service, medical and professional office, restaurants, lounges, hotels/motels, banks and financial institutions, vehicle parking and multi and single-family uses are allowed.

Refer to the following table for a summary of zoning requirements for properties situated in the CBD Zoning District:

Zoning Requirements	
CBD Zoning Classification	
Minimum Lot Area in SF:	NA
Minimum Yard Requirements	
Front	NA
Side	NA
Side Adjacent to Street	NA
Rear	NA
Maximum Height	NA
Maximum Lot Coverage in Percent	NA

The CBD zoning classification is intended to primarily accommodate stores, hotels, governmental and cultural centers and service establishments at the central focal point of the city's arterial and transportation system which can conveniently serve the population of the community with a varied and specialized selection of goods and services. The CBD emphasis is on larger scale buildings and specialty stores.

Sites 1 and 2 are surface parking lots and are in conformity with other surface parking lots in the downtown area and appear to perform their function well.

Site 3 consists of a professional office facility with a gross area of 17,926 SF± with 2,112 SF of basement office, storage and mechanical room areas and is in conformity with other office properties in the area.

Surrounding improvements include professional office, financial institutions, multi and single family structures, service, restaurant and surface parking lots.

The most recent new commercial developments have been a new public library located at the southwest corner of North Broadway and 6th Avenue North and a retail/office/parking structure located at the northeast corner of North Broadway and Montana Avenue. The building located at 112 North Broadway has been recently renovated into two retail suites. The desirable retail locations are situated within a one block radius of the intersection of North Broadway and 2nd Avenue North. The subject property is situated on the fringe of the prime CBD but has convenient access to hospitals, Montana State University-Billings, shopping centers and transportation facilities which may be desirable to those people who work in the downtown area.

There is vacant office and retail space in the downtown area. Developers and leasing agents of commercial space in the downtown area report that a major concern expressed from potential tenants is limited parking. However, there are several parking garages and surface parking within walking distance.

There are office facilities in this area of the community that appear to be successful.

The subject property is good quality construction professional office space that is in good condition overall.

It is concluded that the maximally productive use of the subject property as improved may be the continued use as a professional office facility.

PROPERTY VALUATION

THE VALUATION PROCESS

The valuation process is a systematic procedure which involves defining the problem, taking a physical inventory of the subject property, conducting a highest and best use analysis, selecting, collecting and analyzing the necessary data, reconciling the value indications and reporting the final value estimate(s).

Appraisers usually consider three approaches to estimating the market value of real property, the cost approach, income capitalization approach and the sales comparison approach.

The Cost Approach assumes that an informed buyer would pay no more than the cost of developing a similar property with the same utility. This approach is applicable when the improvements are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there are limited or no sales or income/expense data from comparable properties.

The Income Capitalization Approach reflects the market's perception of a relationship between the potential income a property can generate and its market value. This approach converts the anticipated net operating income from the property into a value indication through capitalization. The methods used to determine a value indication are direct capitalization and/or a discounted cash flow analysis. This approach is generally used in appraising income producing properties.

The Sales Comparison Approach assumes that an informed buyer would pay no more for a property than the cost of purchasing another existing property with the same utility. This approach is appropriate when there is an active market with sufficient and reliable data. The Sales Comparison Approach is less reliable in an inactive market or when estimating the value of a property for which no comparable data is available. The Sales Comparison Approach is often relied upon for owner-user properties.

Reconciliation of the various approaches utilized to determine a value indication of a property into a conclusion of value is based on an evaluation of the quality and quantity of data available for each approach and the applicability of each approach to the property being appraised.

Adjustments

Comparable land and building sales and rent comparables have been considered herein. Adjustments have been made reflecting anticipated market reaction to those items of significant variation between the subject and the comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of the subject. If a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

Specific dollar amounts or percentage adjustments have been utilized whenever possible. When specific adjustments cannot be extracted from the available data, qualitative analysis was utilized in estimating the value of the subject property. Qualitative analysis is a technique used to develop a supportable or defensible opinion of value. It is appropriate when one or more elements of comparison are known to affect value, but data are insufficient to estimate a specific lump sum or percentage adjustment. It is not a shortcut to avoid the extraction of market-derived data.

VALUATION METHODS SELECTED

The following traditional valuation methods have been selected as being appropriate for estimating the defined value of the subject property.

Cost Approach		Income Capitalization Approach	X	Sales Comparison Approach	X
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A land value estimate for Site 3 will be determined. A land value estimate for Sites 1 and 2 will not be determined; they will be valued as stand-alone surface parking lots.

LAND/SITE VALUATION

The sales comparison approach using the price per square foot of gross site area for estimating the land value of Site 3 lot will be utilized. Four sales were identified and analyzed.

LAND SALES LOCATION MAP



Land Sale 1 is a corner lot located at the northeast corner of 1st Avenue North and North 29th Street. The site is utilized as a surface parking lot for Western Security Bank employees. The improvements had an estimated contributory value of \$1.00 SF of gross site area. It is reported that the buyer wants to develop an office building on the site.

Land Sale 2 is a corner site located at the northeast corner of 1st Avenue North and North 24th Street. There is a 19,614 SF building on the site that is in poor condition overall. The highest and best use of the property would be to raze the improvements and redevelop the site. In addition, there is a 7,000 SF surface parking lot along the northerly side of the building that is included in the sale price. The buyer purchased the property for the land, however, plans for the site are unknown. Demolition costs are estimated at \$59,000 and the parking lot improvements have an estimated contributory value of \$1.00 SF.

Land Sale 3 is an interior lot located on the north side of Montana Avenue between North 27th and North 28th Streets. This is the parking lot for the Windsor Court office building and Walkers Grill. The site improvements were developed in 2006 and were in good condition overall with an estimated contributory value of \$52,500. This site has been assembled with the adjacent properties by the City of Billings and developed with a new parking garage and office/retail complex.

Land Sale 4 is an interior lot located on the west side of North 27th Street just south of 1st Avenue North. This site is utilized as a surface parking lot. The buyer owns the property adjacent to the north and reports that he paid above market for the property. The parking lot improvements had a contributory value of \$1.00 SF of site area.

Refer to the following table for a direct comparison summary:

PayneWest 14,000 SF Office Building Site					
Item	Subject	Land Sale 1	Land Sale 2	Land Sale 3	Land Sale 4
Sale Price		\$882,000	\$360,000	\$410,000	\$200,000
Financing		Cash	Cash	Cash	Cash
Adjustment		\$0	\$0	\$0	\$0
Conditions of Sale		Paving	Paving/Demolition	Paving	Paving
Adjustment		(\$21,000)	\$52,000	(\$52,500)	(\$7,000)
Date of Sale	2/23/2016	8/14/2014	3/23/2012	5/4/2011	4/30/2003
Adjustment		\$0.00	\$23,677	\$28,161	\$52,335
Adjusted Sale Price		\$861,000	\$435,677	\$385,661	\$245,335
Exposure Time		NA	NA	NA	NA
Size	14,000 SF	21,000 SF	21,000 SF	9,750 SF	7,000 SF
Sale Price Per SF Site Area		\$41.00 SF	\$20.75 SF	\$39.55 SF	\$35.05 SF
DIRECT COMPARISON					
Location	Average	Superior	Superior	Superior	Superior
Adjustment		(\$24.19 SF)	(\$2.08 SF)	(\$23.33 SF)	(\$20.68 SF)
Corner Site	Yes	Similar	Similar	Inferior	Inferior
Adjustment		=	=	+	+
Size	14,000 SF	21,000 SF	21,000 SF	9,750 SF	7,000 SF
Adjustment		\$0.70 SF	\$0.70 SF	(\$0.43 SF)	(\$0.70 SF)
Indicated \$/SF		\$17.51 SF	\$19.37 SF	\$15.79 SF	\$13.67 SF

Adjustments

Financing – All of the sales were reported to be cash or cash equivalent transactions; no adjustments are warranted.

Conditions of Sale – Land Sales 1, 3 and 4 had parking lot improvements that had contributory values of \$21,000, \$52,500 and \$7,000 respectively that have been deducted from the sale prices. Land Sale 2 is an extraction. The demolition costs must be added to the sale price and the contributory value of the surface parking lot improvements must be deducted from the sale price in order to determine the value of the “dirt”; \$52,000 (\$59,000 - \$7,000) has been added to the sale price.

Date of Sale – This item of adjustment is for time elapsed between the date of a sale and the effective date of valuation. The sales span a time frame from 4/30/2003 to 8/14/2014 or up to 154 months prior to the effective date of valuation.

Analysis of two sale/resale sites between 2003 and 2014 in the downtown area suggest an appreciation rate in the range of 0.15% to 0.21% per month. Due to the limited number of vacant sites available to be developed in the downtown area and the interest in the downtown area, the upper end of the value range at 0.20% per month will be emphasized. The 0.20% adjustment will be applied to all land sales up to 8/14/2014. There is no market evidence that the appreciation has continued up to the present time. It is assumed that the current market is flat with no appreciation or depreciation in land values. The market condition adjustment is

calculated by taking the difference between the date of the land sale and 8/14/2014 to determine the number of months, then times 0.20% to get the percentage amount of upward adjustment. The reported sale price of the land sale less the contributory value of the site improvements plus any demolition costs is multiplied by the percentage of adjustment to obtain a dollar amount of adjustment. Land Sales 1, 2, 3 and 4 have been adjusted upwards by \$0, \$23,677, \$28,161 and \$52,335 respectively.

Location – The subject site is located at the northeast corner of North 24th Street and 2nd Avenue North approximately five blocks east of the prime CBD. Land Sales 1, 3 and 4 are located in close proximity to the prime CBD, superior to the location of the subject property; downward adjustments are warranted. Land Sale 2 is located within approximately one block south of the subject property, similar to the subject property with respect to proximity to the CBD, however, an adjustment for being situated along a main arterial may be warranted. The location adjustment for proximity to the CBD is determined by comparing Land Sale 1 (\$41.00 SF) to Land Sale 2 (\$20.75 SF). Comparing \$41.00 SF to \$20.75 SF suggests a downward adjustment of 49%. There is an additional location adjustment to consider. The subject site is not situated along a major arterial similar to 1st Avenue North, Montana Avenue or North 27th Street; an additional downward adjustment may be warranted. Analyzing a pair of land sales, one situated along an arterial similar to 1st Avenue North and the other situated along a street similar to 2nd Avenue North suggests a downward adjustment around 10%. The total location adjustment for Land Sales 1, 3 and 4 will be 59%. The location adjustment for Land Sale 2 will be 10% only since it is situated along 1st Avenue North. Land Sales 1, 3 and 4 have been adjusted downwards by \$24.19 SF ($\$41.00 \text{ SF} \times 0.59 = \24.19 SF), \$23.33 SF and \$20.68 SF respectively. Land Sale 2 has been adjusted downwards by \$2.08 SF ($\$20.75 \text{ SF} \times 0.10 = \2.08 SF).

Corner Site – The subject site is a corner parcel. Corner sites increase visibility and/or access, superior to interior sites. Land Sales 1 and 2 are corner sites, similar to the subject site; no adjustments are warranted. Land Sales 3 and 4 are interior sites, inferior to the subject site; upward adjustments may be warranted.

Size – Smaller sites typically have higher square foot prices. Land Sales 1 and 2 are larger than the subject site with respect to size; upward adjustments are warranted. Land Sales 3 and 4 are smaller than the subject site; downward adjustments are warranted. Analysis of land sales in the downtown area suggests an adjustment of \$0.0001 SF for difference in size. The adjustment is calculated by taking the difference between the sale's site size and the subject's site size times \$0.0001 SF. Refer to the grid for the amount of size adjustments for each land sale.

Final Correlation and Conclusion of Land Value

The indicated value range is \$13.67 SF to \$19.37 SF with a mean of \$16.59 SF and median of \$16.65 SF. The low end of the range is reflected by Land Sale 4 which is the most dated sale and will not be emphasized.

The narrowed range is from \$15.79 SF to \$19.37 SF with a mean of \$17.56 SF and median of \$17.51 SF. Land Sale 3 is part of an assemblage of adjacent lots. There may have been some buyer motivation associated with this lot due to the assemblage with adjacent lots. This sale will not be emphasized.

The narrowed range is from \$17.51 SF to \$19.37 SF with a mean and median of \$18.44 SF.

It is not clear where the value of the subject site should fall in the range between \$17.51 SF and \$19.37 SF. Land Sale 1 required a large downward adjustment for location while Land Sale 2 required a small downward adjustment for location. Both sites are corner lots, similar to the subject site and both required the same size adjustment. It is concluded, emphasizing Land Sale 2, a value near the upper end of the range at \$19.00 SF between \$17.51 SF and \$19.37 SF is reasonable and supportable.

The estimated market value of the subject lot is $14,000 \text{ SF} \times \$19.00 \text{ SF} = \$266,000$.

COST APPROACH

The subject property is utilized as an office facility that was developed in 1959 and has been renovated and maintained over the years. The Cost Approach would require estimating the effective age of the improvements in order to determine the amount of depreciation to apply to the reconstruction cost new. The Cost Approach is a valid indicator of value when the improvements are new construction, are special use properties or if there are no sales or leased properties available to analyze. There are limited sales and income/expense data available with which to determine a value indication by the Income Capitalization and Sales Comparison Approaches. Therefore, a value opinion by the Cost Approach has not been included in this report.

SALES COMPARISON APPROACH

Direct Comparison

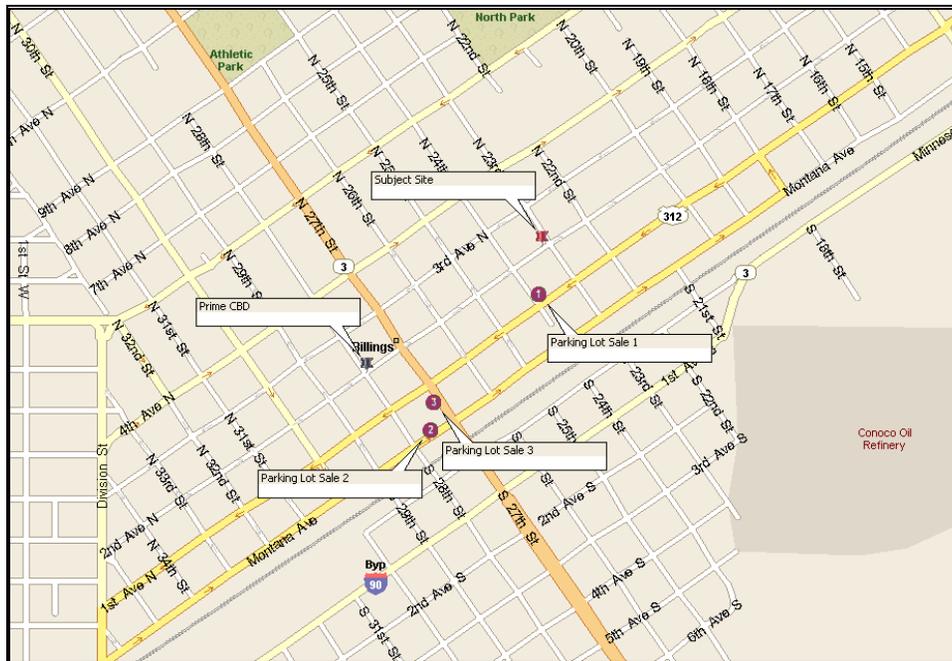
Subject Sites 1 and 2 will be valued as surface parking lots.

In this approach the market value of the subject property is estimated by direct comparison analysis.

Site 1 –

The direct comparison analysis compares improved sales to the subject property on a price per square foot of gross site area with the land. The price per SF of gross site area reflects the physical characteristics of a property and care must be taken in the parking lot sale selection process. Three sales of surface parking lots in the downtown area were analyzed. The sales analyzed are Land Sales 2, 3 and 4 utilized in the Land/Site Valuation section of this report.

7,000 SF PARKING LOT SALE LOCATION MAP



Parking Lot Sale 1 is a corner site located at the northeast corner of 1st Avenue North and North 24th Street. There is a 19,614 SF building on the site that is in poor condition overall. The highest and best use of the property would be to raze the improvements and redevelop the site. In addition, there is a surface parking lot along the northerly side of the building that is included in the sale price. The buyer purchased the property for the land, however, plans for the site are unknown. Demolition costs are estimated at \$59,000 and the parking lot improvements have an estimated contributory value of \$1.00 SF.

Parking Lot Sale 2 is an interior lot located on the north side of Montana Avenue between North 27th and North 28th Streets. This is the parking lot for the Windsor Court office building and Walkers Grill. The site improvements were developed in 2006 and were in good condition overall with an estimated contributory value of \$52,500. This site has been assembled with the adjacent properties by the City of Billings and redeveloped with a new parking garage and office/retail complex.

Parking Lot Sale 3 is an interior lot located on the west side of North 27th Street just south of 1st Avenue North. This site continues to be utilized as a surface parking lot. The buyer owns the property adjacent to the north and reports that he paid above market for the property. The parking lot improvements had a contributory value of \$1.00 SF of site area.

Refer to the following table for a direct comparison summary:

PayneWest 7,000 SF Parking Lot – Site 1				
Item	Subject	Parking Lot Sale 1	Parking Lot Sale 2	Parking Lot Sale 3
Sale Price		\$360,000	\$410,000	\$200,000
Financing		Cash	Cash	Cash
Adjustment		\$0	\$0	\$0
Conditions of Sale		Demolition	None	None
Adjustment		\$59,000	\$0	\$0
Date of Sale	2/23/2016	3/23/2012	5/4/2011	4/30/2003
Adjustment		\$23,677	\$28,161	\$52,335
Adjusted Sale Price		\$442,677	\$438,161	\$252,335
Exposure Time		NA	NA	NA
Size	7,000 SF	21,000 SF	9,750 SF	7,000 SF
Sale Price Per SF Site Area		\$21.08 SF	\$44.94 SF	\$36.05 SF
DIRECT COMPARISON				
Location	Average	Superior	Superior	Superior
Adjustment		(\$2.11 SF)	(\$26.51 SF)	(\$21.27 SF)
Parking Lot Improvements	Average	Inferior	Superior	Similar
Adjustment		+	-	=
Corner Site	Yes	Similar	Inferior	Inferior
Adjustment		=	+	+
Size	7,000 SF	21,000 SF	9,750 SF	7,000 SF
Adjustment		\$1.40 SF	\$0.28 SF	\$0.00 SF
Indicated \$/SF		\$20.37 SF	\$18.71 SF	\$14.78 SF

Adjustments

Financing – All of the sales were reported to be cash or cash equivalent transactions; no adjustments are warranted.

Conditions of Sale – Parking Lot Sale 1 is an extraction. The demolition costs must be added to the sale price; \$59,000 has been added to the sale price.

Date of Sale – This item of adjustment is for time elapsed between the date of a sale and the effective date of valuation. The sales span a time frame from 4/30/2003 to 3/23/2012 or up to 154 months prior to the effective date of valuation.

Analysis of two sale/resale sites between 2003 and 2014 in the downtown area suggest an appreciation rate in the range of 0.15% to 0.21% per month. Due to the limited number of vacant sites available to be developed in the downtown area and the interest in the downtown area, the upper end of the value range at 0.20% per month will be emphasized. The 0.20% adjustment will be applied to all sales up to 8/14/2014. There is no market evidence that the appreciation has continued up to the present time. It is assumed that the current market is flat with no appreciation or depreciation in land values. The market condition adjustment for Parking Lot Sales 1, 2 and 3 is the same as determined for respective Land Sales 2, 3 and 4 in the Land/Site Valuation section of this report. Parking Lot Sales 1, 2 and 3 have been adjusted upwards by \$23,677, \$28,161 and \$52,335 respectively.

Location – The subject site is located at the northwest corner of North 23rd Street and 2nd Avenue North approximately six blocks east of the prime CBD. Parking Lot Sales 2 and 3 are located in close proximity to the prime CBD, superior to the location of the subject property; downward adjustments are warranted. Parking Lot Sale 1 is located approximately one block south of the subject property, similar to the subject property with respect to proximity to the CBD, however, an adjustment for being situated along a major arterial may be warranted. The location adjustment for proximity to the CBD for Parking Lot Sales 2 and 3 is the same as determined in the Land/Site Valuation section of this report, 59%. The location adjustment for Parking Lot 1 will be 10% only since it is situated along 1st Avenue North. Parking Lot Sales 2 and 3 have been adjusted downwards by \$26.51 SF ($\$44.94 \text{ SF} \times 0.59 = \26.51 SF) and \$21.27 SF respectively. Parking Lot Sale 1 has been adjusted downwards by \$2.11 SF ($\$21.08 \text{ SF} \times 0.10 = \2.11 SF).

Parking Lot Improvements – The subject parking lot is average with respect to parking lot improvements. Parking Lot Sale 1 has only 7,000 SF of parking lot improvements with the remaining 14,000 SF not improved as a paved parking lot, inferior to the subject lot; an upward adjustment may be warranted. Parking Lot Sale 2 was developed in 2006, superior to the subject lot; a downward adjustment is warranted. Parking Lot Sale 3 is similar to the subject lot with respect to parking lot improvements; no adjustment is warranted.

Corner Site – The subject site is a corner parcel. Corner sites increase visibility and/or access, superior to interior sites. Parking Lot Sale 1 is a corner site, similar to the subject site; no adjustment is warranted. Parking Lot Sales 2 and 3 are interior sites, inferior to the subject site; upward adjustments may be warranted.

Size – Smaller sites typically have higher square foot prices. Parking Lot Sales 1 and 2 are larger than the subject site with respect to size; upward adjustments are warranted. Parking Lot Sale 3 is similar to the subject property with respect to size; no adjustment is warranted. The size adjustment is the same as determined in the Land/Site Valuation section of this report; \$0.0001 SF for difference in size. Parking Lot Sales 1 and 2 have been adjusted upwards by \$1.40 SF and \$0.28 SF respectively. Parking Lot Sale 3 warrants no adjustment.

Final Correlation and Conclusion of Parking Lot Value

The indicated value range is \$14.78 SF to \$20.37 SF with a mean of \$17.95 SF and median of \$18.71 SF. The low end of the range is reflected by Parking Lot Sale 3 which is the most dated sale and will not be emphasized.

The narrowed range is from \$18.71 SF to \$20.37 SF with a mean and median of \$19.54 SF. Parking Lot Sale 1 warrants an additional upward adjustment for the unfinished 14,000 SF which suggests a value greater than \$20.37 SF. Parking Lot Sale 2 warrants a downward adjustment for condition of parking lot improvements and an upward adjustment for no corner influence suggesting a value around \$18.71 SF.

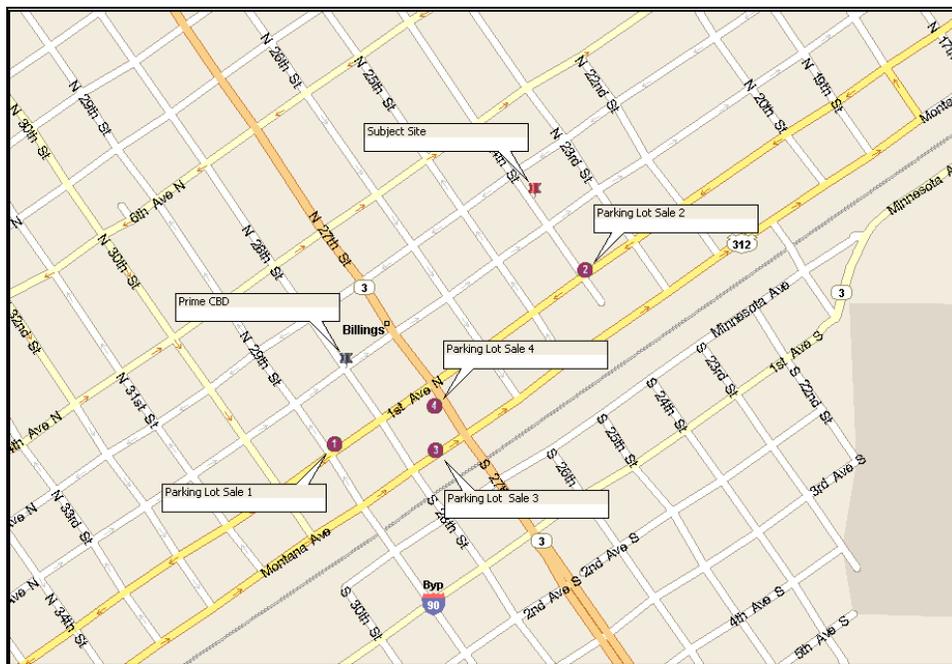
It is not clear where the value of the subject site should fall in the range between \$18.71 SF and \$20.37 SF. Parking Lot Sale 1 is an extraction and requires an addition adjustment for an unfinished 14,000 SF. Little weight will be given to this sale but establishes the upper end of the sale price range. It is concluded, emphasizing Parking Lot Sale 2, a value in the lower half of the range at \$18.50 SF between \$14.78 SF and \$20.37 SF is reasonable and supportable.

The estimated market value of the subject lot (Site 1) is 7,000 SF x \$18.50 SF = \$129,500.

Site 2 –

The direct comparison analysis compares improved sales to the subject property on a price per square foot of gross site area with the land. The price per SF of gross site area reflects the physical characteristics of a property and care must be taken in the parking lot sale selection process. Four sales of surface parking lots in the downtown area were analyzed. The sales analyzed are Land Sales 1, 2, 3 and 4 utilized in the Land/Site Valuation section of this report.

14,000 SF PARKING LOT SALE LOCATION MAP



Parking Lot Sale 1 is a corner lot located at the northeast corner of 1st Avenue North and North 29th Street. The site is utilized as a surface parking lot for Western Security Bank employees. The improvements had an estimated contributory value of \$1.00 SF of gross site area. It is reported that the buyer wants to develop an office building on the site.

Parking Lot Sale 2 is a corner site located at the northeast corner of 1st Avenue North and North 24th Street. There is a 19,614 SF building on the site that is in poor condition overall. The highest and best use of the property would be to raze the improvements and redevelop the site. In addition, there is a surface parking lot along the northerly side of the building that is included in the sale price. The buyer purchased the property for the land, however, plans for the site are unknown. Demolition costs are estimated at \$59,000 and the parking lot improvements have an estimated contributory value of \$1.00 SF.

Parking Lot Sale 3 is an interior lot located on the north side of Montana Avenue between North 27th and North 28th Streets. This is the parking lot for the Windsor Court office building and Walkers Grill. The site improvements were developed in 2006 and were in good condition overall with an estimated contributory value of \$52,500. This site has been assembled with the adjacent properties by the City of Billings and developed with a new parking garage and office/retail complex.

Parking Lot Sale 4 is an interior lot located on the west side of North 27th Street just south of 1st Avenue North. This site is utilized as a surface parking lot. The buyer owns the property adjacent to the north and reports that he paid above market for the property. The parking lot improvements had a contributory value of \$1.00 SF of site area.

Refer to the following table for a direct comparison summary:

PayneWest 14,000 SF Parking Lot - Site 2					
Item	Subject	Parking Lot Sale 1	Parking Lot Sale 2	Parking Lot Sale 3	Parking Lot Sale 4
Sale Price		\$882,000	\$360,000	\$410,000	\$200,000
Financing		Cash	Cash	Cash	Cash
Adjustment		\$0	\$0	\$0	\$0
Conditions of Sale		None	Demolition	None	None
Adjustment		\$0	\$59,000	\$0	\$0
Date of Sale	2/23/2016	8/14/2014	3/23/2012	5/4/2011	4/30/2003
Adjustment		\$0	\$23,677	\$28,161	\$52,335
Adjusted Sale Price		\$882,000	\$442,677	\$438,161	\$252,335
Exposure Time		NA	NA	NA	NA
Size	14,000 SF	21,000 SF	21,000 SF	9,750 SF	7,000 SF
Sale Price Per SF Site Area		\$42.00 SF	\$21.08 SF	\$44.94 SF	\$36.05 SF
DIRECT COMPARISON					
Location	Average	Superior	Superior	Superior	Superior
Adjustment		(\$24.78 SF)	(\$2.11 SF)	(\$26.51 SF)	(\$21.27 SF)
Parking Lot Improvements	Average	Similar	Inferior	Superior	Similar
Adjustment		=	+	-	=
Corner Site	No	Superior	Superior	Similar	Similar
Adjustment		-	-	=	=
Size	14,000 SF	21,000 SF	21,000 SF	9,750 SF	7,000 SF
Adjustment		\$0.70 SF	\$0.70 SF	(\$0.43 SF)	(\$0.70 SF)
Indicated \$/SF		\$17.92 SF	\$19.67 SF	\$18.00 SF	\$14.08 SF

Adjustments

Financing – All of the sales were reported to be cash or cash equivalent transactions; no adjustments are warranted.

Conditions of Sale – Parking Lot Sale 2 is an extraction. The demolition costs must be added to the sale price; \$59,000 has been added to the sale price.

Date of Sale – This item of adjustment is for time elapsed between the date of a sale and the effective date of valuation. The sales span a time frame from 4/30/2003 to 8/14/2014 or up to 154 months prior to the effective date of valuation.

Analysis of two sale/resale sites between 2003 and 2014 in the downtown area suggest an appreciation rate in the range of 0.15% to 0.21% per month. Due to the limited number of vacant sites available to be developed in the downtown area and the interest in the downtown area, the upper end of the value range at 0.20% per month will be emphasized. The 0.20% adjustment will be applied to all sales up to 8/14/2014. There is no market evidence that the appreciation has continued up to the present time. It is assumed that the current market is flat with no appreciation or depreciation in land values. The market condition adjustment for Parking Lot Sales 1, 2, 3 and 4 is the same as determined for respective Land Sales 1, 2, 3 and 4 in the Land/Site Valuation section of this report. Parking Lot Sales 1, 2, 3 and 4 have been adjusted upwards by \$0, \$23,677, \$28,161 and \$52,335 respectively.

Location – The subject site is located along the east side of North 24th Street just north of 2nd Avenue north approximately five blocks east of the prime CBD. Parking Lot Sales 1, 3 and 4 are located in close proximity to the prime CBD, superior to the location of the subject property; downward adjustments are warranted. Parking Lot Sale 2 is located approximately one block south of the subject property, similar to the subject property with respect to proximity to the CBD, however, an adjustment for being situated along a major arterial may be warranted. The location adjustment for proximity to the CBD for Parking Lot Sales 1, 3 and 4 is the same as determined in the Land/Site Valuation section of this report, 59%. The location adjustment for Parking Lot 2 will be 10% only since it is situated along 1st Avenue North. Parking Lot Sales 1, 3 and 4 have been adjusted downwards by \$24.78 SF ($\$42.00 \text{ SF} \times 0.59 = \24.78 SF), \$26.51 SF and \$21.27 SF respectively. Parking Lot Sale 2 has been adjusted downwards by \$2.11 SF ($\$21.08 \text{ SF} \times 0.10 = \2.11 SF).

Parking Lot Improvements – The subject parking lot is average with respect to parking lot improvements. Parking Lot Sale 2 has only 7,000 SF of parking lot improvements with the remaining 14,000 SF not improved as a paved parking lot, inferior to the subject lot; an upward adjustment may be warranted. Parking Lot Sale 3 was developed in 2006, superior to the subject lot; a downward adjustment is warranted. Parking Lot Sales 1 and 4 are similar to the subject lot with respect to parking lot improvements; no adjustment is warranted.

Corner Site – The subject site is an interior parcel. Corner sites increase visibility and/or access, superior to interior sites. Parking Lot Sales 1 and 2 are corner sites, superior to the subject site; downward adjustments may be warranted. Parking Lot Sales 3 and 4 are interior sites, similar to the subject site; no adjustments are warranted.

Size – Smaller sites typically have higher square foot prices. Parking Lot Sales 1 and 2 are larger than the subject site with respect to size; upward adjustments are warranted. Parking Lot Sales 3 and 4 are smaller than the subject property with respect to size; downward adjustments are warranted. The size adjustment is the same as determined in the Land/Site Valuation section of this report; \$0.0001 SF for difference in size. Parking Lot Sales 1 and 2 have been adjusted upwards by \$0.70 SF and \$0.70 SF respectively. Parking Lot Sales 3 and 4 have been adjusted downwards by \$0.43 SF and \$0.70 SF respectively.

Final Correlation and Conclusion of Parking Lot Value

The indicated value range is \$14.08 SF to \$19.67 SF with a mean of \$17.42 SF and median of \$17.96 SF. The low end of the range is reflected by Parking Lot Sale 4 which is the most dated sale and will not be emphasized.

The narrowed range is from \$17.92 SF to \$19.67 SF with a mean of \$18.53 SF and median of \$18.00 SF. Parking Lot Sale 2 warrants an additional upward adjustment for unfinished 14,000 SF which suggests a value greater than \$19.67 SF. Parking Lot Sale 3 warrants a downward adjustment for condition of parking lot improvements suggesting a value around \$18.00 SF and Parking Lot Sale 1 warrants a downward adjustment for corner influence suggesting a value less than \$17.92 SF.

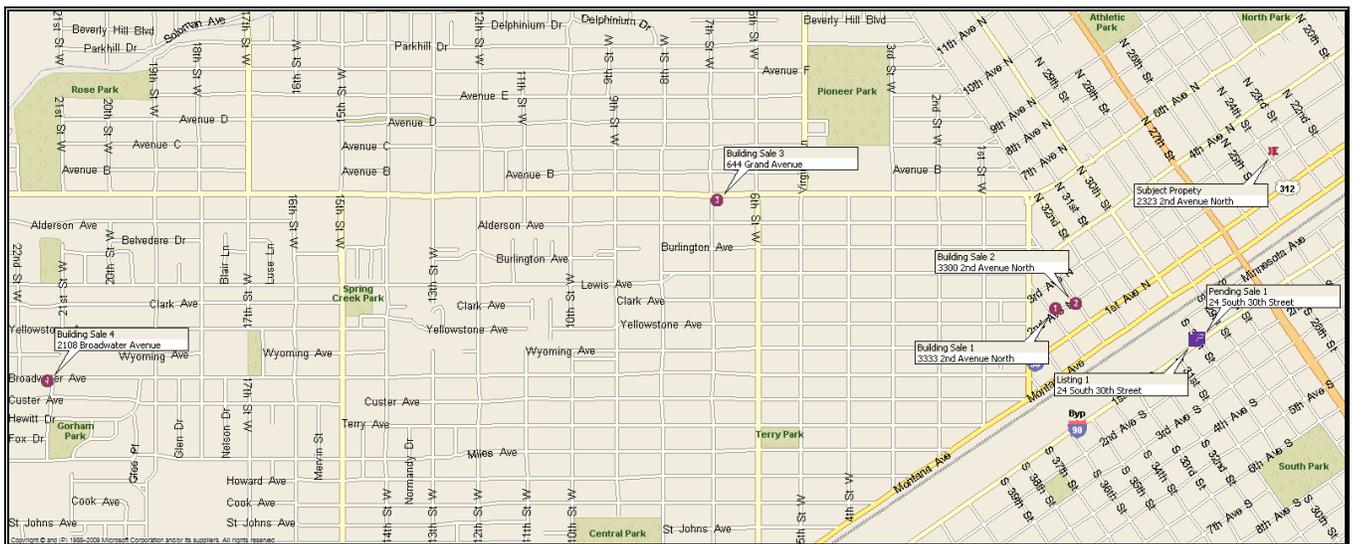
It is not clear where the value of the subject site should fall in the range between \$17.92 SF to \$19.67 SF. Parking Lot Sale 1 is an extraction and requires an addition adjustment for an unfinished 14,000 SF. Little weight will be given to this sale but establishes the upper end of the sale price range. It is concluded that a value near the middle of the range between \$17.92 SF to \$19.67 SF at \$18.00 SF is reasonable and supportable.

The estimated market value of the subject lot (Site 2) is 14,000 SF x \$18.00 SF = \$252,000.

Site 3 –

The direct comparison analysis compares improved sales to the subject property on a price per square foot of gross building area (GBA) basis without the land. The price per SF of GBA reflects the physical characteristics of a property and care must be taken in the building sale selection process. Four sales, one pending sale and one listing of office properties in the community were analyzed.

BUILDING SALE LOCATION MAP



Building Sale 1 – This is a 12,864 SF average plus quality wood frame office building built in 1985. The facility is located at the northeast corner of 2nd Avenue North and North 34th Street on the fringe of the CBD. This office building is a two story facility with a daylight lower level. The facility was reported to be in good condition at the time of the sale. There are two on-site parking lots associated with this property. The property was approximately 80% vacant at the time of the sale.

Building Sale 2 – This is a 10,008 SF average quality masonry two story office building located at the southwest corner of 2nd Avenue North and North 33rd Street on the fringe of the CBD. The facility was built in 1959 and was reported to be in average condition at the time of the sale. There is on-site parking situated along the south side of the facility. The property was 94% leased at the time of the sale with a reported cap rate of 8.25%.

Building Sale 3 – This is a 12,090 SF average plus quality wood frame office building located at the southeast corner of Grand Avenue and 7th Avenue North. This is a two story building with a daylight walk-out basement area. The facility was developed in 1970 and was reported to be in good condition at the time of the sale. The facility was 100% occupied at the time of the sale. A cap rate of 7.84% was based on the appraiser's reconstructed income and expense analysis. There is on-site parking associated with this property.

Building Sale 4 – This is a 23,776 SF average quality wood frame office building located at the southwest corner of Broadwater Avenue and 21st Street West. This is a three story facility with a daylight lower level. The facility was reported to be in average/fair condition at the time of the sale with a substantial amount of deferred maintenance at the time of the sale. The building was approximately 15% vacant at the time of the sale. There is on-site parking associated with this property.

Pending Sale 1 – This is a two story average plus masonry office building located at the northwest corner of South 30th Street and 1st Avenue South. The building has a gross area of 15,640 SF above grade with a full basement area. The facility was extensively renovated in 2003/2004 with new windows, wood flooring, elevator, fire suppression system and HVAC system and is in good condition overall. There is a substantial amount of on-site parking available with this property. There facility is on the National Register of Historic Places and has been vacant since the renovation in 2003/2004.

Listing 1 – This is the listing of Pending Sale 1.

Refer to the table on the following page for a direct comparison summary.

PayneWest Office Building

Building Sales Summary

Item	Subject	Building Sale 1	Building Sale 2	Building Sale 3	Building Sale 4	Pending Sale 1	Listing 1
Sale Price		\$745,000	\$555,000	\$910,000	\$1,200,000	\$1,000,000	\$1,400,000
Property Rights	Fee Simple	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Fee Simple	Fee Simple
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Financing	Normal	Cash	Cash	Cash	1031 Exchange	Cash	Cash
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Conditions of Sale	None	None	None	None	None	Normal	Normal
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Sale Price		\$745,000	\$555,000	\$910,000	\$1,200,000	\$1,000,000	\$1,400,000
Date of Sale	2/23/2016	11/1/2012	7/13/2012	6/5/2007	3/27/2006	Current	Current
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Sale Price		\$745,000	\$555,000	\$910,000	\$1,200,000	\$1,000,000	\$1,400,000
Exposure Time		Extended	>12 months	NA	>12 months	Extended	Extended
Year Built	1959	1985	1959	1970	1980	1900	1900
Chronological Age in Years	57	31	53	37	26		
Site Size (SF)	14,000 SF	21,220 SF	10,500 SF	31,500 SF	31,905 SF	47,209 SF	47,209 SF
Land Value		\$170,000	\$94,500	\$283,500	\$191,430	\$236,000	\$236,000
Value of Building & Site Improvements		\$575,000	\$460,500	\$626,500	\$1,008,570	\$764,000	\$1,164,000
GBA (SF) Above Grade	17,926 SF	12,864 SF	10,008 SF	12,099 SF	23,776 SF	15,640 SF	15,640 SF
\$ Per SF GBA without the Land		\$44.70 SF	\$46.01 SF	\$51.78 SF	\$42.42 SF	\$48.85 SF	\$74.42 SF
Overall Cap Rates		NA	8.84%	7.84%	NA	NA	NA
Direct Comparison							
Quality of Construction	Good	Average Plus	Average	Average Plus	Average	Average Plus	Average Plus
Adjustment		\$6.71 SF	\$13.80 SF	\$7.77 SF	\$15.70 SF	\$4.64 SF	\$7.07 SF
Condition	Good	Similar	Similar	Similar	Inferior	Similar	Similar
Adjustment		=	=	=	+	=	=
Fire Suppression System	Yes	Inferior	Inferior	Inferior	Inferior	Similar	Similar
Adjustment		\$2.31 SF	\$2.31 SF	\$2.31 SF	\$2.31 SF	\$0.00 SF	\$0.00 SF
GBA (SF)	17,926 SF	12,864 SF	10,008 SF	12,099 SF	23,776 SF	15,640 SF	15,640 SF
Adjustment		-	-	-	+	-	-
Value Indication (\$/SF GBA without the land)		\$53.72 SF	\$62.12 SF	\$61.86 SF	\$60.43 SF	\$53.49 SF	\$81.49 SF

Adjustments

Property Rights – Building Sales 1, 2, 3 and 4 reflect leased fee interests with Pending Sale 1 and Listing 1 reflecting fee simple estates. An adjustment for leased fee interest versus fee simple estate could not be extracted from the market; no adjustment has been attempted.

Financing – Building Sale 4 was a 1031 Exchange transaction which the selling Realtor reports had no impact on the sale price. All of the building sales were reported to be cash or cash equivalent transactions; no adjustments are warranted.

Conditions of Sale – There are no conditions associated with the building sales that would have an impact on the sales price; no adjustments are warranted.

Date of Sale – This item of adjustment is for time elapsed between the date of a sale and the effective date of valuation. The sales span a time frame from 3/27/2006 to 11/1/2012 or up to 119 months prior to the date of valuation. There were no sales identified where a market condition adjustment could be extracted; no market condition adjustment has been attempted.

Land Value –The land value for each building sale was determined from analysis of land sales that took place around the time of the building sale and deducted from the building sale price resulting in the contributory value of the structure and any site improvements.

Quality of Construction – The subject property is good quality construction. All of the building sales are inferior to the subject property with respect to quality of construction. Marshall Valuation Service (MVS) was referenced to determine an adjustment for quality of construction for average plus quality wood frame construction (\$126.49 SF), average quality wood frame construction (\$106.49 SF), average quality masonry construction (\$112.44 SF) and average plus masonry construction (\$133.24 SF). Good quality wood frame construction is \$145.98 SF.

Building Sales 1 and 3 are average plus wood frame quality of construction. Blended average and good wood frame office buildings indicate an upward adjustment of 15% for average plus quality of construction; Building Sales 1 and 3 are adjusted upwards by \$6.71 SF and \$7.77 SF respectively for quality of construction. The quality adjustment for Building Sale 1 is calculated as follows:

$$\$126.49 \text{ SF to } \$145.98 \text{ SF} = 15.64\% \text{ or } 15\% \text{ (R).}$$

$$\$44.70 \text{ SF } (\$/\text{SF of GBA without land}) \times .15 = \$6.71 \text{ SF}$$

All of the other quality construction adjustments are calculated using the same mathematical computation.

Building Sale 2 is average quality masonry construction. MVS indicates an upward adjustment of 30% (R) for average quality masonry construction; Building Sale 2 has been adjusted upwards by \$13.80 SF.

Building Sale 4 is average quality wood frame construction. MVS suggests an upward adjustment of 37% (R) for average quality wood frame construction; Building Sale 4 has been adjusted upwards by \$15.70 SF.

Pending Sale 1 and Listing 1 are average plus quality masonry construction. MVS suggests an upward adjustment of 9.5% (R) for average quality wood frame construction; Pending Sale 1 and Listing 1 have been adjusted upwards by \$4.64 SF and \$7.07 SF respectively.

Condition – The subject property is in good condition overall with minor signs of deferred maintenance. Building Sales 1, 2, 3 and Pending Sale 1 and Listing 1 are similar to the subject property with respect to condition; no adjustments are warranted. Building Sales 4 was in average/fair condition at the time of the sale, inferior to the subject property; an upward adjustment is warranted.

Fire Suppression System – The subject property has a fire suppression system. Building Sales 1, 2, 3 and 4 do not have fire suppression systems; upward adjustments are warranted. MVS indicates a cost new of \$3.50 or \$70,133 to install a fire suppression system similar to the subject property's system. The cost new must be depreciated to reflect any physical depreciation. The effective age of the property is estimated at 30 years with a typical life expectancy of 50 years. MVS depreciation tables indicate a depreciation of 34%. The \$70,133 is depreciated by 34% or \$23,845. Deducting \$23,845 from \$70,133 suggests a current depreciated value of \$46,288 or \$2.31 SF (\$46,288 / 20,038 SF). Building Sales 1, 2, 3 and 4 have been adjusted upwards by \$2.31 SF.

Pending Sale 1 and Listing 1 have fire suppression systems similar to the subject property; no adjustment is warranted.

GBA (SF) – The subject property has a GBA of 17,926 SF. Smaller buildings typically have higher square foot prices. Building Sales 1, 2, 3 and Pending Sale 1 and Listing 1 are smaller than the subject structure; downward adjustments are warranted. Building Sale 4 is larger than the subject property; an upward adjustment is warranted.

Final Correlation and Conclusion of \$/SF of GBA without the Land

The indicated range is from \$53.72 SF to \$62.12 SF of GBA without the land with a mean of \$59.53 SF and median of \$61.15 SF excluding Pending Sale 1 and Listing 1. Building Sale 1 represents the low end of the range. This property was 80% vacant at the time of the sale and was exposed to the market for an extended period of time which may have had a negative impact on potential buyers. This appears to be a low sale and will not be emphasized.

The narrowed range is from \$60.43 SF to \$62.12 SF with a mean of \$61.47 SF and a median of \$61.86 SF. Building Sale 2 is substantially smaller than the subject property suggesting a value less than \$62.12 SF. Building Sale 4 warrants additional upward adjustments for condition and size suggesting a value greater than \$60.43 SF. These two sales suggest that the value of the subject property should be greater than \$60.43 SF and less than \$62.12 SF. Building Sale 3 also suggests a value less than \$61.86 SF. Pending Sale 1 appears to be a low sale. This property was vacant for an extended period of time similar to Building Sale 1. An additional consideration is that there is uncertainty with respect to the sale closing. Little weight will be given to Pending Sale 1. Listing 1 at \$1,400,000 appears to be high and has had no interest at the \$1,400,000. Listing 1 will not be emphasized.

It is not clear where the value of the subject property should fall. The property has been vacant for an extended period of time which leads me to emphasize the lower half of the narrowed range. An additional consideration is the current amount of office space available for rent in the community. On the other hand, the subject property is a good quality facility that has been well maintained over the years, has finished basement storage space and has good on-site parking lots which leads me to emphasize the upper end of the narrowed range.

It is concluded a value near the upper end of the range between \$60.43 SF and \$62.12 SF at \$62.00 SF without the land is supportable. The value of Site 3 is calculated as follows:

$$\begin{aligned} 17,926 \text{ SF} \times \$62.00 \text{ SF} &= \$1,111,412 \\ \text{Plus Site 3 land value} &= \underline{\$ 266,000} \\ \text{Indicated value of Site 3} &= \$1,377,412 \end{aligned}$$

The values of Site 1 and 2 must be added to the value of Site 3 to obtain the value of the subject property which consists of Sites 1, 2 and 3.

The value of the subject property indication by the Sales Comparison Approach is calculated as follows:

Direct Comparison			
\$/SF of GBA without Land	x	GBA (SF)	= Total
\$62.00 SF	x	17,926 SF	= \$1,111,412
Value of Site 3			\$266,000
Value of Site 1			\$129,500
Value of Site 2			\$252,000
Sum of Sites 1, 2 and 3			\$1,758,912

The value indication of the subject property by the Sales Comparison Approach is \$1,758,900 (R).

HISTORY

Indication of Sale –

Sale Price \$1,900,000

Land – 14,000 SF

14,000 SF x \$19.00 SF = \$266,000

Site 1 – 7,000 SF Surface Parking Lot

Value Site 1 = \$129,500

Site 2 – 14,000 SF Surface Parking Lot

Value Site 2 = \$252,000

Total Land Value plus Sites 1 and 2 = \$647,500

Building – 17,926 SF

\$69.87 SF x 17,926 SF = \$1,252,500

Estimated value of real property: \$1,900,000

Analysis indicates that this purchase price appears high and falls outside of the upper end of the value range indicated by the Income Capitalization Approach. Conversations with the potential buyer and with the seller indicate that the FF&E will be left with the building is included in the \$1,900,000. The value of the FF&E is not known, but should be deducted from the sale price. The client is urged to contact an expert in this area to determine the value of the desks, tables, chairs and portable walls.

The appraiser is not aware of any other sale during the three years preceding the date of valuation nor of any other current option or buy/sell agreements with respect to the subject property.

EXPOSURE TIME

Exposure times for office properties in the downtown area generally exceed 12 months. The subject property is situated on the fringe of the CBD that has been well maintained over the years and has two on-site parking lots. Currently there are several office rental suites available for occupancy in the CBD due to a slow-down in the Bakken oil field activity. There is a large paved surface parking lot on North 29th Street that is reported to be developed with an office facility. Based on the current demand/supply for properties situated in the downtown area, the location and condition of the subject property and the current economic climate in the community, a reasonable exposure period for the subject property assuming proper pricing and marketing may have been at least 12 months.

INCOME CAPITALIZATION APPROACH

Income Quantity

The potential gross income (PGI) refers to the total income the property is capable of producing from rents and other income at full occupancy. The effective gross income (EGI) refers to the income after deducting an allowance for vacancy and collection loss. The net operating income (NOI) refers to the income after deducting landlord operating expenses but before debt service and depreciation.

Income Quality

Basic issues influencing the quality of the income stream include vacancy, tenant turnover rates, tenant strength, supply and demand, neighborhood trends, etc. The subject property has been owner occupied for an extended period of time. Currently local Realtors report that the demand for office space in the community is soft with supply exceeding the demand. The subject office building is located on the fringe of the prime retail area. There are several office rental facilities in close proximity to the subject property that have rental suites available for occupancy. The most recent new commercial development in the downtown area is a parking/office/retail structure just developed at the northeast corner of North 28th Street and Montana Avenue. In addition, several buildings in close proximity to the subject facility have been purchased and renovated or converted to apartment and mixed use facilities. Rental rates for professional office space in and around the downtown area range from around \$8.00 SF_± to \$12.00 SF_± with a wide variety of landlord and tenant expense responsibilities.

Income Durability

There is a lease agreement between Yellowstone County and PayneWest Insurance, Inc. dated February 23, 2016.

Refer to the following lease synopsis:

Lessor:	PayneWest Insurance, Inc.
Lessee:	Yellowstone County
Premises Leased:	2323 2 nd Avenue North with the adjoining parking lots.
Lease Term:	Six months commencing on 4/1/2016
Rental Rate:	\$10,000/month
Rent Escalation:	None
Renewal Terms:	None
Tenant Expenses:	Real estate taxes, insurance, utilities, plumbing, site/interior maintenance/repair
Landlord Expenses:	Roof, foundation, exterior walls, HVAC, plumbing and electrical systems.
Comments:	The lessee has an option to purchase the subject property for \$1,900,000.

The lease agreement is retained in the appraiser's work file.

Rent Comparable 1 is a 20,960 SF fair/average quality office/warehouse located at the northeast corner of 1st Avenue North and North 31st Street. The building was built in 1947 and was remodeled in 2000. The building was previously an automotive dealership. The primary tenant rents approximately 16,076 SF± of office space and 2,000± SF of storage space. The real estate broker who negotiated the lease reports the storage space was given no value in the lease and the rental rate is based on the office space. The office space rents for \$14,828 per month. The tenant pays interior maintenance and repair and the landlord pays all other costs associated with the building.

Rent Comparable 2 is an average/good quality 63,062 SF±, five-story professional office building located at the northeast corner of 3rd Avenue North and North 30th Street. The building was built in 1978 and was remodeled in 2005. The building has several rental suites that can be divided into various configurations. The average rental rate is \$14.00 SF. The landlord pays all of the expenses associated with this building.

Rent Comparable 3 is a good quality 159,915 SF±, 14-story professional office building located at the southeast corner of 2nd Avenue North and North 27th Street. The building was built in 1977 and was remodeled in 2003. The building has several rental suites that can be divided into various configurations. The leasing broker reports the average rental rate is \$17.00 SF. The landlord pays all of the expenses associated with this building.

Final Correlation and Conclusion of Professional Office Market Rental Rate

For purposes of this analysis, the subject's rental rate will reflect a triple net lease agreement with the tenant being responsible for all of the operating expenses associated with the subject property. The landlord will be responsible for major structural maintenance and repair and a management fee.

The rent comparables reflect gross lease agreements and need to be adjusted to reflect triple net lease agreements. The broker who negotiated the lease for Rent Comparable 1 reports the expenses associated with the building are approximately \$5.00 SF. Rent Comparable 1 will be adjusted downward by \$5.00 SF to reflect a triple net lease agreement.

The broker who negotiates leases for Rent Comparable 2 reports the expenses associated with the building are approximately \$6.00 SF. Rent Comparable 2 will be adjusted downward by \$6.00 SF to reflect a triple net lease agreement.

The broker who negotiates leases for Rent Comparable 3 reports the expenses associated with the building are approximately \$7.00 SF. Rent Comparable 3 will be adjusted downward by \$7.00 SF to reflect a triple net lease agreement.

Refer to the following table for a summary of the adjusted rental rates reflecting triple net lease agreements:

Adjusted Rental Rate Summary	
Rent Comparable Number	Adjusted Rental Rate
Rent Comparable 1	\$6.07 SF
Rent Comparable 2	\$8.00 SF
Rent Comparable 3	\$10.00 SF

The adjusted rental rate range reflected from the survey is from \$6.07 SF to \$10.00 SF with a mean of \$8.02 SF and a median of \$8.00 SF.

Rent Comparable 1 represents the low end of the range. It was reported that the building was in fair condition at the time the lease was negotiated. This building is inferior to the subject property with respect to quality of construction. This rent comparable suggests a rental rate greater than \$6.07 SF.

Rent Comparable 3 represents the high end of the range. This rent comparable is located near the prime central business district and is superior to the subject with respect to quality of construction and location. This suggests a value less than \$10.00 SF.

Rent Comparable 2 represents the middle of the range. This rent comparable is similar to the subject property with respect to quality and condition and on-site parking available. This office facility is situated in an area of the CBD that is predominately professional office properties in nature. This rent comp suggests a value around \$8.00 SF.

The subject property is average/good quality in average/good condition with good visibility and access. It is concluded that a rental rate near the middle of the range between \$6.07 SF and \$10.00 SF at \$8.00 SF is reasonable and supportable and will be applied to the estimated 17,926 SF of office space. There is an estimated 2,112 SF of basement mechanical and storage areas that will receive no rent.

Vacancy and Collection Loss

This category accounts for the time period between tenants, as well as prolonged vacancies during slow market conditions and reflects the probable vacancy during the economic life of the property, not necessarily the vacancy at any particular point in time.

NAI Business Properties conducted a survey in January 2015 with respect to the amount of office space available for lease in the downtown area. The survey indicated a 14.70% vacancy rate. The office vacancy rate in 2012 was 8.56% and 14.07% in 2011 according to the NAI survey in 2012 and 2011. The subject property has been owner occupied for an extended period of time suggesting a vacancy rate of 0%. Local commercial leasing agents and Realtors report that there is an oversupply of office space in the community and in the downtown area. Considering all of the above, a vacancy rate at 10.0% will be applied to the estimated potential gross income that the subject property could generate.

Operating Expenses

Management – This expense category is related to active management by the landlord and/or a representative who is responsible for maintaining property records, collecting rents, marketing the property, negotiating leases, etc. Property management firms typically collect a percentage of the effective gross income with the percentage, generally in the range of 3% to 6%, dependent upon the number of tenants and management responsibilities. The subject property could accommodate up to two tenants. For purposes of this analysis, a management fee at 3% of the EGI income will be utilized.

Repair and Maintenance Services – This expense category is for major structural maintenance and repair, i.e., heating and air conditioning, roof maintenance/repair, plumbing, electrical, etc. The building is in good condition overall with minimal signs of deferred maintenance. The roof has been recently replaced. However, the complex has a chronological age of 57 years but has been renovated over the years. For purposes of this analysis 3.0% of the EGI will be utilized for this expense category.

Capitalization Rate Determination

Local financial institutions indicate current interest rates in the range of 4.75% to 5.00% amortized over 15 to 20 years and a 3 to 5 year rate adjust. Loan-to-value ratios vary from 70% to 75% depending upon whether or not the property will be owner occupied or an investment.

Financing for the subject property may be as follows:

Interest Rate	Amortization	Call Period	Loan-to-Value Ratio
4.75%	20 Years	5 Years	70%

Interviews with Realtors and investors indicate a 8% to 10% cash on cash return on equity capital may be desired by investors for properties similar to the subject.

Banks generally use 20 year amortization regardless of the age of the property.

The mortgage-equity band of investment method utilizing a 4.75% interest rate, a 20 year amortization and a loan-to-value ratio of 70% results in full term cap rates in the range of 7.94% to 8.54%. No adjustment for appreciation or depreciation has been included.

Market extracted cap rates are the result of the interactions of buyers and sellers in the market place, therefore, they are considered the most reliable source of cap rates. However, this procedure requires considerable and accurate income and expense data that may not always be available.

Refer to the table on the following page which summarizes cap rates for office properties in the community where a cap rate could be extracted.

Office Building Cap Rate Summary

Identification	Year Sold	Sale Price	NOI	Cap Rate
225 North 23 rd Street	2012	\$537,500	\$48,834	9.09%
1320 Division Street	2012	\$614,000	\$44,747	7.29%
Building Sale 2	2012	\$555,000	\$49,088	8.84%
214 North 24 th Street	2009	\$353,500	\$30,267	8.56%
Building Sale 3	2007	\$910,000	\$71,332	7.84%

The cap rates extracted from sales of properties in the community in the above table are not all true comparables to the subject property. However, they are sales of office properties that have taken place over the past nine years and reflect investor expectations of leased office facilities in the community and downtown area.

The cap rate range indicated from the building sales is from 7.29% to 9.09% with a mean of 8.32% and median of 8.56%. The mortgage equity band of investment method suggests a cap rate range of 7.94% to 8.54% which falls within the range reflected from the cap rates from the building sales. The office building at 1320 Division Street was basically new construction and superior overall to the subject property. This cap rate will not be emphasized. The narrowed range is from 7.84% to 9.09% with a mean of 8.58% and a median of 8.70%.

It is concluded that a cap rate range from 8.00% to 9.00% is reasonable and supportable.

Refer to the table on the following page for a Direct Capitalization summary.

PayneWest Office Building

Projected Operating Statement

Type of Space/Tenant	Rentable Area	Annual Per SF	Annual Income
Professional Office	17,926 SF	\$8.00 SF	\$143,408
Potential Gross Income (PGI)			\$143,408

ASSUMPTIONS

Cap Rate Range	8.00%	9.00%
Vacancy Rate	10.00%	
Gross Building Area (GBA)	17,926 SF	

		%	\$ Per SF GBA
Potential Gross Income (PGI)	\$143,408	100.00%	\$8.00 SF
Vacancy/Collection Loss	(\$14,341)	10%	(\$0.80 SF)
Effective Gross Income (EGI)	\$129,067	90%	\$7.20 SF
Expenses			
Insurance	\$0	0.00%	\$0.00 SF
Management	\$3,872	3.00%	\$0.22 SF
Real Estate Taxes	\$0	0.00%	\$0.00 SF
Repair and Maintenance Services	\$3,872	3.00%	\$0.22 SF
Utilities	\$0	0.00%	\$0.00 SF
Total Expenses	\$7,744	6.00%	\$0.44 SF
Net Operating Income (NOI)	\$121,323	94.00%	\$6.76 SF

NOI	/	OAR	=	Value Indication	Plus	Excess Land	=	Value Indication
\$121,323	/	8.00%	=	\$1,516,538	+	\$381,500	=	\$1,898,038
\$121,323	/	8.50%	=	\$1,427,329	+	\$381,500	=	\$1,808,829
\$121,323	/	9.00%	=	\$1,348,033	+	\$381,500	=	\$1,729,533

The excess land which consists of Sites 1 and 2 must be added to the value indication since they must be accounted for in the income capitalization approach and were not assigned any rental income.

The indicated value range reflected by the Income Capitalization Approach is \$1,729,500 (R) to \$1,898,000 (R).

RECONCILIATION

The approaches to value indicated herein result in the following indications of value for the subject property:

Value Indications		
Land Value		
	Site 3:	\$266,000
Cost Approach:		NA
Sales Comparison Approach		
	Direct Comparison Site 1:	\$129,500
	Direct Comparison Site 2:	\$252,000
	Direct Comparison Site 3:	<u>\$1,377,400</u>
	Direct Comparison Sites 1, 2 and 3:	\$1,758,900
Income Capitalization Approach		
	Direct Capitalization:	\$1,729,500 to \$1,898,000

The reconciliation of the value indications is the final step in the appraisal process and involves weighing each valuation technique in relation to the available market data and its reliability and applicability to the subject property.

The estimated land value is based on four sites located in the downtown area. There is no vacant land available for development in the central business district, therefore, developers have been purchasing existing properties then razing the improvements and redeveloping or extensively renovating the improvements. The sales were updated for market conditions and adjusted for location and size. Additional considerations include whether or not the site was a corner location or interior site. The land value was “bracketed” emphasizing the upper half of the range. The land value opinion appears reasonable and supportable.

The Cost Approach is a good indicator of value when the improvements are new or relatively new and represent the highest and best use of the land or when relatively unique or specialized improvements are located on a site for which there exist few sales or leases. The property was developed in 1959 and renovated over the years. The complex has been maintained over the years. There would be considerable subject judgment involved in estimating the effective age of the improvements and the amount of depreciation to apply to the replacement cost new. There are limited lease data and building sales which have been analyzed to determine the “as is” market value of the subject property. Therefore, a value opinion by the Cost Approach has not been included in this analysis.

The Sales Comparison Approach is a good indicator of value in an active market where there are sufficient sales transactions available. Three sales of surface parking lots in the downtown area were identified and compared to Site 1. Four sales of surface parking lots in the downtown area were identified and compared to Site 2. They were updated for market conditions and adjusted for location and size. The upper half of the ranges was emphasized for both Sites 1 and 2. A value opinion by the Sales Comparison Approach was reported. The Sales Comparison Approach is a valid indicator of value for both Sites 1 and 2.

Four sales, one pending sale and one listing were identified and compared to the structural improvements situated on Site 3. The sales were adjusted for quality of construction and fire suppression systems. Additional considerations included the basement area

and on-site parking that is available. The range was narrowed to Building Sales 2, 3 and 4 emphasizing the upper end of the range. A value opinion by the Sales Comparison Approach was reported. The Sales Comparison Approach is a valid indicator of value.

The Income Capitalization Approach is a good indicator for income producing properties. The subject property has been owner occupied for an extended period of time. The Income Capitalization Approach for Sites 1 and 2 was not attempted due to the lack of reliable/valid income and expense data for surface parking lots.

There are leased professional office facilities in the downtown area. A rent survey was conducted to determine rental rates for similar professional office facilities in the downtown area. The middle of the rental rate range was emphasized. A vacancy rate was determined by using a NAI Business Properties survey. The operating expenses were estimated and deducted from the effective gross income (EGI). A cap rate was determined from sales of downtown facilities and the mortgage equity band of investment method. The estimated values of Sites 1 and 2 determined in the Sales Comparison Approach section of this report were added to the value estimate range of Site 3. A market value opinion range of the fee simple estate was reported. The Income Capitalization Approach is a valid indicator of value.

The Income Capitalization Approach suggests a value range between \$1,729,500 to \$1,898,000 and the Sales Comparison Approach indicates a value of \$1,758,900.

Concerns with the value indication range reflected by the Income Capitalization Approach include determining a rental and vacancy rate for the subject property. An additional concern is the current amount of downtown office space available for lease. The estimated landlord expenses seem reasonable and the overall capitalization rate is based on sales of office properties in the community. Overall the amount of data available for this approach is good. The value range reflected by the Income Capitalization Approach seems reasonable and supportable.

The value indication reflected by the Sales Comparison Approach falls in the lower half of the indicated value range by the Income Capitalization Approach. Concerns with the Sales Comparison Approach include the adjustment for the quality of construction and the contributory value of the finished basement space. The quality and quantity of data available for this approach in the downtown area is fair. However, the narrowed range reflected by the three building sales emphasized is small. The value by the Sales Comparison Approach is a weak but valid indicator of value.

There are uncertainties associated with each approach. Therefore, considering all of the above, it is concluded that the fee simple estate value range for the subject property as of 2/23/2016 was:

\$1,750,000 to \$1,850,000

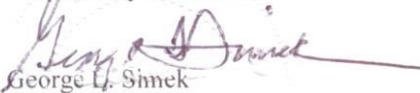
**ONE MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS
TO
ONE MILLION EIGHT HUNDRED FIFTY THOUSAND DOLLARS**

CERTIFICATION OF VALUE

The undersigned certifies 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 with respect to the parties involved.
- I have performed no appraisal 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.
- 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 analysis, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I certify that to the best of my knowledge and belief, the reported analysis, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- No other person provided significant real property appraisal assistance to the person signing this certification.

Respectfully submitted,



George L. Simek
Certified General Real Estate Appraiser with endorsement of Real Estate Appraiser Mentor
State of Montana, License No. REA-RAG-LIC-426

ADDENDA

RENT COMPARABLE PICTURES



Rent Comparable 1
111 North 31st Street



Rent Comparable 2
2929 3rd Avenue North



Rent Comparable 3
175 North 27th Street

BUILDING SALE PICTURES



Building Sale 1
3333 2nd Avenue North



Building Sale 2
3300 2nd Avenue North



Building Sale 3
644 Grand Avenue



Building Sale 4
2108 Broadwater Avenue



Pending Sale 1
24 South 30th Street



Listing 1
24 South 30th Street

APPRAISER'S QUALIFICATIONS**Summary of Qualifications****George L. Simek****Present Status**

Appraisal work includes estimating market value for loan underwriting, estates, investment, acquisition and marketing purposes, consultation and appraisal review.

Certification

Montana Board of Real Estate Appraisers General Certification with endorsement of Real Estate Appraiser Mentor License No. REA-RAG-LIC-426 awarded March 1996 with Mentor's endorsement awarded March 2012.

Professional Affiliations

Practicing Affiliate of Appraisal Institute
Billings Commercial Brokers
Montana Chapter of Appraisal Institute Board of Directors Member 2004 – 2008
Current Montana Board of Real Estate Appraisers Board Member

Work Experience

January 1997 to Present: Full time independent fee appraiser doing business as George L. Simek, Real Estate Appraiser and Consultant.

June, 1993 to December, 1996: Full time staff appraiser with Rutherford & Associates Appraisals, Inc., Billings, Montana, a full service real estate appraisal company specializing in commercial, industrial, multi-family and single-family properties. Appraisal assignments consisted of appraisal analysis and writing, reviews and consultation for all types of properties.

June, 1991 to June, 1993: Part time staff appraiser with Rutherford & Associates Appraisals, Inc. Duties included property inspections, data collection and analysis and appraisal review assignments.

August, 1972 to June, 1993: Tenured math/computer programming teacher (12 years), Billings Public School District Computer and Testing Coordinator/Specialist (4 years) and counselor (5 years). Retired, June, 1993.

April, 1971 to August, 1972: Real Estate Investment Counselor for Llewellyn Associates, Billings, Montana, a full service residential and commercial real estate office. Duties included marketing limited partnership properties in the Billings area and commercial property financial analysis.

November, 1970 to April, 1971: Ski instructor for Red Lodge Mountain Ski Area, Red Lodge, Montana.

August, 1966 to June, 1970: Tenured chemistry teacher for San Ramon School District, Danville, California. Resigned, June, 1970.

Education

Master's Degree, School Counseling, 1975, Eastern Montana College, Billings, Montana.

Professional Certification, 1966, Denver University, Denver, Colorado.

University of Oregon, 1965, Eugene, Oregon, graduate work in biochemistry.

Bachelor of Science in Chemistry, 1964, Montana State University, Bozeman, Montana.

Real Estate Education

Appraisal Institute Courses –

- Standards of Professional Practice
- Real Estate Appraisal Principles
- Basic Valuation Procedures
- Residential Valuation
- Basic Income Capitalization
- Small Mixed-Use Properties Sales Comparison Approach
- Advanced Income Capitalization
- Highest and Best Use and Market Analysis
- Advanced Sales Comparison and Cost Approach
- The Appraiser as an Expert Witness: Preparation and Testimony
- Fundamentals of Separating Real Property, Personal Property and Intangible Business Assets
- Real Estate Finance, Statistics and Valuation Modeling
- Litigation Appraising: Specialized Topics and Applications

Appraisal Institute Seminars –

- Written Communication
- Fundamentals of Relocation Appraising
- Understanding Limited Appraisals – General
- Standards of Professional Practice, Part C
- Eminent Domain and Condemnation
- Small Hotel/Motel Valuation
- The Road Less Traveled: Special Purpose Properties
- National Uniform Standards of Professional Practice (USPAP) Updated Course
- Appraising Convenience Stores
- Scope of Work: Expanding Your Range of Services
- Business Practices and Ethics
- What Clients Would Like Their Appraiser to Know
- Appraising from Blueprints and Specifications
- Subdivision Valuation
- Analyzing Commercial Lease Clauses
- Condominiums, Co-ops and PUDs
- Spotlight on USPAP: Hypothetical Conditions and Extraordinary Assumptions
- 7-Hour National USPAP Update Course
- Appraiser Identity Theft, Report Tampering and Client Pressure: Maintaining Control
- Quality Assurance in Residential Appraisals: Risky Appraisals = Risky Loans
- Office Building Valuation: A Contemporary Perspective
- Appraisal Curriculum Overview (2-Day General)
- Attacking and Defending an Appraisal in Litigation
- Advanced Spreadsheet Modeling for Valuation Purposes
- Residential Applications Part 2: Using Microsoft Excel to Analyze and Support Assignment Results

Property Types Appraised/Reviewed

- | | | |
|-------------------------------|-------------------------|-----------------------|
| Single-family | Warehouse | Multi-family |
| Light Manufacturing | Subsidized Housing | Professional Office |
| Medical Office | Residential Subdivision | Discount Store |
| Business Park | Vacant Lots/Acreage | Motel |
| Shopping Center | Golf Course | Ski Resort |
| Retail Stores | Convenience Store | Automobile Dealership |
| Automotive Detailing Facility | Truck Service Shop | Casino |
| Service Garage/Shop | Mobile Home Park | Airplane Hangar |
| Post Office | Mini Storage Warehouse | Freight Terminals |
| Financial Institutions | Church | Parking Garage |

STATE CERTIFICATION



State of Montana
Business Standards Division
Board of Real Estate Appraisers

License #: **REA-RAG-LIC-426**
Status: **Active**
Expiration Date: **03/31/2017**

GEORGE L SIMEK
2320 THIRD AVE N
BILLINGS, MT 59101

This certificate verifies licensure as:
CERTIFIED GENERAL APPRAISER
With endorsements of:
REAL ESTATE APPRAISER MENTOR

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