

**THE MARKET VALUE APPRAISAL OF THE AIRPLANE HANGAR
LOCATED AT 3232 AIRPORT ROAD, HELENA,
LEWIS & CLARK COUNTY, MONTANA**

DATE OF VALUATION

August 30, 2023

FOR

**LMK, Inc.
d/b/a Helena Aircraft**

*ELKHORN APPRAISAL SERVICES
P.O. BOX 448
HELENA, MONTANA 59624*

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September 30, 2023

LMK, Inc.
3232 Airport Road
Helena, MT 59601

RE: The “as is” market value appraisal of the 10,000 SF airplane hangar located at the Helena Regional Airport, 3232 Airport Road, Helena, Lewis & Clark County, Montana.

In accordance with the letter of engagement, Elkhorn Appraisal Services has made the necessary site visit and analysis to appraise the above referenced property. The attached report provides the essential data and detailed reasoning employed in determining the value estimate. The property has been appraised in as is condition, as a whole, owned in fee simple ownership. No responsibility for matters that are legal in nature have been assumed. No opinion as to title has been provided herein.

The property being appraised at completion consists of a 10,000 SF airplane hangar on leased land. In the body of the report is a detailed description of the property.

The value reported is qualified by certain definitions, assumptions and limiting conditions, and certification that are set forth within the attached report. No extraordinary assumptions or hypothetical conditions have been utilized. This appraisal report conforms to the reporting requirements set forth by Uniform Standards of Professional Appraisal Practice.

Based upon the following analysis, the market value of the subject property, as set forth, documented, and qualified in the attached report under conditions prevailing on August 30, 2023, was:

One Million Six Hundred Fifty Thousand Dollars

\$1,650,000

Please direct your attention to the data, discussions, and conclusions that follow.

Respectfully submitted,



Gregory A. Thornquist
Montana State Certified
General Real Estate Appraiser #REA-RAG-LIC-867
9/30/2023

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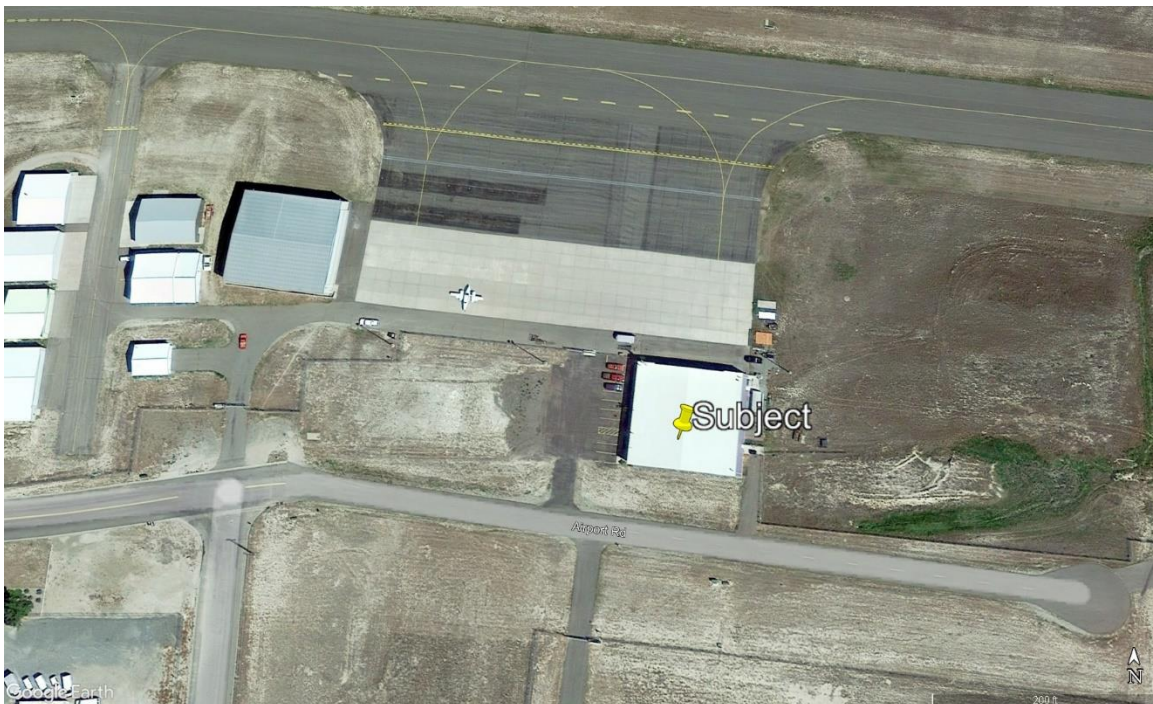
Addenda

- Letter of Engagement
- State of Montana Cadastral
- Property Characteristics
- Airport Lease
- Appraiser Qualifications
- Appraiser License

SUBJECT PROPERTY PHOTOGRAPHS



View of subject



Aerial view of subject site provided by Google, not to scale.
Image date 7/25/2014

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

<i>PURPORTED OWNER:</i>	Helena Aircraft
<i>PROPERTY TYPE:</i>	Airport Hangar
<i>LOCATION OF PROPERTY:</i>	3232 Airport Road, Helena, Lewis & Clark County, Montana
<i>SITE:</i>	Ground lease
<i>SITE IMPROVEMENTS:</i>	Asphalt paving, concrete paving, fencing with a keypad access gate.
<i>BUILDING IMPROVEMENTS:</i>	10,000 SF
<i>PROPERTY RIGHTS APPRAISED:</i>	Fee Simple
<i>ZONING:</i>	Airport property
<i>PRESENT USE:</i>	Airplane hangar
<i>HIGHEST AND BEST USE:</i>	Airplane hanger
<i>DATE OF VALUATION:</i>	August 30, 2023
<i>DATE OF REPORT:</i>	September 30, 2023
<i>MARKET VALUE:</i>	\$1,650,000

ASSUMPTIONS AND LIMITING CONDITIONS

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

- No responsibility is assumed for matters that are legal in nature nor is any opinion rendered on title of property appraised.
- Unless otherwise noted, the property has been appraised as though free and clear of all encumbrances.
- All maps, areas, plans, specifications, and other data furnished your appraiser were assumed to be correct. No survey of the property was made by this firm. Furthermore, all numerical references to linear measurements, area, volume or angular measurements should be assumed to be “more or less” (+/-) and are accurate to a degree consistent with their use for valuation purposes.
- This appraisal considers only surface rights to the property with consideration of current zoning and land use controls. The estimate of **highest and best** use will form the basis for the value estimate. This appraisal does not consider mineral, gas, oil or other natural resource rights that may be inherent in the ownership of the property.
- In this appraisal assignment, any potentially hazardous material found on the land or used in the construction of the buildings, such as urea formaldehyde foam insulation, petroleum residue, asbestos and/or existence of toxic waste or gases, which may or may not be present on the property, has not been considered. The appraiser is not qualified to detect such substances. Any interested party is urged to retain an expert in this field if there is any question regarding such potentially hazardous material. If such material or substance is present it could adversely affect the value reported herein.
- The appraiser is not a seismologist. This appraisal should not be relied upon as to whether a seismic problem exists or does not actually exist on the property. The property which is the subject of this appraisal is within a geographic area where earthquakes and other seismic disturbances have previously occurred and where they may occur again. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the appraiser concerning the geologic and/or seismic condition of the property. The appraiser assumes no responsibility for the possible effect on subject property on seismic activity and/or earthquakes. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed seismic requirements by the City or County. It is possible that a survey of the property could reveal that the property does not meet the required seismic requirements. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance requirements in estimating the value of the property.
- All data contained in this report and in the appraiser’s files, as obtained from other sources, upon which to any degree the opinions and conclusions were based, are considered reliable and believed to be true and correct. However, the appraiser does not assume responsibility for the accuracy of such items that were obtained from other parties.
- There shall be no obligation to give testimony or attendance in court by reason of this appraisal with reference to the property in question unless arrangements have been previously made and at an additional fee.

- Neither all nor any part of the contents of this report, especially the conclusions to value, the identity of the appraiser or the firm with which he is connected shall be disseminated to the public through advertising media, news media, public relations media, sales media, or any other public means of communication without the prior written consent of the appraiser.
- Gregory A. Thornquist does not authorize the out-of-context quoting from, or partial reprinting of this appraisal report.
- The liability of Gregory A. Thornquist is limited to the client and to the fee collected. Further, there is no accountability, obligations or liability to any third party. If this report is placed in the hands of anyone other than client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser assumes no responsibility for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, or of a legal nature.
- The fee for this appraisal report is for the service rendered and not for time spent on the physical report or for the physical report itself.
- This appraisal report is prepared for the sole and exclusive use of LMK, Inc. No third parties are authorized to rely upon this report without the expressed written consent of the appraiser.
- This Appraisal Report complies with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analysis is contained in the appraiser's files.

SCOPE OF THE APPRAISAL

Elkhorn Appraisal Services (EAS) was retained by LMK, Inc. to provide a market value appraisal of the subject property. The property is a 10,000 SF airplane hangar, with site improvements. The property is situated on airport ground, and subject to an airport ground lease.

On August 30, 2023, Greg Thornquist of EAS met with Jerry and Lisa Gresens, owners, and was provided access to the property. I was also provided property information, lease information, and other data utilized in the appraisal process.

The valuation methods utilized in this analysis is the cost, sales, and income approaches. The income approach was employed to account for the potential revenue for aircraft rental parking.

The information within this analysis is presented as a narrative appraisal report. No extraordinary assumptions or hypothetical conditions have been utilized.

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

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

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

Based upon the subject's physical characteristics the most reasonable buyer for the subject is determined to be an owner/user.

General and specific information pertaining to the subject property was also obtained from the Lewis & Clark County Clerk and Recorder's Office. Real estate appraisers, multiple listing service, and the Helena Regional Airport was contacted with respect to comparable market data. This information is contained in the body of the report.

Gregory A. Thornquist has been actively appraising real estate throughout Montana since 2005. He is a licensed general appraiser in Montana and as such has completed the education, work, and training requirements set forth by the Montana Board of Real Estate Appraisers. Thornquist participates in continuing education and is an

active affiliate of the national organization, the Appraisal Institute. Thornquist has ample experience, training, and knowledge to appraise the subject property.

Effective Date:

The effective date of this appraisal report is August 30, 2023, which is the date of the site visit and date of the photographs. This appraisal report was completed on September 30, 2023.

DEFINITION OF MARKET VALUE

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

Market value means 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 specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

[Code of Federal Regulations, Title 12, Banks and Banking, Chapter I – Comptroller of the Currency, Department of the Treasury, Chapter 34 – Real Estate Lending and Appraisals] *Authority*. This subpart is issued by the Office of the Comptroller of the Currency (the OCC) under 12 U.S.C. 93a and title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (*FIRREA*) (Pub. L. 101-73, 103 Stat. 183 (1989)), 12 U.S.C. 3331 *et seq.*

PURPOSE OF THE APPRAISAL

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

INTENDED USE OF THE APPRAISAL AND CLIENT

It is understood that the intended use of this appraisal report is to assist in potential sale of the subject property, between the owner and the State of Montana.

The client is LMK, Inc., and the users are LMK, Inc. and the State of Montana.

PERSONAL PROPERTY

There is a personal property trailer that is utilized as an office. It was reported by the owner this will not transfer if the sale moves forward.

Built-in cabinetry, counters, restroom fixtures, etc. are included in the estimate of value.

PROPERTY RIGHTS APPRAISED

Definition of Appraised Estates

For valuation purposes within this report, two interpretations of a fee simple estate are described below:

1. Market value of the **fee simple estate** to an owner-user is the worth to this type buyer via the sales comparison approach. Income generation is not an important factor to this buyer. Property suitable for the buyer's own use is the primary purchasing criteria. Occupancy and lease-up costs are not relevant for this type of real property.
2. The **fee simple estate** for a multi-tenant facility is different from the one above. A different interpretation is appropriate for a building designed to generate real estate rental income like a shopping center or apartment building. This estate for this type of property is defined as the would-be most probable buyer assuming the property is already leased to a level of stabilized occupancy and normal market terms including market rent. Lease-up costs are assumed already paid.

This appraisal is made with the understanding and assumption that present ownership of the subject properties includes all rights that may be lawfully owned, and is therefore, titled in fee simple as indicated by the first interpretation as of August 30, 2023. A fee simple estate is subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

IDENTIFICATION OF PROPERTY AND LEGAL DESCRIPTION

The property that is the subject matter of this report consists of a 10,000 SF airplane hangar and site improvements, situated on airport owned land. The lease is further described in the report, and a copy is in the addenda.

PURPORTED OWNER

LMK, Inc is the owner of record.

SALES HISTORY OF THE PROPERTY

The property is not listed for sale, nor has ownership transferred in the previous three years as of the date of value.

The State of Montana and the owner are in discussions with regard to the State purchasing the subject. This appraisal is to assist in establishing a purchase price.

EXPOSURE TIME

The definition of market value includes a condition that a reasonable time is allowed in the open market. The length of time that a property is exposed in the market impacts the number of potential buyers for the property. Longer exposure typically results in more potential buyers, and shorter exposure to the market typically results in fewer potential buyers. Logically, the number of potential buyers who are aware of a property's availability can influence the sale price.

The subject is a 10,000 SF hanger that has historically been utilized for aircraft maintenance. The potential buyer, State of Montana, anticipates continuing this use in conjunction with Helena College.

The Helena Regional Airport has been experiencing growth, with the expansion of additional commercial airlines, along with construction of new hangers. Helena Regional Airport has additional land to the east which hanger expansion can continue.

The subject has the potential for its current use, anticipated use as an educational facility, or housing multiple aircraft. In addition, there is the potential to expand the existing structure to the east and south. In addition, the subject has a significant area along the northside of the hangar which has the potential to park aircraft, and generate rental income.

Considering the overall condition, potential for multiple uses, and expansion, a reasonable exposure time is less than twelve months.

REGIONAL MAP



REGIONAL AND CITY ANALYSIS

Helena is the county seat of Lewis and Clark County and the state capital of Montana. Lewis and Clark County is one of 56 counties in the State of Montana and is located on the front range of the Rocky Mountains in south central Montana. Helena is centrally located at the junction of Interstate 15, and US Highways 12 and 287. This is halfway between Glacier and Yellowstone National Parks, both major attractions to the State of Montana.

Lewis and Clark County, Helena in particular, has historically experienced stable economic conditions. Montana in general is known for its farming, agricultural, mining, and tourism industries. Helena, while enjoying the benefits of these industries, also sees the stability from being the county seat and the state capital. The Helena market is strong, especially the residential sector. In addition to being the political center for the State of Montana, Helena thrives as an educational, commercial, recreational, and cultural center.

Forces Influencing Property Values

The value of real estate is influenced by the interaction of four major forces: social, economic, government and environmental considerations. The four forces are discussed as follows:

Social Considerations

Social forces are exerted largely by population characteristics, including population growth, density, and age distribution. The population within the Helena city limits is approximately 32,024 (2019) and the population of Lewis and Clark County is approximately 69,432. The tri-county area includes the Helena city limits and the surrounding valley, and the adjacent bedroom communities in North Jefferson County and West Broadwater County. Helena and its surrounding communities, like much of Montana, have seen a large influx of people from the neighboring northwest states. Overcrowding in larger cities has influenced moving to areas that offer smaller and often safer communities. Like much of Montana, Helena is viewed as a more affordable area to reside in, and also offers a very attractive physical environment. Montana has a wide variety of outdoor recreational opportunities. The Missouri River, Canyon Ferry Lake, Hauser Lake, and Holter Lake are all near Helena providing excellent recreational opportunities. Vast public lands are also available within the region providing numerous opportunities for big game hunters, outfitters, hikers, backpackers, alpine skiers, and the use of snow machines. There are a number of ski hills that range from small, locally owned and operated to Big Sky Resort near Bozeman, which is one of the largest ski hills in this region.

The City of Helena has numerous city parks, three golf courses, and a public pool that was recently renovated. Also, a number of facilities offering cultural events are in the city limits.

Economic Considerations

Helena, like the rest of Montana and most of the United States, has been experiencing growth of its economy for the past several years. In the long run, the outlook for Helena and the vicinity is quite positive based on a number of factors.

- County seat of Lewis and Clark County, and the state capitol of Montana
- Central location
- Influx of population
- Wide range of skills in the labor force

In addition to the large state and federal government employment base, Helena has a diversified skilled labor force. Helena's unemployment rate is 2.3%, Montana's unemployment rate is 3.5%, and the U.S. unemployment rate is 4.7%.

Helena experienced several years of residential and commercial growth. Residential growth continues at a steady pace.

The Capital Mall was razed to make way for new commercial development, and some of this development consists of banking facilities, Taco Bell, Starbucks, Benifis Clinic, Stockman Bank, Opportunity Bank office building and First Interstate Bank. There is additional land area to support other development.

New commercial office and retail properties require occupancy which is causing a higher vacancy rate in several established, older neighborhoods. Lower rental rates and/or renovation of some buildings are being seen to keep occupancy rates high. Property values have increased, especially in the residential sector. Residential inventory is low, which is a product of increasing sales prices.

Helena's economy and Montana's economy in general, is stable and is currently experiencing moderate growth.

Helena is a government town, with almost three-fourths of the Lewis & Clark County's economic base directly attributable to state and federal governments. State government workers account for about 46 percent of basic earnings, while federal civilian and military workers represent another 25 percent. This dependence is positive and negative for the local economy. Positive with regard to the Helena economy being non-cyclical, yet negative with regard to the government sector not likely being prosperous in the near future with deficit reductions and pay freezes.¹

Governmental Considerations

The City of Helena enjoys good quality police and fire protection with 43 full-time police officers, and 36 full-time firemen. The city government has a mayor, four city commissioners, and a city manager. Adequate schools are available at all levels of education with 11 schools being either elementary or middle schools, two private high schools or two public high schools. Post-secondary education is provided by Carroll College which is a private college, or the Helena College of Technology which is associated with the University of Montana.

Helena zoning ordinances and building codes are consistent with guidelines required for responsible construction quality and orderly growth in defined areas. All city services and utilities are available.

Property taxes are administered by the city, county, and school districts for which the property is located. There is no sales tax in Montana.

Environmental Considerations

Environmental and physical forces, both natural and man-made can influence property values. These forces include climatic conditions, topography and natural barriers, and transportation systems.

The climate near Helena can best be described as modified continental. Continental climate means the summers are dry and hot, and the winters are cold. However, Helena has affectionately been called the banana belt of Montana. Due to a series of surrounding mountain ranges, Helena is often spared the prolonged bitter and cold winters. The average high temperature in January is 29 degrees, the average high temperature in July is 85 degrees, and

¹ Montana Business Quarterly volume 51, number 1, Spring 2013, page 20

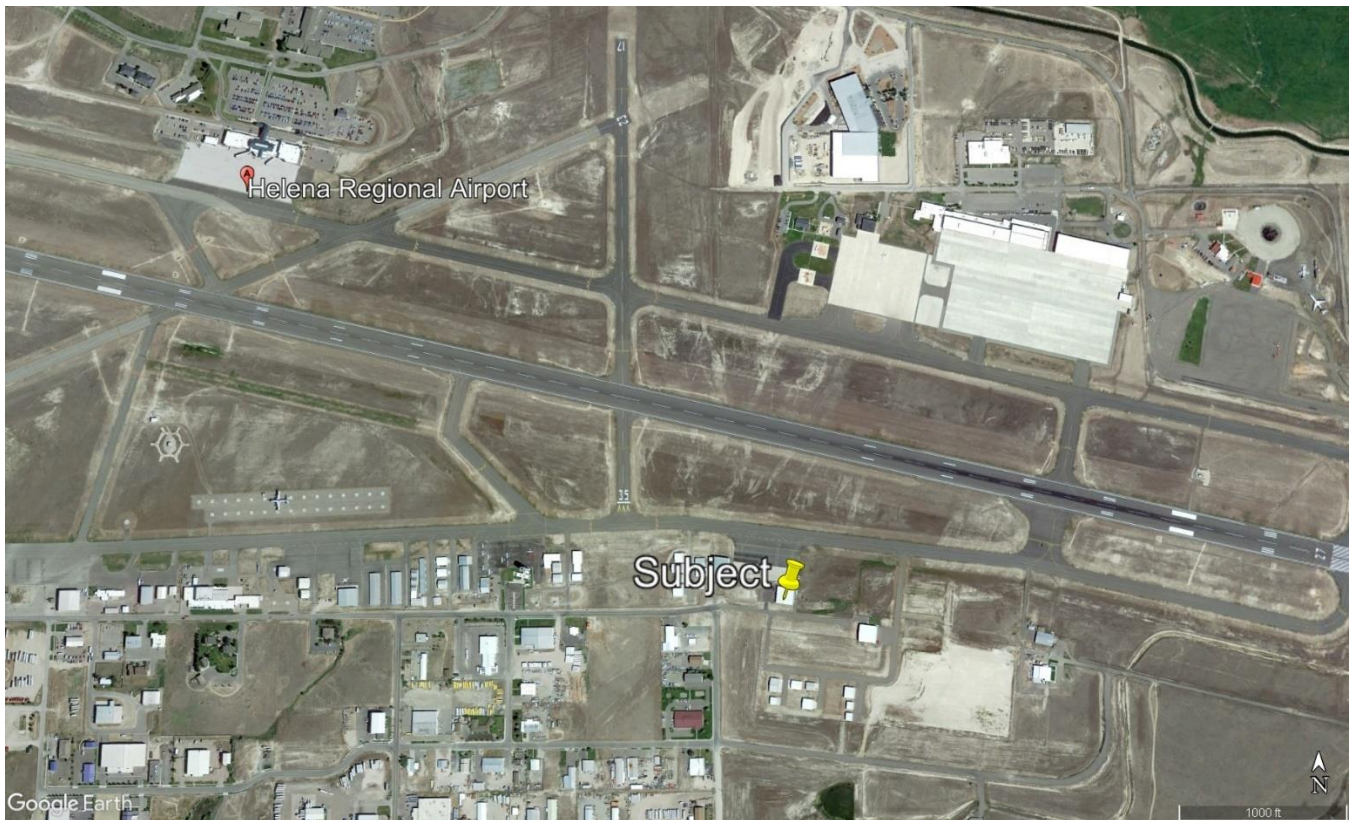
the average annual precipitation is 12.12 inches. A milder climate helps reduce operating costs for business, and furthermore it helps to extend the effective life for many buildings.

Helena is located at the juncture of Interstate 15 and US Highways 12 and 287 which allows for easy travel in all directions. Several commercial and charter airlines provide air service to the Helena area. There are commercial and charter bus services, motor carriers, and two railroads. Parts of Montana are subject to seismic activity that has been minimal and apparently not affected property values.

Conclusion

The government presence coupled with increased residential growth has allowed Helena to experience stable economic conditions. In the short term, government policies may affect local government employees and the Helena economy, but historically speaking, government jobs have been a source of stability for Helena. Future economic conditions should remain stable or better as population increases and tourism becomes ever more popular. Overall, property values should appreciate as they have in the past.

NEIGHBORHOOD DATA AND TRENDS



The subject is located along the south side of the Helena Regional Airport. The neighborhood consists of airport property, commercial, light industrial, and vacant land. This area has been a desirable area for light industrial,

The subject is located within the Helena city limits and is served with city water and sewer. Natural gas and electricity is provided by Northwestern Energy.

REAL ESTATE TAXES

The Montana State Department of Revenue, working through each county courthouse, appraises all taxable real estate, presumably at market value. State law has prescribed that a re-evaluation plan be completed periodically. The most recent statewide reappraisal was completed in 2023. Single family dwellings are predominately valued based upon the sales comparison approach. When market data proves to be unreliable, Montana Department of Revenue appraisers will use replacement cost, less depreciation. For commercial property, appraisers have relied most heavily on the cost approach, but in areas where sufficient income and expense data is available, the income approach is being considered more and more. Industrial property is valued based upon the cost approach. The Marshall Valuation Service Cost Manual is heavily used by the Montana Department of Revenue appraisers. Other non-public data, resulting from the Real Estate Financial Disclosure Act, is also considered.

Due to the fact that the Department of Revenues values are based upon pre 2023 market data, the current market values may or may not be indicative of the value for tax purposes depending on the changing market conditions.

The following table illustrates an example of how residential and commercial property is presently taxed:

<u>Residential</u>			<u>Commercial</u>	
Market Value	\$400,000		Market Value	\$1,000,000
Tax Rate	x 1.35%		Tax Rate	x 1.35%
Taxable Value	\$5,400		Tax Rate Adjustment	x 1.4
Mill Levy	<u>x 650</u>		Taxable Value	\$18,900
General Taxes	\$3,510		Mill Levy	<u>x 650</u>
			General Taxes	\$12,285

*General taxes do not include special improvement district and other special charges

The tax bill sets forth the taxable market values and taxable values for the land and improvements. As noted above the mill levy is applied against taxable value to obtain the dollar amount of general taxes. General taxes and perpetual improvement district charges are listed for the first and second halves of the year. Real estate taxes are paid in arrears, with the first half due in November of the current year and the second half due in May of the following year.

The current assessed value and taxes are as follows:

Geo-code	Assessed value	Current real estate taxes	Rate
05-1888-21-3-01-01-4025	\$290,370	\$4,166.29	1.43%

PROPERTY DESCRIPTION

Site

<i>Size:</i>	Ground lease – approximately 75,000 SF
<i>Shape:</i>	Rectangular
<i>Topography:</i>	Generally level
<i>Soil Conditions:</i>	Soil conditions are unknown. No soil tests were provided to your appraiser.
<i>Easements:</i>	None
<i>Access:</i>	Airport Road
<i>Utilities:</i>	The property is served by city services. Natural gas and electricity is provided by Northwestern.
<i>Zoning:</i>	Airport
<i>Flood Plain:</i>	The subject property is not located within a designated flood zone.
<i>Nuisances or Hazards:</i>	None of the surrounding properties have an adverse impact on the property.
<i>Site Improvements:</i>	±22,000 SF of asphalt airplane parking ±8,500 SF of asphalt vehicle parking ±28,000 SF of concrete airplane parking Chain-link fencing Access gates

Building Description

<i>Type and Size:</i>	Airplane hangar – 10,000 SF 100' x 100' Wall height – 22'
<i>Age & Life Expectancy:</i>	1996/ 50 years
<i>Effective Age:</i>	2010
<i>Remaining Life:</i>	50 years
<i>Quality of Construction:</i>	Good
<i>Footings and Foundation:</i>	Concrete
<i>Floor Structure:</i>	Concrete
<i>Exterior Walls and Finish:</i>	Metal
<i>Roof Framing:</i>	Metal
<i>Roof Cover:</i>	Metal
<i>Windows:</i>	Metal
<i>Doors:</i>	Metal
<i>Interior Finish</i>	
<i>Floor:</i>	Concrete
<i>Walls:</i>	Insulated
<i>Ceiling:</i>	Insulated
<i>Electrical:</i>	3-phase
<i>Lighting:</i>	High-efficiency T-5 hangar lighting with sensors
<i>Heat:</i>	Four natural gas heaters
<i>Insulation</i>	
<i>Walls:</i>	Presumed adequate
<i>Ceiling:</i>	Presumed adequate
<i>Plumbing:</i>	Bathroom
<i>Condition:</i>	Above average
<i>Other:</i>	Hanger Door – 65' x 22" electric bi-fold Garage door – 10' x 10' Four pedestrian doors Security system Satellite internet

SUBJECT PROPERTY PHOTOGRAPHS



Subject from Airport Road



Parking from Airport Road.

SUBJECT PROPERTY PHOTOGRAPHS



Building access from parking lot



Airport access – Schweiss electric bifold door

SUBJECT PROPERTY PHOTOGRAPHS



Subject south and east sides. South side has the potential for expansion.



East area with potential for expansion

SUBJECT PROPERTY PHOTOGRAPHS



Secured access gate



Concrete paving, aircraft parking, and access to the tarmac

SUBJECT PROPERTY PHOTOGRAPHS



Hanger interior

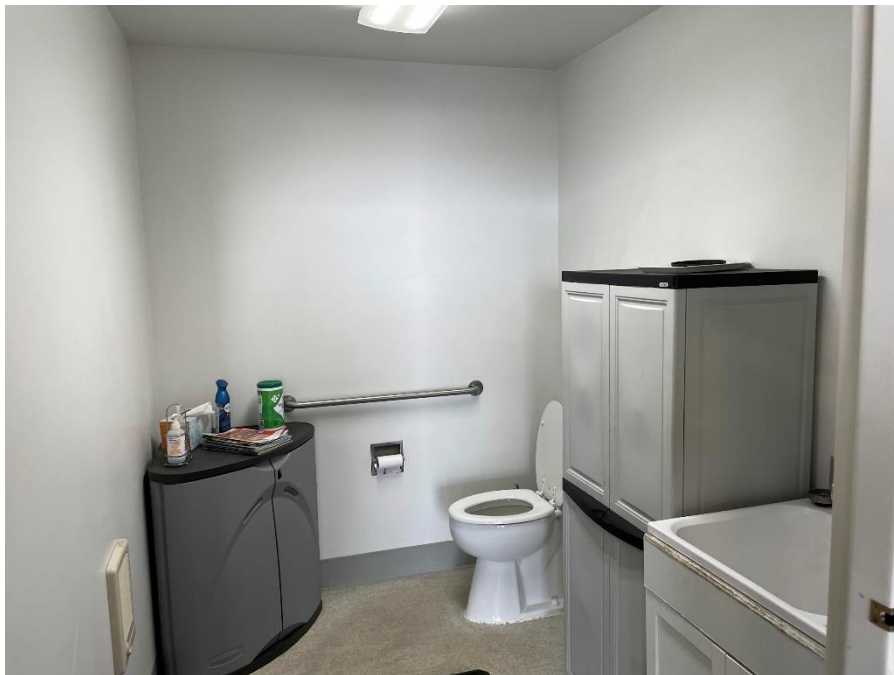


Hanger interior – Office trailer not included

SUBJECT PROPERTY PHOTOGRAPHS

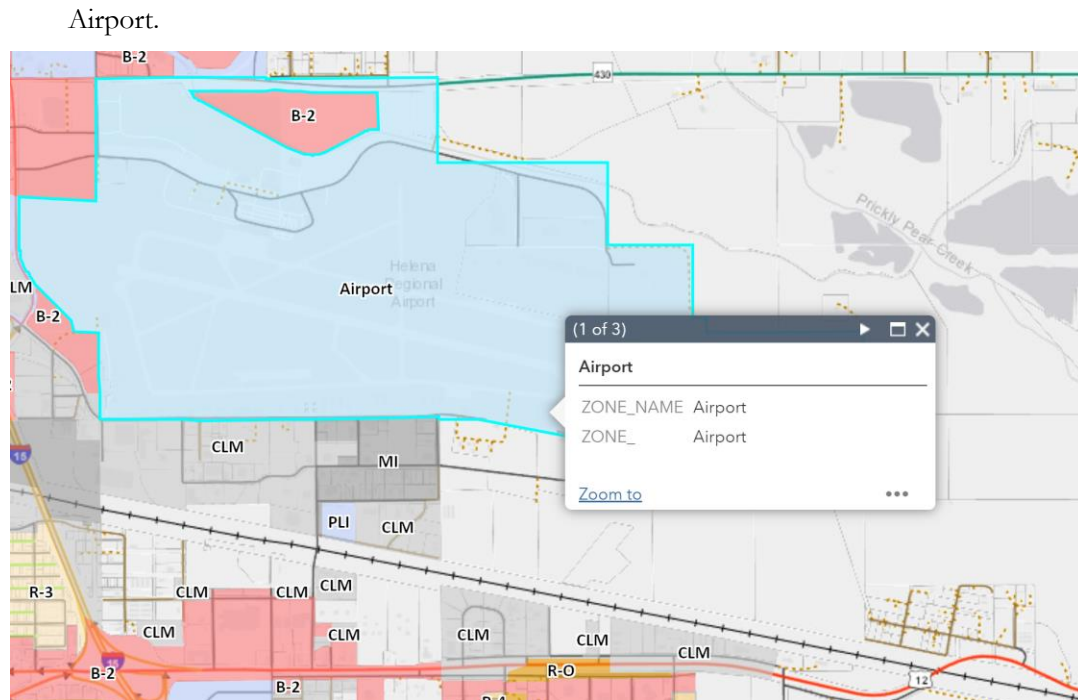


Restroom with storage mezzanine



Restroom

ZONING



HIGHEST AND BEST USE

“The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value. Alternatively, the probable use of land or improved property – specific with respect to user and timing of the use – that is adequately supported and results in the highest present value.”²

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

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

² *The Dictionary of Real Estate Appraisal*, 5th Ed. (Chicago: Appraisal Institute, 2010), s.v. “highest and best use.”

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

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

HIGHEST AND BEST USE

The subject improvements are located on Helena Regional Airport land. The hanger is 10,000 SF and has a ½ bath. There is a Schweiss electric bifold hanger door.

Along the north side of the hanger there is surface aircraft parking. This area has potential to generate airplane parking revenue. In fact, this area has historically been utilized during fire season for tanker parking.

The original lease was entered into in 1997. A lease extension was signed in 2014 and was extended until June 30, 2044. A copy of the lease information is in the addenda.

The highest and best use of the structure is for airplane hangar use, subject to the lease agreement.

Highest and Best Conclusions

Physical Use	Airport hangar
Timing of Physical Use	Immediate
Interim Use	Not applicable
Market Participants	
Most Likely Buyer	Owner approved by the Helena Regional Airport
Most Likely User	Owner approved by the Helena Regional Airport

PROPERTY VALUATION

Whenever possible, all three basic approaches to value (cost, sales comparison, and income approaches) are utilized. The resulting indications of value are then correlated into a final estimate of market value. In this analysis the cost and sales comparison approaches to value have been utilized. There is a lease for the hanger, but this lease is not considered to be a market lease. This is a pocket-to-pocket lease, and the owner and tenant are one in the same. Emphasis will be placed on the approach or approaches that offer the most reliable data.

DEFINITIONS

Cost Approach:

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing structure plus any profit or incentive; deducting depreciation from the total cost; and adding the estimated land value. Other adjustments may be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.³

This is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land or when relatively unique or specialized improvements are located on the site and for which there are no comparable properties in the market.

Sales Comparison Approach:

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sales price of the comparable properties based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant.⁴

The reliability of this technique is dependent upon (A) the availability of comparable sales data, (B) the verification of sales data, (C) the degree of comparability or extent of adjustment necessary for time differences, and (D) the presence of non-typical conditions affecting the sales price.

Income Approach:

In this approach an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to the approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the Cost Approach.⁵

SUBJECT GROUND LEASE

There is a ground lease which runs until June 30, 2044. The lessee is responsible for all real estate taxes associated with the hangar, utilities, and maintenance/repairs. A copy of the lease is in the addenda.

³ The Appraisal of Real Estate, 14th Edition, Page 47, 2013, sponsored by the Appraisal Institute.

⁴ The Appraisal of Real Estate, 14th Edition, Page 45, 2013, sponsored by the Appraisal Institute.

⁵ The Appraisal of Real Estate, 14th Edition, Page 46, 2013, sponsored by the Appraisal Institute.

INCOME APPROACH

There is approximately 50,000 SF of airplane surface parking. This area is a positive attribute to the hangar, as it provides the ability to generate rental revenue.

I spoke with Jeff Wadekamper, Airport Director, and Mr. Wadekamper indicated there is increasing demand at the airport for temporary private aircraft parking. He notes the peak season is from April through October. Although the subject doesn't provide fuel services, fuel can be obtained from a private vendor, or there is a self-service pump on the airport grounds.

During fire season, this area has been utilized for parking of a large tanker, and the rent for 2023 was \$350 per day. This tanker, when at the property, utilizes the entire area. It was reported this area can support parking for four aircraft. Dividing the \$350 by four suggests a daily rate of \$88.00.

Alpine Air currently pays Exec Air \$1,400 per month for ramp parking. These aircraft may be parked all day or parked while unloading aircraft. This suggests a daily rate of \$47.00 (\$1,400/30 days).

The aforementioned suggests a daily rate of \$47 to \$88 per day. In the income approach, I have utilized a daily rate of \$70.

For the peak season, April through October, seven months, there is a total of 840 parking days (210 days x 4). The total potential revenue is \$58,800. It's reasonable to assume the parking spaces would not be rented for all 840 days. I reached out to Chuck Dubell, Alpine Air, in attempts to establish an occupancy rate, but as of the date of this report, no phone call was returned. Based upon discussions with Mr. Wadekamper, and demand for aircraft parking, I have utilized an occupancy of 50% during peak season.

There are 155 days remaining in the year. Mr. Wadekamper during this time of year indicated there is a drop off in demand, mainly as a result of Helena not being a destination city during the winter months. There is increased activity during the holiday season, along with the three months the Legislature is in session. For the off-peak season, I have utilized an occupancy of 25%.

The projected total revenue is:

	<u>Spaces</u>	-	<u>Days</u>	-	<u>Occupancy</u>	-	<u>Rate</u>	=	<u>Total</u>
Ramp Revenue (April -October)	4	x	210	x	50.00%	x	\$70.00	=	\$29,400
Ramp Revenue (April -October)	4	x	155	x	25.00%	x	\$70.00	=	\$10,850
Total Revenue									\$40,250

Expenses

The airport ground lease is \$4,000 per year. This lease accounts for maintenance of the ramp, i.e., snow removal, etc.

I have also applied a management expense of 10% of the total revenue which accounts for overseeing the rental operation.

There will be operating expenses associated with this use.

Expenses		<u>% of Rev</u>	<u>\$/Space</u>
Airport Lease	(\$4,000)	8.3%	\$1,000
Management	(\$4,830)	10.0%	\$1,208
Total Operating Expenses	(\$8,830)	18.3%	\$2,208
Net Operating Income	\$39,470		

Capitalization Rate:

The capitalization rate is one of the most critical factors in the income approach to value. Direct capitalization is utilized to convert an estimate of a single year's income expectancy into an indication of value in one direct step. The capitalization rate represents the relationship between income and value as observed in the market and is a composite of the return "on" the investment as well as the return "of" the investment. It is also a means of measuring the quantity, quality, and durability of a property's income stream.

I didn't identify sale of leased hangars to establish of an overall capitalization rate. Therefore, I have utilized the Band-of-Investment and debt coverage (DCR) ratio.

The information utilized to calculate the following overall capitalization rates is considered to be typical within the market and is as follows:

<u>Mortgage/Equity Band of Investment</u>					<u>Weighted</u>
	<u>Ratio M-E</u>		<u>Rm & Re</u>	=	<u>Amnts</u>
Mortgage ratio (%)	0.80	x	9.30%	=	7.44%
Equity ratio (%)	0.20	x	6.00%	=	<u>1.20%</u>
Estimated overall rate =					8.64%
Mortgage rate =	7.00%				
Mortgage term (years)=	20				
Equity dividend rate =	6.00%				
LTV	80.00%				
<u>Debt Coverage Ratio</u>					
Ro = M x Rm x DCR					
M - Mortgage ratio (%)					
Rm - Rate to the mortgage (%)					
DCR - Ratio of net operating income to annual debt service					
	<u>M</u>	<u>x</u>	<u>Rm</u>	<u>x</u>	<u>DCR</u>
	80.00%		9.30%		1.2
Estimated overall rate (Ro)	8.93%				

INCOME APPROACH – DIRECT CAPITALIZATION

	<u>Spaces</u>	-	<u>Days</u>	-	<u>Occupancy</u>	-	<u>Rate</u>	-	<u>Total</u>		
Ramp Revenue (April -October)	4	x	210	x	60.00%	x	\$70.00	=	\$35,280		
Ramp Revenue (April -October)	4	x	155	x	30.00%	x	\$70.00	=	\$13,020		
									Total Revenue		\$48,300
Expenses										% of	
Airport Lease									(\$4,000)	Rev	\$/Space
Management									(\$4,830)	8.3%	\$1,000
									Total Operating Expenses	10.0%	\$1,208
									(\$8,830)	18.3%	\$2,208
									Net Operating Income		\$39,470
									Net Operating Income	/	Capitalization Rate
									\$39,470	/	8.75%
									=		Value
									=		\$451,086

COST APPROACH

The following is a replacement cost estimate based on cost comparable, along with a cost estimate from Marshall Valuation Service published by Marshall and Swift of Los Angeles, CA.

The Marshall and Swift cost manual is considered to be a very reliable and accurate cost manual. It is used by most fee appraisers and by various governmental agencies including the Montana State Department of Revenue for taxation purposes.

New base costs are provided approximately every two years for various classes of construction and quality. Refinement to the base costs for typical variances such as heat, air conditioning, the presence or lack of elevators, number of stories, basements, etc. is included. Still other adjustments, by multiplier, are included for variations in height, perimeter to floor area ratio, current cost, and locality.

The costs as provided in the calculator section include average architect and engineer fees. These, in turn, include plans, plan check, building permits and survey to establish building lines and grades. Normal interest, on only the actual building funds during period of construction, and processing fee or service charge is also included. Normal site preparation including finish, grading and excavation for foundation and back fill, as well as utilities from the structure to the lot line, as figured for typical set back, is included. Contractor's overhead and profit, including job supervision, workman's compensation, fire, liability insurance, unemployment insurance, equipment, temporary facilities, security, are also all included. Not included in this replacement cost estimate is the cost of buying or assembling land, escrow fees, legal fees, property taxes, demolition, storm drains, rough grading, or other land improvement costs. The cost of raw land, land planning, discounts or bonuses paid for financing, yard improvements including signs, landscaping, paving, walls, yard lighting, pools or other recreational facilities, and any off-site costs are likewise not included.

Physical and Functional Depreciation:

Buildings do not depreciate on a straight-line basis, but rather on a less than a straight-line basis in the early to middle years of a property's life and on a greater than straight line basis in the latter years. The depreciation table in Section 97 of the Marshall Valuation Service recognizes this and was in fact constructed from many sales of various aged properties. Depreciation was extracted from the market by first deducting land and personal property values from the sales price leaving the sales price of the building, and then secondly subtracting that number from the current replacement cost of the building.

Based upon the design of the building there does not appear to be any functional obsolescence, therefore none has been applied.

Economic Obsolescence

There is inadequate market data with respect to sales or income/expense data to determine a loss in value for economic obsolescence or external depreciation. Therefore, none has been applied.

Entrepreneurial Profit

As previously discussed, the Marshall & Swift Valuation cost data does not include entrepreneurial incentive/profit, and each is distinct. The entrepreneurial incentive is a market derived figure that represents the risk and reward anticipated by an entrepreneur. The reward must be commensurate with the risk, and vice-versa; significant risk requires significant reward.

“Entrepreneurial profit refers to the difference between the total cost of development and marketing and the market value of a property *after* completion and achievement of stabilized occupancy and income.”⁶ The entrepreneurial profit then is the actual amount received for development, while the entrepreneurial incentive is the anticipated return.

I spoke with a local developer and it was reported when the market was at its peak, entrepreneurial incentive/profit was typically 10% to 15%, based upon the property type. In this analysis, I have utilized 10%.

⁶ Ibid. Page 573.

COST COMPARABLE

In 2022 I appraised a 12,000 SF airplane hangar to be constructed and located at Mission Field Airport, Livingston. The total construction costs were \$1,450,000, or \$121/SF. This hangar has a 36' wall height, which is superior to the subject.

I also spoke with Brian Hawk from Hamilton, MT, and Mr. Hawk has built numerous hangars similar to the subject, and Mr. Hawk indicated his costs are \$110/SF to \$115/SF.

The following is a cost new estimate for the site improvement. For the exterior vertical pivot gate, I spoke with the owner of Fence Crafters, Johnny Kientz, and Mr. Kientz has installed a number of similar gates at the airport. The reported cost new is \$45,000.

The following are the cost new for the site improvements:

<u>Site improvements</u>				
Asphalt paving (SF)	12,000	x	3.00	= \$36,000
Concrete paving (SF)	15,000	x	6.00	= \$90,000
Fencing (LF)	175	x	35.00	= \$6,125
Vertical pivot gate				\$45,000
Total				\$177,125

The following is the cost approach:

COST APPROACH – MARSHALL & SWIFT

<u>Reproduction cost new estimate via Marshall valuation</u>				
Date of survey/page #	2/2022 Section 14, Page 29			
Subject property	Helena Regional Airport, Helena, MT			
Occupancy class	Hangar			
Building class	Class S			
Building quality	Good			
Effective age/condition rating	2010	Average	Condition	
Base square foot cost				\$74.50
Subtotal				\$74.50
Story height adjustment	1.18			
Floor area adjustment	<u>1.00</u>			
Refined SF costs	1.18	X	\$74.50	\$87.98
Subject's SF area GBA	10,000	X	\$87.98	\$879,845
Site improvements				\$177,125
Subtotal				\$1,056,970
Current cost adjustment	1.120			
Local cost adjustment	<u>1.000</u>			
Subtotal	1.12	X	\$1,056,970	\$1,183,806
Entrepreneurial incentive	10.00%	X	\$1,183,806	\$118,381
Reproduction cost new estimate				\$1,302,187
Less Depreciation	9%	X	\$1,302,187	\$117,197
Cost New Less Depreciation				\$1,184,990
Rounded				\$1,185,000

The following is an indication of value by means of the aforementioned:

Cost Summary						Less		Value
	\$/SF		Area (SF)	Cost New	Depreciation		Indication	
Cost Comparable	\$121.00	x	10,000 =	\$1,210,000	-	\$117,197	=	\$1,092,803
Brian Hawk	\$115.00	x	10,000 =	\$1,150,000	-	\$117,197	=	\$1,032,803
Marshall & Swift	\$130.22	x	10,000 =	\$1,302,187	-	\$117,197	=	\$1,184,990
Mean	\$122.07			\$1,220,729		\$117,197	=	\$1,103,532

The cost approach does not account for value as determined by means of rental revenue. Adding the cost approach value to the income approach value, suggests a total value of:

Cost Approach – Mean	\$1,103,532
Income Approach	\$451,086
Total	\$1,554,618
Rounded	\$1,550,000

SALES COMPARISON APPROACH

In the sales comparison approach the appraiser arrives at an indication of value by comparing the relative utility and desirability of the subject property with comparable properties recently sold. These sale properties should have approximately the same physical characteristics as does the subject, be in the same general neighborhood or a similar neighborhood and be capable of housing the same or a similar use. Relatively minor differences can be adjusted for. Each sale should be an arm's length transaction.

Basic to this approach is the principle of substitution which states that "when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution."⁷ This principle implies that reliability of the sales comparison approach is diminished if substitute properties are not available in the market.

The elements of comparison are the characteristics of properties and transactions that caused the price paid for real estate to vary. One must consider all differences between the comparable properties and the subject property that could affect their values.

In establishing an indication of value for the subject I have identified three sales and one listing. Montana is a non-disclosure State, which means sales information is not public information. Therefore, an appraiser must rely upon other means in order to identify sales, sales prices, etc.

Property Rights Appraised

All comparable sales are fee simple ownership and did not require an adjustment.

Financing

All sales are cash to the seller or on terms considered cash equivalent and no adjustments are required.

Location

Two sales are in Missoula, one in Belgrade, and the listing is in Livingston. Belgrade is considered a superior location, Missoula similar, and Livingston an inferior location. No location adjustment could be quantified; therefore, no quantifiable adjustment is made.

Conditions of Sale

No known conditions motivating the buyer or seller were involved in the sales, therefore, no adjustments were required.

Market Conditions

⁷ *The Dictionary of Real Estate Appraisal*, 5th Ed. (Chicago: Appraisal Institute, 2010), s.v. "substitution."



No adjustment for market conditions has been applied.

Physical Characteristics



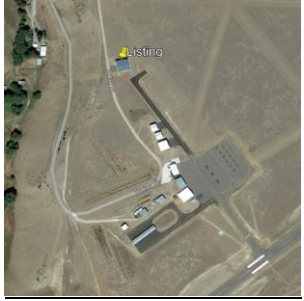
The subject and the comparable hangar sales differ in several aspects and in varying degrees. In the grid to follow, I have applied qualitative adjustments, inferior, similar, and superior, to recognize the differences between the sales.

The following improved sales location map and adjustment grid summarize the sales used in this appraisal report.

IMPROVED SALES GRID

		<u>None</u>	
	<u>Subject</u>	<u>Sale 1</u>	<u>Sale 2</u>
	Helena Regional Airport, Helena	Bozeman Yellowstone International Airport, Bozeman	Missoula Airport, Missoula
Location			
Sale Date	NA	11/2021	12/2019
List Price	NA	Unknown	Unknown
Sale Price	NA	\$1,989,200	\$1,300,000
Building Size (SF)	10,000	11,840	13,680
\$/SF	NA	\$168.01	\$95.03
Physical Characteristics			
Location	Helena	Bozeman	Missoula
Comparison		Superior	Similar
Building Size (SF)	10,000	11,840	13,680
Comparison		Similar	Similar
Quality of Construction	Good	Good	Good
Comparison		Similar	Similar
Effective Age/Condition	2010/Good	2021/Good	2009/Good
Comparison		Superior	Similar
Hangar Door	65' x 22'	Unknown	Unknown
Comparison			
Wall Height	26'	Unknown	28'
Comparison			Similar
Restroom	Yes	Unknown	Yes
Comparison			Similar

IMPROVED SALES GRID

	 Subject	 Sale 3	 Listing 4
Location	Helena Regional Airport, Helena	Missoula Airport, Missoula	Mission Field Airport, Livingston
Sale Date	NA	12/2019	Active
List Price	NA	Unknown	\$1,300,000/\$850,000
Sale Price	NA	\$2,000,000	
Building Size (SF)	10,000	15,354	10,000
\$/SF	NA	\$130.26	\$85.00
Physical Characteristics			
Location	Helena	Missoula	Livingston
Comparison		Similar	Inferior
Building Size (SF)	10,000	15,354	10,000
Comparison		Inferior	Similar
Quality of Construction	Good	Good	Average
Comparison		Similar	Inferior
Effective Age/Condition	2010/Good	2015/Good	2000/Average
Comparison		Superior	Inferior
Hangar Door	65' x 22'	Unknown	70' x 25'
Comparison			Similar
Wall Height	26'	24'	35'
Comparison		Similar	Superior
Restroom	Yes	Yes	Yes
Comparison		Similar	Similar

Sales Analysis

Montana is a non-disclosure State, which means sales of real property is not public information. Therefore, when looking for sales of comparable airplane hangars, I contacted real estate appraiser's, real estate broker's, area airports, utilized the multiple listing service (MLS), along with national marketing web sites. The aforementioned sales and listing were the best identified from the market. I did identify a number of smaller hangars, but excluded them from this analysis. Although these smaller hangars are considered similar with regard to use, they are designed to house much smaller aircraft.

The following table illustrates the sales and listing on a price per square foot basis, along with the overall comparability:

Comparable	\$/SF	Overall Comparability
Listing 4	\$85.00/SF	Inferior
Sale 2	\$95.03/SF	Inferior
Sale 3	\$130.26/SF	Similar
Sale 1	\$168.01/SF	Superior
Mean	\$119.58/SF	

I spoke with Mike Devries, broker with McCaw and Company in Bozeman, and Mr. Devries is active in the buying and selling airport hangars at the Gallatin International Airport. Mr. Devries indicated the Bozeman hangar market is far superior to any other Montana market, because of the attraction to Bozeman and Big Sky. In addition, he indicated there is currently no available land at the Gallatin International Airport for the development of new hangars.

I spoke with the owner of Listing 4 and he indicated he is motivated to sell his hangar, as he has identified a substitute in Idaho.

Giving greatest emphasis to Sale 3 at **\$130.00/SF**, suggests a value of **\$1,300,000** (\$130.00/SF x 10,000 SF).

The sales comparison approach does not account for value as determined by means of rental revenue. Adding the cost approach value to the income approach value, suggests a total value of:

Sale Comparison Approach	\$1,300,000
Income Approach	\$451,086
Total	\$1,751,086
Rounded	\$1,750,000

RECONCILIATION AND CONCLUSION

The reconciliation process discusses the strengths and weaknesses of each approach and reconciles them into a value as best supported by these approaches. Reconciliation is a process by which an appraiser considers the quality as well as the quantity of data, and how those factors might have impacted the quality of the value opinion.

I employed the income approach to establish a contributory value for aircraft parking. This indication of value was added to the value inclusion for the cost and sales comparison approaches.

The cost approach is most applicable when valuing new or near new improvements. I utilized a cost comparable, information obtained from an individual that builds airplane hangars, along with Marshall Value.

The value conclusion by means of the cost approach, plus the contributory income approach value is **\$1,550,000**.

The indication of value from this approach is adequately supported and given less than average weight.

The Sales Comparison Approach is the method which the public and the courts both tend to rely upon. Each of the sales are larger hangars, designed for larger aircraft. These comparables are the best identified from the market.

The value conclusion by means of the cost approach, plus the contributory income approach value is **\$1,750,000**.

The value conclusion by means of this approach is given above average weight.

Considering all the facts and analysis set forth in this report, it is my opinion the market value of the subject property on August 30, 2023, was:

One Million Six Hundred Fifty Thousand Dollars

\$1,650,000

VALUE ESTIMATE AND CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and/or those found in the letter of engagement or appraisal consultation contract authorizing this report and is our personal, impartial, and unbiased professional analysis, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting a predetermined value.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. This appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
- My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with The Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- I have made a personal inspection of the property that this report has been developed upon.
- I have not previously appraised the subject.
- No one provided significant appraisal assistance that required signing the report.
- Gregory A. Thornquist is currently licensed in the State of Montana (Certificate #867) as a Certified General Real

Estate Appraiser. Regarding the Competency Provision of USPAP, I further attest I've had substantial approved education and experience in the appraisal of various property types.

Based upon all the facts set forth in this report, together with other facts, data, and knowledge regarding this type of property, the market value of the subject property on August 30, 2023, will be:

One Million Six Hundred Fifty Thousand Dollars

\$1,650,000



Gregory A. Thornquist
Montana State Certified
General Real Estate Appraiser #REA-RAG-LIC-867
9/30/2023