

AN APPRAISAL REPORT OF:

2155 Analysis Dr.
Bozeman, MT 59715

FILE NO.:
C082715216

PREPARED FOR:
Mr. Robert V. Lashaway
University Services
P.O. Box 172760
Bozeman, MT 59717

PREPARED ON:
September 7, 2015

EFFECTIVE DATE OF VALUATION:
August 25, 2015

PREPARED BY:
Keith O'Reilly, MAI, MT-400
Bridger Appraisals, Inc.
P.O. Box 11145
Bozeman, MT 59719



September 7, 2015

University Services
P.O. Box 172760
Bozeman, MT 59717

Re: 2155 Analysis Dr.
Bozeman, MT 59715

Dear Mr. Robert V. Lashaway,

In accordance with your request and authorization, I have viewed the referenced property, also referred to as the appraised or subject property in the following report, and have estimated its current Leased Fee value, "As Is" as of August 25, 2015.

My professional opinion is based upon analysis of market data gathered for this purpose and upon the assumptions and limiting conditions stated on pages 6-8 of the following report.

This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2. This format provides a summary of the appraisal process, subject and market data and valuation analyses. The information contained in this report is specific to the needs of the client and for the intended use as stated in this report. The appraiser is not responsible for unauthorized use of this report.

The opinions stated in the accompanying report are based on my viewing of the appraised property, comparable properties, and analysis of all pertinent data.

As a result of my investigation and analysis, it is my opinion that the Current Market Value of the Leased Fee Interest, "As Is", in the subject property, as of August 25, 2015, is:

FOUR MILLION NINE HUNDRED SEVENTY FIVE THOUSAND DOLLARS

(\$4,975,000)

The following report contains (77) pages plus an addendum that provides the data and analysis to support the stated value estimates.

Respectfully submitted,



Keith O'Reilly, MAI
General Certified Appraiser #400
State of Montana

TABLE OF CONTENTS

ITEM:
PAGE NO.

PHOTOGRAPH OF THE SUBJECT PROPERTY	5
ASSUMPTIONS AND LIMITING CONDITIONS	6
SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS	9
SCOPE OF THE APPRAISAL	11
PURPOSE AND INTENDED USE AND USER OF THE APPRAISAL	12
DEFINITION OF MARKET VALUE	12
PROPERTY RIGHTS APPRAISED	13
EXPOSURE TIME	14
VALUATION DATE	14
IDENTIFICATION AND HISTORY OF THE SUBJECT	15
SITE DATA AND ANALYSIS.....	37
ZONING AND GOVERNMENT RESTRICTIONS	41
DESCRIPTION OF IMPROVEMENTS	42
HIGHEST AND BEST USE	57
THE APPRAISAL PROCESS.....	58
SALES COMPARISON APPROACH.....	59
INCOME VALUATION	66
CERTIFICATION	76

ADDENDUM

Warranty Deed

Resume

Current License

Engagement Letter

PHOTOGRAPH OF THE SUBJECT PROPERTY



View of the subject property looking north.
Photo taken on August 25, 2015 by Keith O'Reilly, MAI.



Street scene looking north along Research Drive.
Photo taken on August 25, 2015 by Keith O'Reilly, MAI.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report, the letter of transmittal, and certification are subject to the following assumptions and limiting conditions; and also, any special qualifying conditions that may be contained elsewhere in the report are incorporated by reference.

Assumptions

1. That the legal description, as furnished, is correct; and that the title to the property is good and marketable. All existing liens and encumbrances, if any, have been disregarded. The property is appraised as though free and clear of other burdens, under responsible ownership and competent management.
2. That the land dimensions taken from available maps, plats, and/or surveys are correct. It has been assumed that those boundaries that are apparent are correct.
3. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
4. That no adverse water table or soil conditions exist, and no representation regarding such conditions is made in this report unless specifically stated; and, that the value estimated is predicated on the absence of any such conditions occurring.
5. It is assumed that the subject property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
6. Those opinions, estimates, data and statistics supplied by others in the course of this study, are correct; the assumption has been made that the sources are reliable, but no responsibility has been inferred for their accuracy.

7. This report does not contemplate any court action, nor does it obligate the appraiser to give any testimony or make any appearance in court, before commission, arbitrator or any other individual, body or agency. If court action or appearance later becomes necessary in the interest of the client, the terms of the additional service shall be negotiated at that time.

8. Unless otherwise stated in this report, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. I have no knowledge of the existence of such materials on or in the property. I am not qualified to detect such substances. The presence of potentially hazardous materials may affect the value of the property. This extends to any leaks from underground fuel storage tanks, and identification of Asbestos containing materials. The value estimate is predicated on the assumption that there is no such material on or in the property. 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. Any such environmental risk discovered at a later date may require a revised estimate of value that may or may not be simply a reduction of the value by the estimated cost to cure the environmental condition. Properties known to have environmental risk may also carry a stigma in the market place that may or may not affect the value. If future soil tests should reveal the existence of any such soil conditions or hazardous waste, I reserve the right to review and adjust this appraisal accordingly.

Limiting Conditions:

1. The appraiser is not responsible for any matter legal in character, nor is any opinion rendered as to title, which is assumed to be marketable.

2. The value reflected in the analysis applies only to the program of utilization considered in this report. The use of the value in conjunction with any other appraisal or under other influences invalidates the conclusions developed.

3. This analysis and estimate of value is made for the exclusive use and benefit of the clients to whom it is addressed; and, possession of this report or a copy, does not carry with it the right of publication, nor may it be used for any purpose other than that intended without the previous consent of the appraisers. In any event only the entire report may be used and no part shall be taken or used out of context.

4. Included as an integral part of this report are maps and photographs of the appraised property and sales. The maps and photographs were prepared and taken by the appraisers, and although they do not purport to represent survey accuracy, they are substantially correct and adequately serve as visual reference to the property.
5. Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions of value, the identity of the appraisers or the firm with which they are connected) shall be disseminated to the public through advertising media, public relations, news media, sales media, or any other public means of communication without the prior written consent and approval of the authors.
6. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
7. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would 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 impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the subject property.

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Client:	Robert V. Lashaway, University Services
Intended Users:	Robert V. Lashawy, University Services and Montana State University
Owner of Property:	BES Properties LLC
Date of Valuation:	August 25, 2015
Date of Preparation:	September 7, 2015
Rights Appraised:	Leased Fee
Legal Description:	Lot 1A in Block 1 of Minor Subdivision No. 99B (Advanced Tech Park Ph. 2), City of Bozeman, Gallatin Co., MT.
Location of Property:	2155 Analysis Dr, Bozeman, MT 59715
Improvements:	26,022sf --Class A Office/Research Building
Highest and Best Use:	Continue the current use as office research building
Present Use:	Research office building
Zoning/Governmental:	Business Park B-P and subject to the CCR's of the development
Site Shape and Size:	The site is irregularly shaped. It contains approximately 2.220 acres or 96,703 square feet as shown by the recorded plat of Minor 99B.
Environmental:	There are no known adverse environmental conditions on the subject site. Please reference Limiting Conditions and Assumptions.

Market Status:

The real estate market experienced significant gains in 2013, this trend has continued into 2015. The residential market has strengthened considerably. The oversupply of residential building sites has been absorbed, in fact now there is more demand than supply for residential building sites. The overall commercial market has also improved. Commercial rental rates and values have been increasing.

Concluded value for each appraisal:

Cost Approach:	Omitted
Sales Comparison Approach:	\$5,205,000
Income Approach:	\$4,745,000
Concluded Market Value:	\$4,975,000

Estimated Exposure Time:

12-24 months
Estimated exposure time is based on current sales of commercial properties within the Bozeman area that are similar to the subject. The estimated exposure time is predicated on the final opinion of value.

SCOPE OF THE APPRAISAL

The scope of work consists of the amount and type of information researched and analyzed in an assignment.

In preparing the appraisal, I have personally viewed the subject site, improvements, plans and specifications and considered pertinent characteristics of the site and improvements in comparison to current market standards. I have analyzed the subject neighborhood and competing markets for current sales and lease data.

Local commercial real estate agents and brokers were consulted with to confirm sales and lease information. The offices and brokers include Mike McKenna (McKenna Realty), Kasey Harte (NAI Landmark Realty), Ryan Springer (NAI Landmark Realty), Tom Starner (Gene Cook Real Estate) and Kevin Black (Gene Cook Real Estate).

I interviewed the Broker of the subject property and viewed the subject on August 25, 2015.

General and specific data was obtained through personal and telephone interviews with government officials, property managers, developers, and other market participants. I have considered the highest and best use of the property as if vacant and as improved, and have applied the sales comparison approach and income approach valuation methods. The cost approach to value has been omitted and is not necessary to estimate a credible opinion of market value. The results indicated by these methods have been reviewed and reconciled based on the reliability, relevance and reasonableness of the data, and the purpose and intended user of the appraisal.

This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2. This format provides a summary of the appraisal process, subject and market data and valuation analyses. The information contained in this report is specific to the needs of the client and for the intended use as stated in this report.

PURPOSE AND INTENDED USE AND USER OF THE APPRAISAL

The purpose of this appraisal is to estimate a credible opinion of the Current Market Value of the subject property's Leased Fee Interest, "As Is" as of August 25, 2015, in accordance with the *Uniform Standards of Professional Appraisal Practice (USPAP)* and supplemented by the Appraisal Institute. The intended use of the appraisal is to assist the Client and Intended Users, Robert V. Lashaway, University Services and Montana State University, in determining the current market value and possible acquisition of the subject property. The current owners are not the intended users of the report. Insurable value has not been estimated.

DEFINITION OF MARKET VALUE

Market value is defined as the most probable price, which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is consummation of a sale as of a specified date and 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 each acting in what they consider their own best interest;
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;
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.¹

¹[Source: Section 323.2 amended at 57 Fed. Reg. 9049, March 16, 1992; 59 Fed. Reg. 29501, June 7, 1994]

PROPERTY RIGHTS APPRAISED

Property rights are ownership interests in real estate and have value. It is important to know what property right(s) or estate(s) are involved in the appraisal, because the estate identifies the rights being valued. The subject property rights being appraised is the Leased Fee Interest.

Fee Simple: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.²

Leased Fee: A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e. a lease).³

Following is the base rent schedule. The lease is more or less a NNN lease. The current rent is under market rates. A copy of the complete lease has been retained in the appraiser's work file.

SCHEDULE 4.1

[Base Rent Schedule]

	Annual Base Rent	Monthly Base Rent
January 1 to December 31, 2015	\$315,180.00*	\$26,265.00
January 1 to December 31, 2016	\$324,635.40	\$27,052.95
January 1 to December 31, 2017	\$334,374.46	\$27,864.54
January 1 to December 31, 2018	\$344,405.70	\$28,700.47
January 1 to December 31, 2019	\$354,737.87	\$29,561.49

*The term commences on February 1, 2015

² *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago; Appraisal Institute, 2010), p. 78.

³ *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago; Appraisal Institute, 2010), p. 111.

EXPOSURE TIME

Exposure time should not be confused with the marketing period. Exposure time precedes the effective date of the appraisal. In other words, how long the subject property would be actively marketed prior to the effective date of the appraisal to bring the estimated opinion of market value determined in the appraisal. Marketing time is the period after the effective date of the appraisal. In other words, how long would it take to sell the subject property, at the appraised market value, after the effective date of the appraisal? Typically, in a stable market the marketing time and exposure time should be relatively similar.

Current sales in the Bozeman market have been relied upon to estimate the exposure time of the subject property. Due to the size of the Bozeman market, the best estimate for exposure time is derived from sales of similar type property.

Based upon the current market conditions, sales data within the report and current listings, I have estimated the exposure time for the subject property to be 12-24 months.

VALUATION DATE

The effective date of the appraisal is August 25, 2015. This is the date of valuation and the date that the subject property was personally viewed.

IDENTIFICATION AND HISTORY OF THE SUBJECT

The legal description of the subject property is:

Lot 1A in Block 1 of Minor Subdivision No. 99B (Advanced Tech Park Ph. 2), City of Bozeman, Gallatin Co., MT.

Sale History:

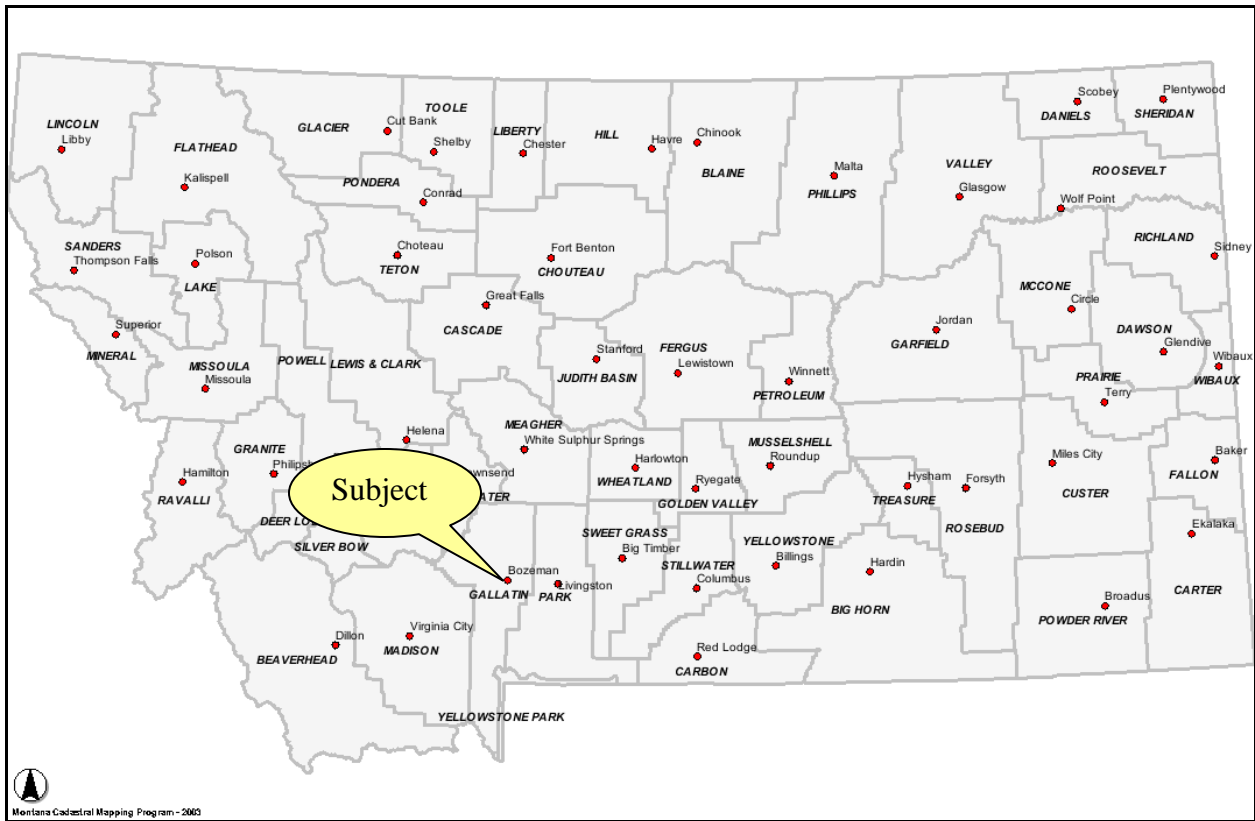
The subject property has not transferred within the previous three years.

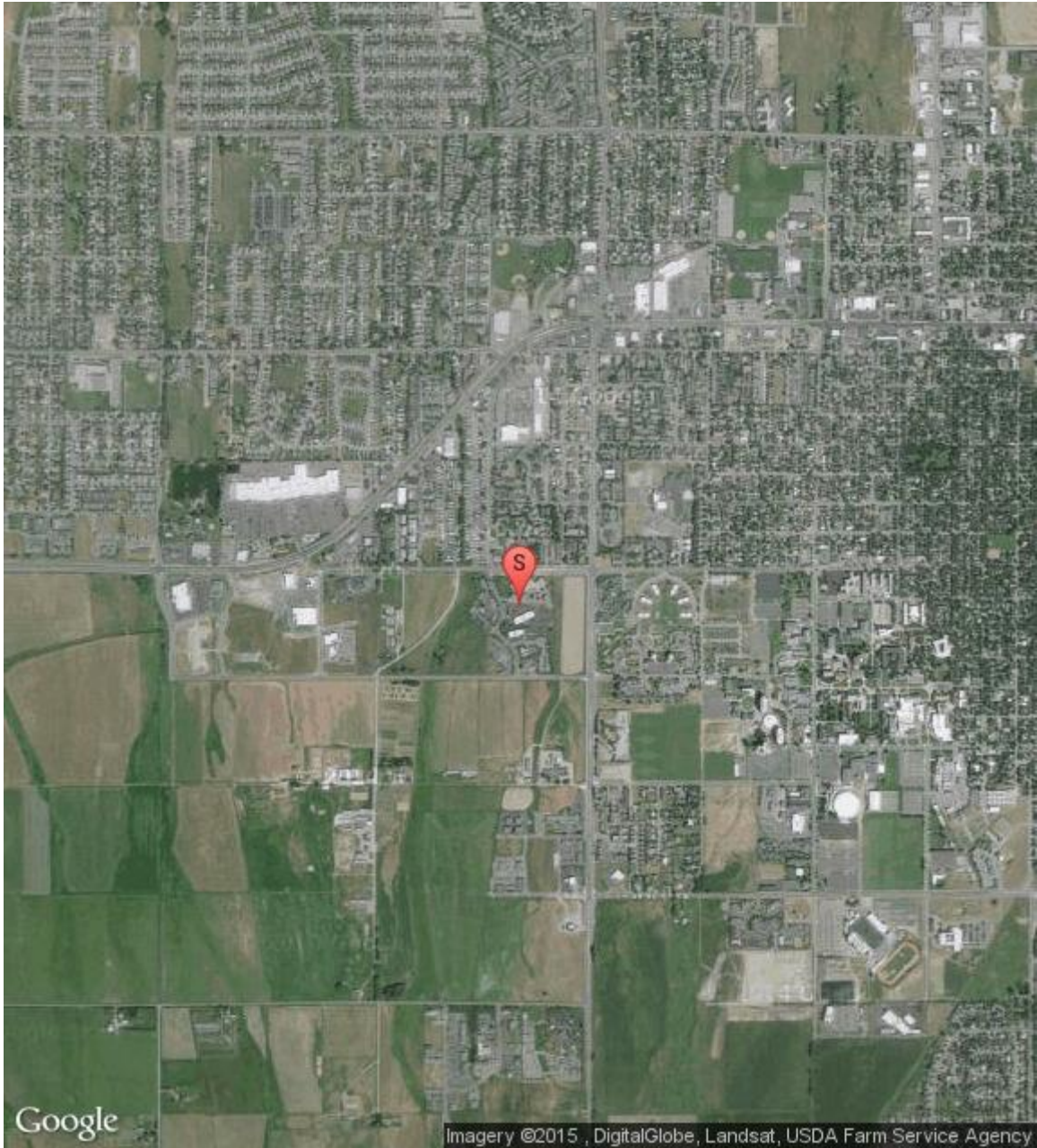
Current Listing or Contract:

The subject property has been marketed by NAI Landmark within the previous year. Per the marketing information the property was listed at \$4,800,000.

I was not provided with a copy of the buy sell agreement, however, it is my understanding that the property is currently under contract.

MONTANA REGIONAL AND CITY MAPS





REGIONAL, CITY, AND NEIGHBORHOOD ANALYSIS

The purpose of this section is to identify the pertinent social, economic, governmental and environmental factors that affect property value and to analyze their impact on the appraised property's current market value. This analysis begins with regional information and moves to relevant information about the city and the Subject's neighborhood. A neighborhood is defined as a grouping of similar land uses. From an appraisal viewpoint, this is the area where the subject property competes with other properties and where the most comparable market data is obtained.

Bozeman, Montana is located in Gallatin County, in an area more commonly referred to as the Gallatin Valley. Gallatin County covers 2,603 square miles of mountainous lands varying in topography and climate which are located in the southwestern part of the state, more specifically between park and Madison counties, north of the Montana-Wyoming border and Yellowstone National Park. Gallatin County is known for downhill skiing opportunities at Big Sky Resort, Moonlight Basin and Bridger bowl. In addition to world-class skiing, Gallatin County plays host to a multitude of other outdoor activities, as half of the land in the county is under public ownership by the Gallatin National Forest, State of Montana, Bureau of Land Management or the National Park Service. In the past decade, Gallatin County has grown faster than any other county in the state of Montana, with the largest population increase in the state (34.7% between April 2000 and July 2011). Gallatin County surpassed Flathead County in 2011 to become the third largest county population in the state with 91,377 people calling Gallatin County home.

Bozeman, the county seat for Gallatin County, is located approximately 140 miles to the west of Billings, Montana and 65 miles to the north of Yellowstone National Park. With a population of 38,025 in 2011, Bozeman has been the fourth largest city in Montana since 2004. A report by Prospera Business Network that was released in February of 2010 declared Bozeman as the most expensive place to live in Montana. Also in 2010, Bozeman was ranked #3 on Forbes' fastest growing small towns in America and was placed in the top 100 again in 2011. In 2012, Bloomberg Businessweek placed Bozeman in the top 50 best places to raise children, using community amenities, test scores and median family income as defining factors

Social Factors:

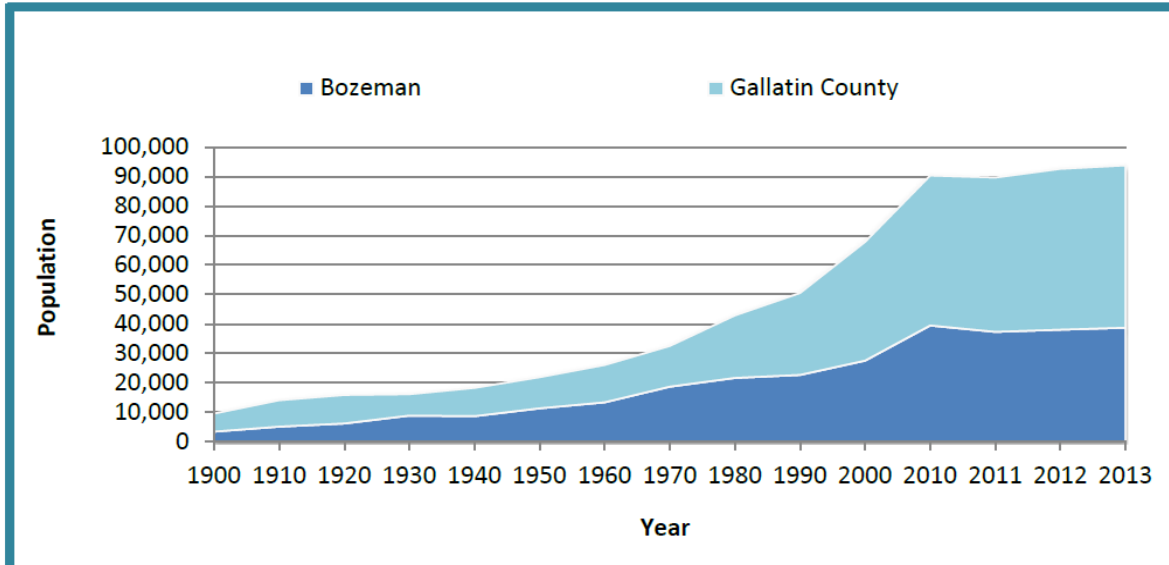
Social influences that affect value include, but are not limited to, population characteristics such as growth, population density, age distribution, household sizes, employment status, availability of education and the quality of life.

Historic and Recent Population Trends - City of Bozeman, Gallatin County and Montana:

According to the U.S. Census Bureau, the City of Bozeman's population increased from 37,280 as of April 1, 2010 to 38,695 as of July 1, 2012—an estimated increase of 1,415 people, or 3.8%. The estimated 2013 population of the City of Bozeman is 38,695. This represents an increase in population of approximately 35.5% over a ten-year period, or an average rate of growth of about 3.55% per year. In contrast, the City of Bozeman's average growth rate between 1980 and 1990 was about 0.41% per year. In the past decade, Gallatin County and Bozeman have grown faster than any other county or city in the state, according to U.S. Census Bureau data. Additionally, a recent report completed by NorthWestern Energy, on new hookup gas and electrical services, pointed to growth in Bozeman that far outpaces other major Montana cities. Bozeman nearly doubled the new electric connections year-to-date of Billings and had 75 more new gas connections than Missoula in 2014. In 2014, Bozeman was also up 44 percent on new electric connections as compared to the same 11 months in 2013 and up almost 17 percent in the gas connections.

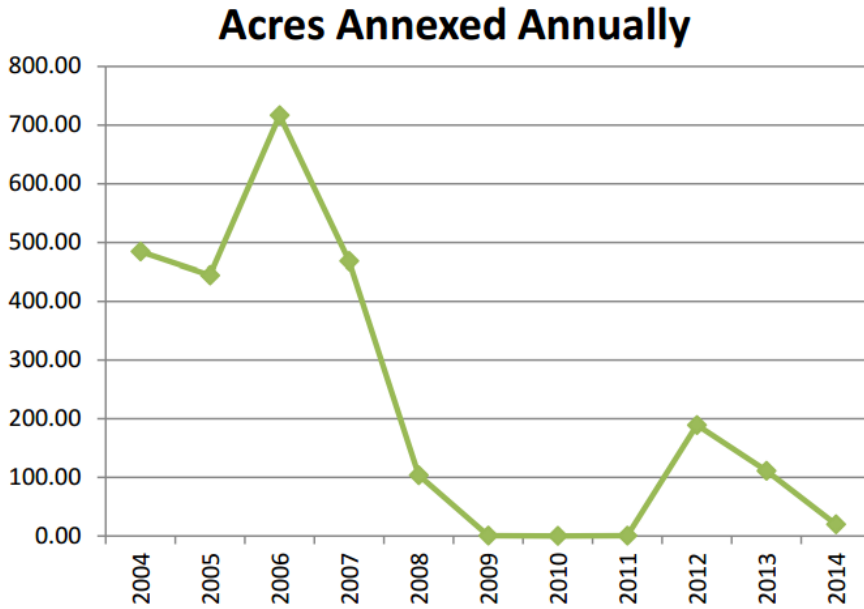
Gallatin County's population increased from 67,831 in 2000 to 89,513 in 2010, an increase of 21,682 people. This represents an increase in population of approximately 32% over a ten-year period, or an average growth rate of 3.2% per year. The entire state of Montana grew by 9.7% to 989,415 residents as of April 1, 2010, adding 87,220 people over the last 10 years. Montana continues to be ranked 44th among the 50 states in population. Gallatin County's estimated population was 93,785 in 2013 and is projected to be 95,470 in 2014.

The City's actual population was determined to be 37,280 as of April 1, 2010 during the 2010 Census. According to the U.S. Census Bureau, the City of Bozeman's estimated population increased from 37,280 as of April 1, 2010 to 39,860 as of July 1, 2013 the last date for which this data was available. This is an estimated increase of 2,580 people or 6.9%. Based upon recent building construction the City of Bozeman's population estimate for 2014 is 39,533, a 3.5% increase since 2013.



City & County Historic Population Trends: 1900 - 2013

In addition to population growth, the City of Bozeman continues to grow in geographic size. In order to accommodate the increasing population and business growth, new land for residential, commercial and industrial development has been annexed into the City. In 1990, the City was approximately 6,420 acres (10 square miles) in size. By the end of 2009, the City of Bozeman was approximately 12,318.9 acres (19.25 square miles) in size resulting in a 91 percent increase in size over the past 19 years. There was only annexation rates of 0.43 acres in 2009 and 0.00 acres in 2010. The total amount of acreage annexed into the City for 2013 was 111.02 acres, which increased the total size of the City to 12,777.67 acres or 19.96 square miles. In order to accommodate increasing population and business growth, new land for residential, commercial and industrial development is annexed to the City. The total amount of acreage annexed into the City for 2014 was 19.7 acres, which increased the total size of the City to 12,799 acres or 20 square miles. The DCD received two Annexation Applications in 2014. The City has a reserve of developable land within its current boundaries.



Bozeman is characterized by a smaller portion of families and an average household size somewhat smaller than Gallatin County as a whole. Bozeman has an average household size of 2.17 people, while the average household size for Gallatin county is 2.36 people and countrywide is 2.58 people per household. 33.1% of Bozeman households are married-couple families compared to 48.4% countywide. Bozeman also exhibits a significantly lower homeownership rate than the county as a whole, primarily due to the student body of Montana State University.

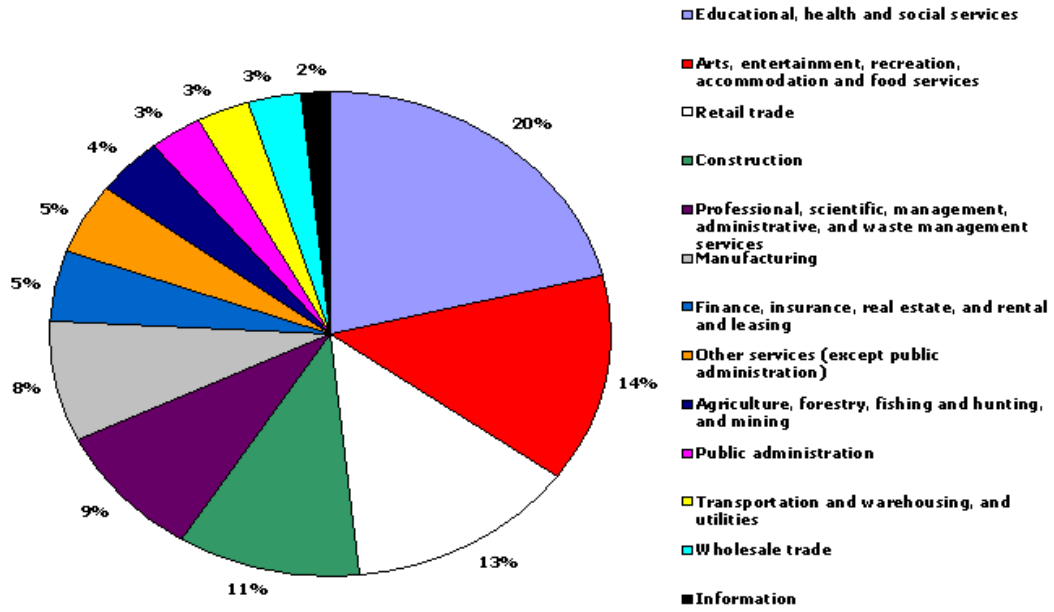
In general, the city of Bozeman has a significantly higher educational attainment level than Gallatin County or Montana. Approximately 51% of Bozeman residents' ages 25 and older have a college degree, compared to 45% for Gallatin County and 27.9% for the state of Montana. Greatschools.net rated the majority of Bozeman public schools with 8 or higher out of a possible 10, using standardized test scores and national scoring to rate.

Bozeman and Gallatin County have transformed over the past decade from a primarily agricultural based community to a tourism related community. The appeal of Bozeman and the Gallatin County area has been due to the high quality of life that this area offers. Low crime rates, cultural experiences and abundant outdoor activities add to the quality of life for residents. World-class snow skiing, blue ribbon rivers and streams for fishing, and miles of protected trails and lands for hiking, biking and riding are some of the most commonly appreciated attributes of the area.

Economic Factors:

Historically, Bozeman has been somewhat different than the rest of the State of Montana and the nation as a whole, economically speaking. One of the primary reasons for this difference is the fact that there are not a large number of employers who employ a significant amount of the population. For example, other areas of Montana, like Missoula, are very dependent on the lumber industry and when the lumber industry slowed, Missoula felt the impact. In contrast, the primary employer in Bozeman is Montana State University.

The economy of Bozeman and Gallatin County is both broad based and diverse, with 5,305 establishments that employ over 42,000 people. Major sectors of the economy include industries in the areas of construction, government, manufacturing, technology, retail service and agriculture which all play significant roles. The largest single employer in the area is Montana State University (MSU) that employs over 3,500 people as permanent faculty/staff and graduate teaching/research assistants. MSU also employs over 2,000 students in part-time jobs. In the fall of 2014, the enrollment at MSU was 15,294 students which is an all-time high enrollment. The student body of MSU has a significant effect on the local economy. Other significant employers in the county include the State of Montana, Gallatin County, the City of Bozeman, Bozeman Deaconess Hospital, RightNow (Oracle) Technologies and Wal-Mart. As the county's employment base continues to diversify, the local economic health will be buffered from a downturn in any of the county's key industries.



COMMERCIAL BUILDING PERMIT ACTIVITY 2014

NEW COMMERCIAL PERMITS FOR 2014 (Calendar Year)												
	ASSEMBLY	BUS	EDUCATE	FACTORY	HAZARD	INSTITUT	MERCH	HOTEL MOTEL	STORAGE	TI	OTHER	TOTAL
January		1							1	16	21	39
February										13	13	26
March		1					1	1		11	18	32
April		2								15	14	31
May								1		28	16	45
June	1	3			1		2		1	24	14	46
July		4					2		3	25	25	59
August		2								17	23	42
September					2				2	12	14	30
October				1		1			1	19	19	41
November						1		1		9	21	32
December		1								12	11	24
Total Units	1	14	0	1	3	2	5	3	8	201	209	447
% By Unit Type	0.22%	3.13%	0.00%	0.22%	.67%	.45%	1.12%	.67%	1.79%	44.97%	49.64%	

RESIDENTIAL AND COMMERCIAL NEW CONSTRUCTION PERMIT VALUATION

New Residential	\$210,608,808
Residential Alteration	\$9,635,486
New Commercial	\$58,830,419
Commercial Tenant Improvement	\$32,647,400
TOTAL VALUATION	\$311,722,113



BUILDING PERMIT REPORT

2015/FY 2015		Jun-2015		Jun-2014		FYTD as of June 2015		FYTD as of June 2014	
		THIS MONTH - FY2015		THIS MONTH - FY2014		FY TO DATE - FY2015		FY TO DATE - FY2014	
NEW CONSTRUCTION	NO	VALUATION	NO	VALUATION	NO.	VALUATION	NO	VALUATION	
SINGLE FAMILY	30	7,205,210.00	47	10,932,818.00	308	77,467,665.00	375	82,154,475.00	
DUPLEX	8	420,966.75	2	581,641.00	28	7,356,378.75	14	4,786,419.00	
MULTI-FAMILY 32 JUNE UNITS	1	1,853,008.00	2	4,547,594.00	37	64,361,068.00	29	37,632,483.00	
FISCAL YEAR TOTAL UNITS -737						737 Units		486 UNITS	
MISC (GARAGE, SHED, ADU ETC.)	5	246,179.00	1	15,773.00	38	6,336,948.00	28	1,820,850.00	
ASSEMBLY			1	626,874.00	3	5,152,706.00	-	-	
BUSINESS	4	5,888,374.00	3	1,994,691.00	14	13,290,456.00	9	6,546,767.00	
EDUCATIONAL					-	-	-	-	
FACTORY					1	260,704.00	-	-	
HAZARDOUS			1	1,062,135.00	2	1,463,805.00	2	1,917,621.00	
INSTITUTIONAL					2	36,381,270.00	1	7,739,564.00	
MERCHANTILE			2		2	1,774,424.00	3	855,486.00	
MOTEL/HOTEL					1	6,518,358.00	2	6,977,121.00	
STORAGE / OTHER	1	378,420.00	1	4,500.00	14	2,203,449.00	4	670,270.00	
TOTAL	48	16,882,167.75	80	18,788,028.00	460	222,687,231.75	487	161,101,067.00	
ADDITION/REMODEL	NO.	VALUATION	NO.	VALUATION	NO.	VALUATION	NO.	VALUATION	
RESIDENTIAL	41	1,266,892.00	33	1,286,031.00	253	8,756,135.00	279	4,277,719.00	
COMMERCIAL	19	3,677,455.00	24	10,597,814.00	203	37,669,175.00	190	19,776,524.00	
TOTAL	60	4,944,347.00	57	11,883,845.00	456	46,425,311.00	469	24,054,243.00	
CONSTRUCTION VALUE									
REVENUE	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	NO	AMOUNT	
BUILDING	131	56,764.74	131	74,342.90	1,120	540,423.06	1,082	233,258.90	
PLAN CHECK	207	61,646.59	373	57,519.39	1,794	582,656.45	2,770	510,040.62	
ELECTRICAL	83	8,366.00	86	14,029.50	916	161,994.40	795	78,540.08	
PLUMBING/MECHANICAL	155	16,086.00	113	18,760.00	1,482	174,291.96	1,345	142,179.86	
FIRE ALARM /SPRINKLER SYSTEM	8	2,475.25	5	729.50	64	12,694.25	83	10,194.25	
DEMOLITION	2	150.00	2	150.00	38	2,550.00	33	2,409.00	
CODE ENFORCEMENT			2	150.00	6	600.00	5	375.00	
SIGNS PERMITS	12	780.50	7	217.50	111	6,191.75	94	4,257.50	
PENALTIES	1	184.50	7	1,762.70	56	6,851.00	35	4,368.20	
EXTENSION FEES	1	75.00	5	375.00	38	2,850.00	57	3,448.00	
INSPECTION FEES	2	150.00	1	75.00	17	1,425.00	15	1,575.65	
MISC REVENUE	7	162.00	3	71.50	62	1,153.62	7	1,241.50	
TOTAL	609	146,839.68	736	188,182.89	6,704	1,483,681.48	6,321	891,888.66	

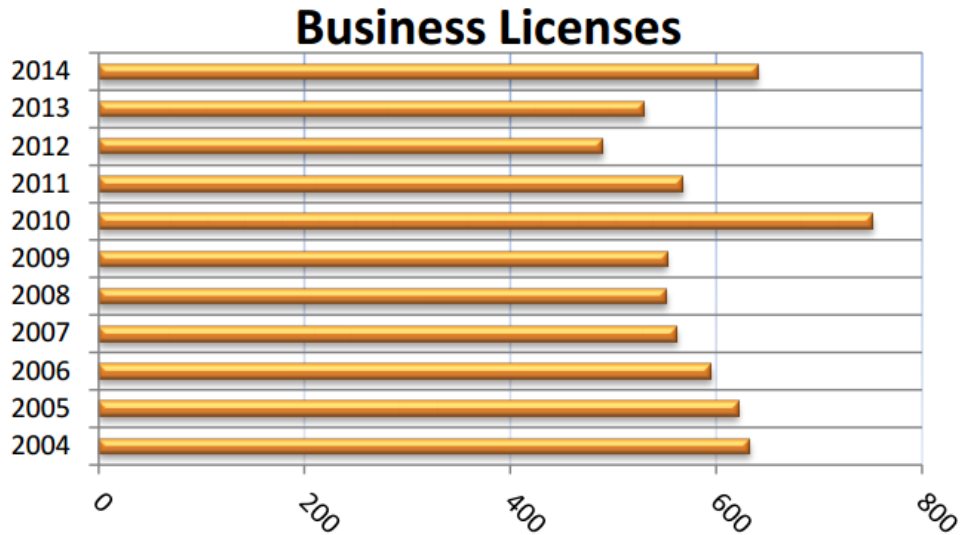
Economic Development:

The North 19th Avenue Corridor has evolved as a significant area of commercial real estate development in Bozeman. In 2007 the following retail stores and restaurants opened along North 19th Avenue: Sportsman's Warehouse, IHOP, Lowe's, Bed Bath & Beyond, Staples and REI. Safeway grocery chain (58,000square feet) opened in 2011. As of 2014, Starbucks, Town Pump, Comfort Inn & Suites, TJ Maxx, U-Swirl, Cost Cutters, CVS and My Place Hotel have been added to the North 19th Avenue area. The Bozeman Gateway Mixed-Use Development, located on West Main Street near College Street, has several new businesses including a 55,363 square foot Kohls department store that opened in 2011, a Qdoba restaurant, a City Brew Coffee, and a multi-tenant mixed-use building that is currently under construction.

At the Montana State University, campus construction has finished the \$10 million football stadium expansion. Other developments to Montana State University that had significant development in Bozeman included a new Molecular Biology Center (\$458,000), a Health and Physical Education Center (\$4.9 million), the Black Box Theater (\$1.2 million), the Marsh Laboratory (\$2.0 million), the biology building (\$25 million), the Gaines Hall renovation (\$28.5 million) and the new USDA Ag Research Building and Teaching Facility (\$36.5 million). MSU recently received a \$25 million dollar donation to construct a new building for the College of Business that began construction in the summer of 2013. In 2014 MSU received the largest private single donation in the history of Montana, a \$50,000,000 donation to construct a new College of Engineering building.

Significant developments to the City of Bozeman over the past five years have included an addition to Fire Station No. 1 (\$3.5 million), police station (\$400,000), additions to the water/wastewater treatment plants (\$32.2 million), additions to city hall (\$3.0 million), the completion of the Downtown Parking Garage (\$12 million), the construction of the Fire Station No. 3 and Gallatin County 911 Dispatch Center in Bozeman (approximately \$7.1 million), a new water reclamation facility (\$32 million), renovation of the old City of Bozeman Library into the new City Hall (\$2 million), the construction of the Gallatin County Detention Center (\$32 million) and both expansions of the landfill building located at the old landfill (\$300,000) and of the vehicle maintenance building / Stream Line bus barn .

In addition to the above developments, Bozeman Yellowstone International Airport broke ground on a terminal expansion in 2009. This expansion cost \$50 million, making it the largest terminal expansion in the history of Montana. The three-story expansion increased the airport size from 75,000 square feet to nearly 200,000square feet of space which now allows for as many as 1.5 million passengers annually. According to statistics from the Montana Department of Transportation, 879,221 passengers passed through the Airport's terminal between June 2012 and May 2013, an increase from the 691,276 passengers in 2009. This increase is a direct result of the collaboration between the airport and the communities of Bozeman, Belgrade, Big Sky (including Big Sky Resort, Moonlight Basin and the Yellowstone Club) and West Yellowstone. Bozeman Yellowstone International Airport is now the busiest airport in the state of Montana. In addition there is a new exchange currently being constructed off of Interstate 90 that will directly access the airport. The exchange is scheduled to be completed by the summer of 2015.



Market Trends for Single Family Houses in the City Limits of Bozeman

(Sales Price Range-\$150K to \$550K)

Year	# of Units Sold	Avg. List Price	Avg. Sales Price
2004	390	\$253,334	\$251,247
2005	453	\$290,043	\$287,423
2006	355	\$326,242	\$320,395
2007	311	\$321,771	\$313,226
2008	292	\$311,222	\$300,745
2009	284	\$281,523	\$268,673
2010	311	\$276,464	\$265,796
2011	336	\$271,553	\$261,625
2012	499	\$296,218	\$282,825
2013	473	\$300,131	\$295,616
2014	485	\$317,713	\$313,567

The preceding data was supplied by the Southwest Montana MLS. The data shows that the market in Bozeman peaked sometime in late 2005 early 2006. The data is inclusive of single family residences within the City Limits of Bozeman that are on parcels less than one acre and had values between \$150,000 and \$550,000.

The data shows an average decline in value from the peak of the market in 2006 through 2010 of 17%. The sales volume in 2010 was equal to the volume attained in 2007. Another interesting statistic is the sales price to list price ratio; at the height of the market in 2005 and 2006, sales were closing within about 2% of list price. In 2009, sales closed within approximately 5% of list price and in 2010, sales closed within approximately 4% of list price. In 2013, sales closed at approximately 98% of list price which is further indicative of the improving real estate market.

2013 turned out to be one of the most active years in real estate since the crash of the market at the end of 2006-beginning of 2007. Residential building sites were in oversupply up until 2011 and in 2013 there was a pent up demand for residential building sites. In 2014, residential land prices saw a fairly significant increase in market value.

Tourism:

Yellowstone National Park is a significant generator of visitation to Bozeman. Yellowstone visitation has gradually increased over the years, ranging from 2,752,346 visitors in 2001 to a record number of visitors in 2010 of 3.6 million. Yellowstone was the first U.S. national park, and with 3,472 square miles of land is larger than Rhode Island and Delaware combined. It features an active volcano, more than 300 geysers, approximately 290 waterfalls and the 136 square mile Yellowstone Lake. Through the National Park Service, the park employs around 380 people year-round and 800 during its peak summer season. In addition, approximately 3,700 people work for concessionaires operating such services as lodging, foodservice, retail and transportation.

The Big Sky resort area is located approximately 45 miles south of Bozeman. Originally conceived and built by the late NBC newscaster Chet Huntley, Big Sky first opened for skiing in 1974. In 1976, Michigan-based Boyne USA Resorts purchased the resort and they continue to own and manage it to this day. Under the current management, Big Sky Resort continues to grow and provide year-round attractions for locals and tourists alike.

In 1990, the Big Sky Resort invested \$18 million in the Shoshone Condominium Hotel and the 46,000-square-foot Yellowstone Conference Center which can accommodate 950 people. The Shoshone Hotel is a top-rated hotel that offers condos with quick and easy access to the ski trails. The Yellowstone Conference Center houses a large ballroom, amphitheater, and a series of smaller rooms that can accommodate large meetings and events. In 1995, the Lone Peak Tram was built, hoisting skiers to 11, 150 feet and giving Big Sky Resort one of the nation's largest total vertical drops at 4, 180 feet.

In 2000, Big Sky completed the largest development since its inception. The Summit at Big Sky, a luxury hotel condominium complex, was constructed and offers 658 units including guest rooms, suites, studios and condominium units. The Summit is one of the most convenient locations in Big Sky for quick access to the ski lifts and offer rooms with ski-in and ski-out access. In 2001, Boyne USA announced a 10-year plan which included \$400 million in improvements to the ski terrain at Big Sky as well as The Village, which are suites and condominiums located in the Slopeside Village Center. The ski terrain has grown from an original four ski lifts that served 18 runs to now boasting 22 lifts that service more than 250 ski runs.

During the winter season, Big Sky Resort offers winter activities such as snow shoeing, ice climbing, zip lining, sleigh rides and a high-ropes suspension course. Skiers and snowboarders are able to enjoy over 5,700 skiable acres,

located on 110 miles and spanning across 3 mountains. On average, Big Sky Resort is host to over 300,000 skiers per year. In the summer months, there are over 13,600 private acres to enjoy activities such as horseback riding, mountain biking, hiking, rock climbing, tennis, fly fishing and whitewater rafting. In addition, there is an 18-hole, par 72 golf course. The Golf Course at Big Sky, designed by Arnold Palmer, has a classic links style, winding along the banks of the West Fork of the Gallatin River. The course is serviced by the Bunker Bar and Grill and a fully equipped pro shop.

Another development near Big Sky is the exclusive Yellowstone Club. As the only private ski and resort in the world, the Yellowstone Club is home to some of the most spectacular real estate and skiing in the country. This residential and vacation development has a \$300,000 membership fee and a \$36,000 annual fee. Included in the development are 2,200 skiable acres, with over 60 runs. Pioneer Mountain offers an incredible peak elevation of 9,860 feet and an average annual snow fall of over 300 inches. In addition, the exclusivity allows members private skiing in the Rocky Mountains in some of the finest ski conditions in the world. The Yellowstone Club is also home to a private, championship-caliber, 18-hole mountain golf course. Designed by Tom Weiskopf, this course has high-altitude terrain and has been transformed into a stunning course for the avid golfer.

In 2008, the Yellowstone Club filed for bankruptcy, and in July 2010 was purchased by Cross Harbor Capital. Since bankruptcy, the Yellowstone Club saw a 25-30% decline in property values and a 50% decline in land values. However, the volume of real estate transactions at the Yellowstone Club has increased significantly and continues to lead the market in gross sale prices. Overall, the Yellowstone Club saw increasing values in 2013 and there was a considerable amount of residential construction to take place in 2014. The collected current market data would suggest that the YC property values are at a minimum of where they were in the height of the market in 2006.

In 2012, Cross Harbor Capital, the owners of the Yellowstone Club, partnered with Boyne Resorts, owners of Big Sky Resort, to purchase Spanish Peaks, a 5,700 acre upscale golf community that was undergoing bankruptcy proceedings at the time of acquisition. In addition, Moonlight Basin, a ski and golf resort adjacent to Big Sky Resort, recently exited bankruptcy proceedings and was also purchased by Cross Harbor Capital Partners and Boyne Resorts in November of 2013. After the purchase, the ski operations of both Big Sky Resort and Moonlight Basin were then combined to form the largest ski operation in North America, which now includes more than 5,700 skiable acres, 4,350 vertical feet and 22 chairlifts.

Additional attractions in and around Gallatin County include Bridger Bowl which is 15 miles north of Bozeman, and Yellowstone National Park, located near the southwestern corner of the state. Attractions in Bozeman include the Museum of the Rockies, the Emerson Cultural Center, the American Computer Museum (“Compuseum”) and the historical Pioneer Museum.

Governmental Factors:

The City of Bozeman is a City Commission/City Manager form of government with an elected Municipal Judge. These three entities form the legislative, executive and judicial branches of government. Five commissioners, elected with no party affiliation, make up the City Commission. They are elected to four year, overlapping terms and are part time officials. Terms are staggered, and elections are held every two years. The candidate who receives the most votes in an election becomes the Mayor the last two years of their term.

There are three fire stations, one located on South 19th Avenue, one located on North Rouse Avenue and one on Davis Lane. Both the fire and police protections are considered good. The State of Montana assesses an ad valorem property tax to run public schools and other government agencies. There is also a State levied income tax in Montana but there is no sales tax in the State.

Zoning Activity:

Gallatin County administers the zoning code for properties outside the city limits, but within the zoning donut. In general, planning and zoning regulations in the area are considered stringent. The Gallatin County Comprehensive Plan encourages development near existing cities and discourages those in more remote locations. Bozeman’s Planning Department enforces zoning regulation within the City Limits.

ZONING ACTIVITY

	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14
Site Plan	46	53	32	29	14	37	22	6	25	26	30
CUP	11	14	23	6	5	14	13	9	19	17	21
PUD Concept Plan	6	6	3	2	0	1	1	1	1	0	4
Prelim. PUD	2	7	6	2	1	0	0	0	0	1	1
Total	65	80	64	39	20	52	36	16	45	44	56

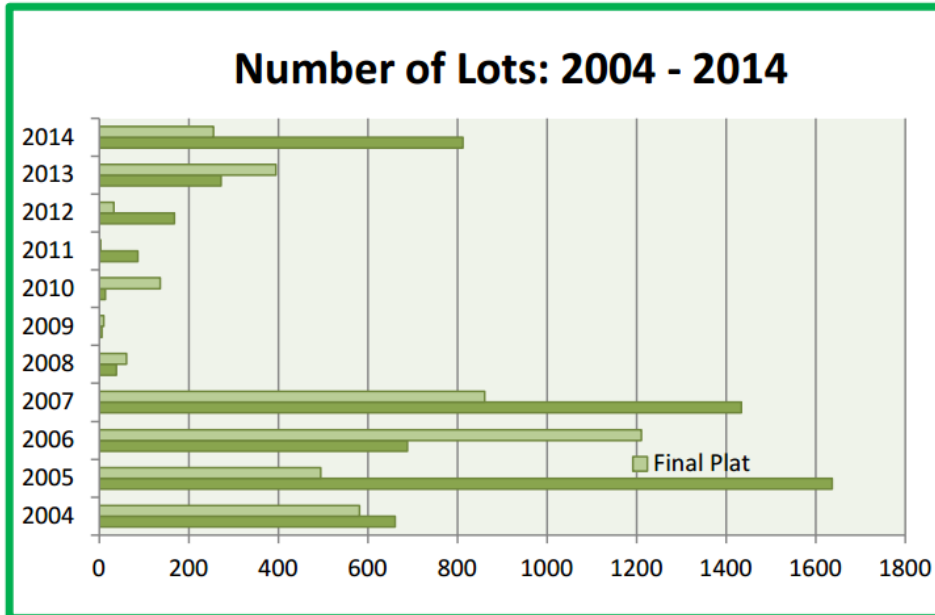
As shown in the table above, the DCD processed 56 zoning site development applications in 2014. Zoning projects include Site Plans, Conditional Use Permits (CUP), Planned Unit Development (PUD) Concept Plans and PUD Preliminary Plans.

Subdivision Activity:

Subdivision activity increased in 2014 overall with the highest number of lots in the entitlement process in six years. The Department of Community Development processed 58 subdivision applications and 32 subdivision exemption applications, a 143% increase over 2013. Since the beginning of 2000, 601 subdivision applications have been processed, creating 5,618 new lots.

Subdivision Reviews by Type: 2004- 2014

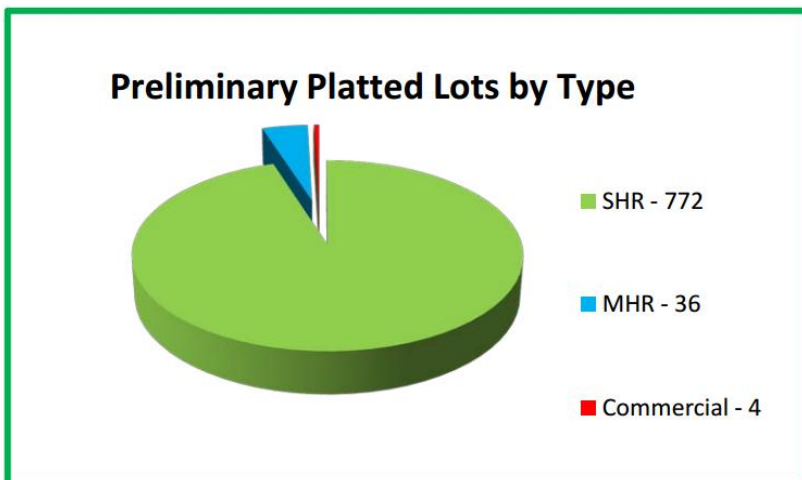
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Preapplications	18	26	18	11	4	4	7	2	8	22	21
Minor Prel. Plats	5	11	7	3	3	3	2	1	3	2	8
Major Prel. Plats	10	12	12	7	2	0	1	1	2	10	13
Final Plats	19	17	30	21	6	4	4	2	4	9	16
Total	52	66	67	42	15	11	14	6	17	43	58



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Preliminary Plat	661	1,637	688	1,434	38	6	14	86	168	272	812
Final Plat	581	495	1,211	861	61	10	136	3	33	395	255

The pie chart below illustrates lots by type applied for with Preliminary Plat applications in 2014.

- Single Household Residence (SHR) - 772, 95%
- Multi Household Residence (MHR) 5 units or < - 36, 4%
- Commercial - 4, 1%
- Industrial - 0, 0%
- Mixed Use - 0, 0%
- 2-3 units - 0, 0%



Environmental Factors:

Environmental factors consist of both natural and man-made features that can influence property values. These forces include but are not limited to climate, topography, natural barriers and transportation systems. Bozeman's climate reflects its mountain valley location. Bozeman, Gallatin County and the entire State of Montana truly have four seasons. Summers are pleasant and characterized by warm to hot days, cool nights and an abundance of sunshine. Humid conditions are infrequent. The average high temperatures in the summer are in the upper 80's and the average lows in the winter are in the mid- 20's to lower 30's.

The average high and low monthly temperatures for December, January, and February are 34 degrees and 15 degrees, 33 degrees and 14 degrees, and 39 degrees and 18 degrees, respectively. Springs tend to come late in the Gallatin Valley. One third of the annual precipitation of 19.29 inches falls during May and June. The average annual mean snowfall in Bozeman is 72.1 inches and the average length of the growing season is 107 days. The climate of the county varies according to elevation, but it is generally characterized by relatively cold winters and warm summers. Typical operation costs that affect real estate are the inclusion of snow removal in the wintertime. Due to the fairly temperate summers, cool air conditioning costs are less; however, heating bills can be high due to the cold winter months.

Bozeman is located in Southwest Montana and has access going east and west on U.S. Interstate Highway 90. Access to the south towards Yellowstone National Park and Salt Lake City is via U.S. Highway 191. Interstate 90, State of Montana, and Gallatin County maintained roads provide access throughout the region and commercial air, truck and rail (commercial service only) transportation are adequate. Bozeman Yellowstone International Airport, near Belgrade, (seven miles west of Bozeman) is the busiest airport in the state and provides adequate service to the region.

Conclusion:

In general, the outlook for Belgrade, Bozeman and the surrounding communities is good. Bozeman's economy is diverse and anchored by Montana State University. As far as the labor market, Bozeman has a young and very well educated work force. The quality of life and outdoor activity will continue to be one of the driving factors for population growth in the Gallatin Valley.

Gallatin County has a wide variety of excellent outdoor recreational opportunities. There are cultural and additional recreational resources in Bozeman due to the presence of MSU, and the tourism industry in southwestern Montana is poised for continued growth. Current population trends continue in an upward direction and growth has been sustained over the past decade. There are no local employers or industries that are in imminent danger of changing unemployment levels. As well, there are no perspective employers moving into the area that are going to create a

demand for employees. I anticipate normal to steady growth, and no major change in population that would create a under supply or residential real estate.

The real estate market overall in Bozeman was better in 2013 than it was over the past 6 years and it continues to see steady growth thus far in 2015. Residential and commercial activity has increased significantly. Residential apartment occupancy is nearly at 100%. Commercial lease rates and property values have been increasing as well.

In general the immediate subject neighborhood can more or less be described as the southwest quadrant of the City of Bozeman near Montana State University.

TAXES AND ASSESSMENT ANALYSIS

The State of Montana, through the Department of Revenue, is responsible for valuing all taxable real and personal property. Department of Revenue field offices accomplish this property valuation. State guidelines are followed to ensure property is appraised in a fair and equitable manner. According to the Department of Revenue, all three approaches to value are considered in the appraisal process.

The amount of property tax paid is not determined solely by a property's value. The property's value is multiplied by a tax rate, set by the Montana Legislature, to determine its taxable value. The taxable value is then multiplied by the mill levy established by various taxing jurisdictions, city and county government, school districts and others, to provide services in the property's area.

The following calculations are used to determine general property tax:

$$\text{Value} \times \text{Tax Rate} = \text{Taxable Value}$$

$$\text{Taxable Value} \times \text{Mill Levy} = \text{General Property Tax}$$

The property tax process begins with an appraisal of the property. As of 2015, state law requires the Department of Revenue to reappraise residential and commercial property every two years. The most recent reappraisal was completed on January 1, 2014.

Each year, the Department of Revenue field offices must certify the taxable value of all properties incorporated within the boundaries of each existing tax jurisdiction or school district. This valuation is then submitted to the taxing jurisdictions and the county commissioners.

The taxing jurisdictions then set mill levies based on these values and the budget required to provide the necessary services. The levy is calculated by dividing the necessary budget by the taxable value. In addition to local levies, there are statewide mills mandated by the Montana Legislature to provide school equalization and funding for the university system.

Real Estate Assessment and Taxes						
Tax ID	Land	Improvements	Other	Total	County Taxes	City Taxes
RGG27047	\$719,117	\$1,872,366	\$0	\$2,591,483	\$41,504.91	\$1,880.88

The taxes and assessments shown above are for the 2014 tax year for the county. The subject property was reassessed in 2015 and the market value of the land has been shown to be \$674,791 and the improvements at \$2,688,009. The taxes based on the 2015 assessment will be determined in the coming months. Additionally, the subject property is subject to the City of Bozeman tax assessment. The 2015 tax amount for the city has been included within the summary chart provided above. The 2016 tax assessment is currently being determined and will also be available in the coming months. Based upon the total of the tax assessments, I have no reason to believe there would be any excessive tax burden on the subject property.

Property/Parcel TaxID: RGG27047

Status: Current

Type: RE

Owner: BES PROPERTIES LLC

History:

Tax Year	Statement#	Bill Date	Bill Amount	Date Paid	** Paid Amount	Notes
2014	27047	10/31/2014	\$41,504.91	11/9/2014 11/9/2014	\$20,755.76 \$20,749.15	
2013	27047	10/31/2013	\$37,420.10	11/20/2013 5/20/2014	\$18,713.37 \$18,706.73	
2012	27047	10/24/2012	\$33,270.59	11/15/2012 3/25/2013	\$16,638.31 \$16,632.28	
2011	27047	10/31/2011	\$30,213.11	11/13/2011 5/3/2012	\$15,109.57 \$15,103.54	
2010	27047	10/31/2010	\$27,473.08	11/10/2010 5/7/2011	\$13,739.56 \$13,733.52	

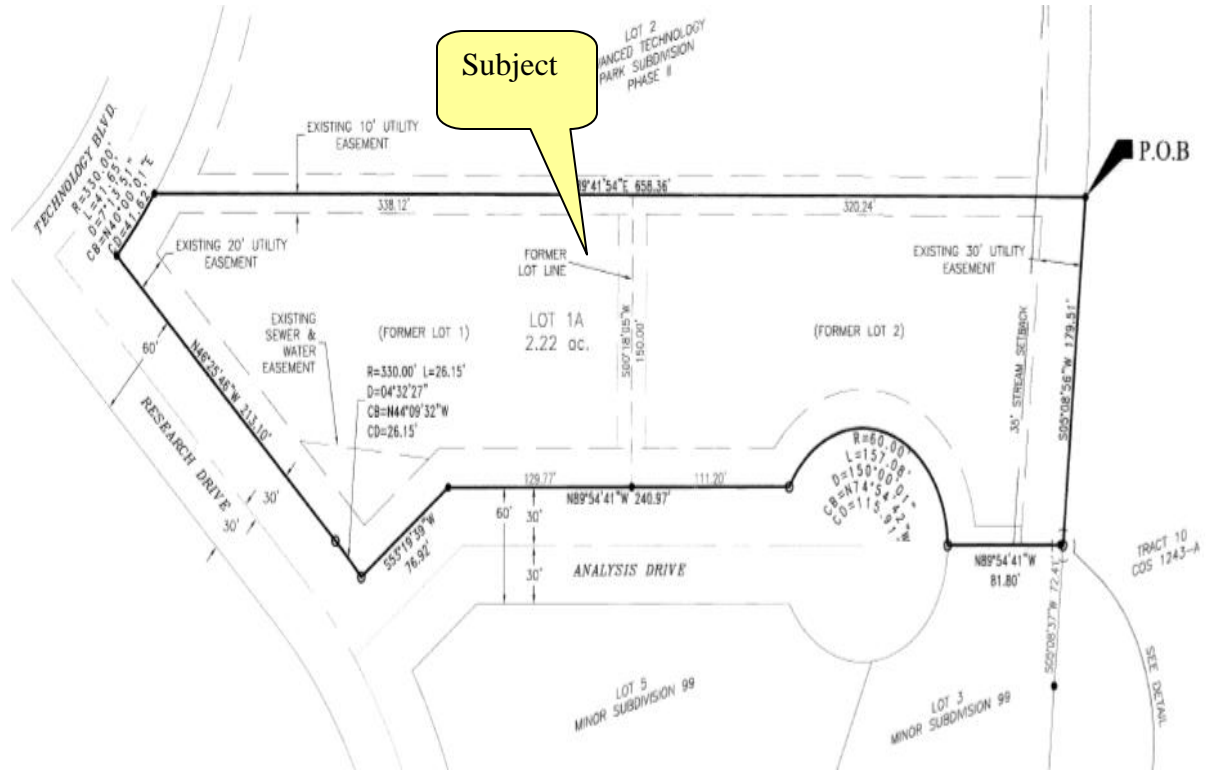
SITE DATA AND ANALYSIS

Location:	2155 Analysis Dr, Bozeman, MT 59715
Dimensions:	See Attached Plat Map
Land Area:	2.220 acres, (96,703sf)
Shape:	The site is irregularly shaped.
Drainage:	The soil conditions observed at the subject appear to be typical of the region and adequate to support development.
Flood Zone:	Census Tract: 11.02. The Subject is not located in flood hazard zone. FEMA Map Number: 30031C0812D. FEMA Map Date: September 2, 2011
Topography:	The subject has level topography at grade and no areas of wetlands.
Frontage:	Approximately 398 feet off of Analysis Dr. and 213 feet off Research Dr.
Visibility:	Good
Landscaping:	The subject has good landscaping.
Site Utility:	Average
Street Access:	Good
Sewer and Water:	City of Bozeman
Utilities:	NorthWestern Energy and City of Bozeman
Curb/Gutter:	Concrete
Sidewalk:	Concrete
Streetlights:	Public
Real Estate Taxes:	\$41,504.91 (County--2014) and \$1,880.88 (City of Bozeman--2015)
Adverse Easements or Encroachments:	There no known adverse encumbrances or easements. Please reference Limiting Conditions and Assumptions.
Adjacent Uses and Site Comments:	The subject property is located in what is commonly referred to as the Tech Park located just west of MSU. The development is primarily used for office and research type buildings.

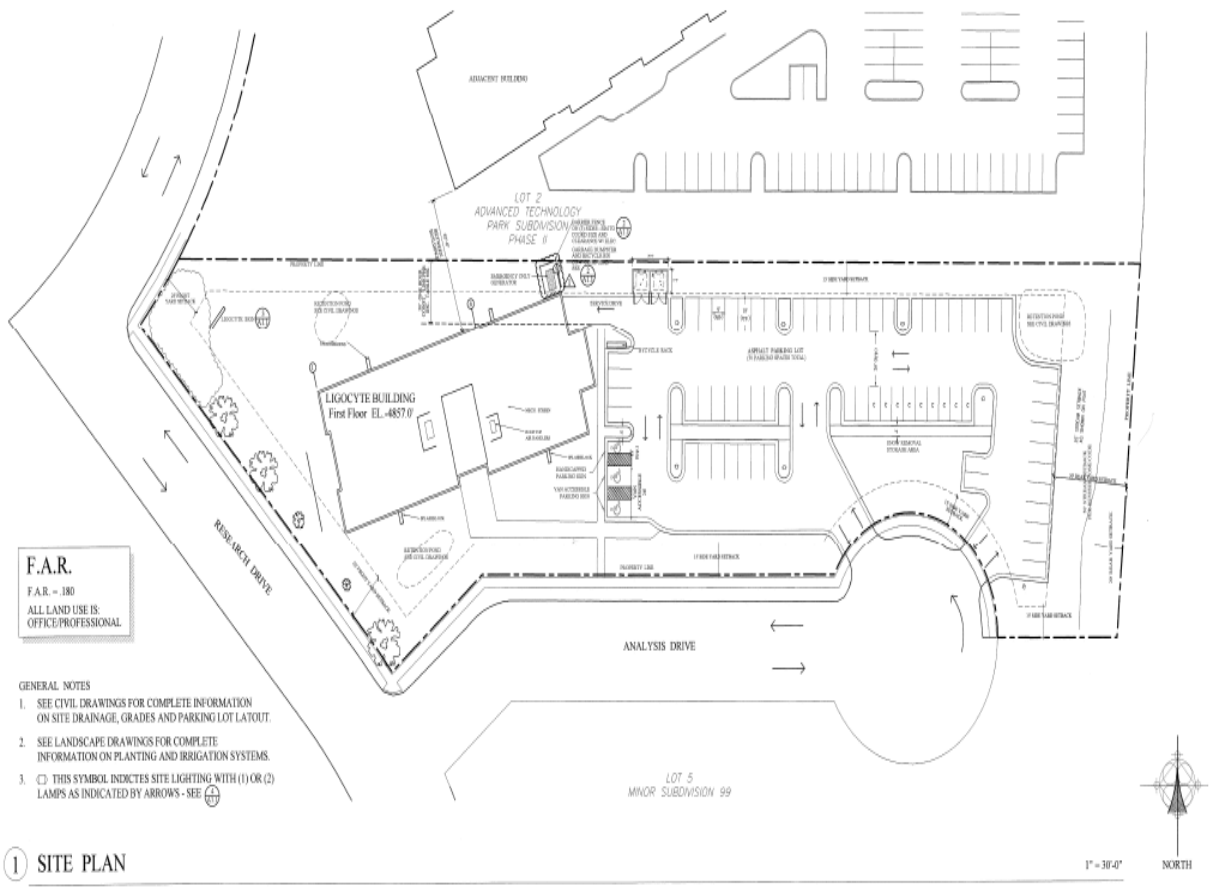
Conclusion:

The subject site has many attributes that make it ideal to develop to its Highest and Best Use. The subject has level topography at grade and no areas of wetlands. All utilities are in place, NorthWestern Energy supplies electricity and natural gas. There is good access via Analysis Dr. The site also has good visibility from Research Dr. The site size is typical of sites developed into office space.

SUBJECT PLAT MAP



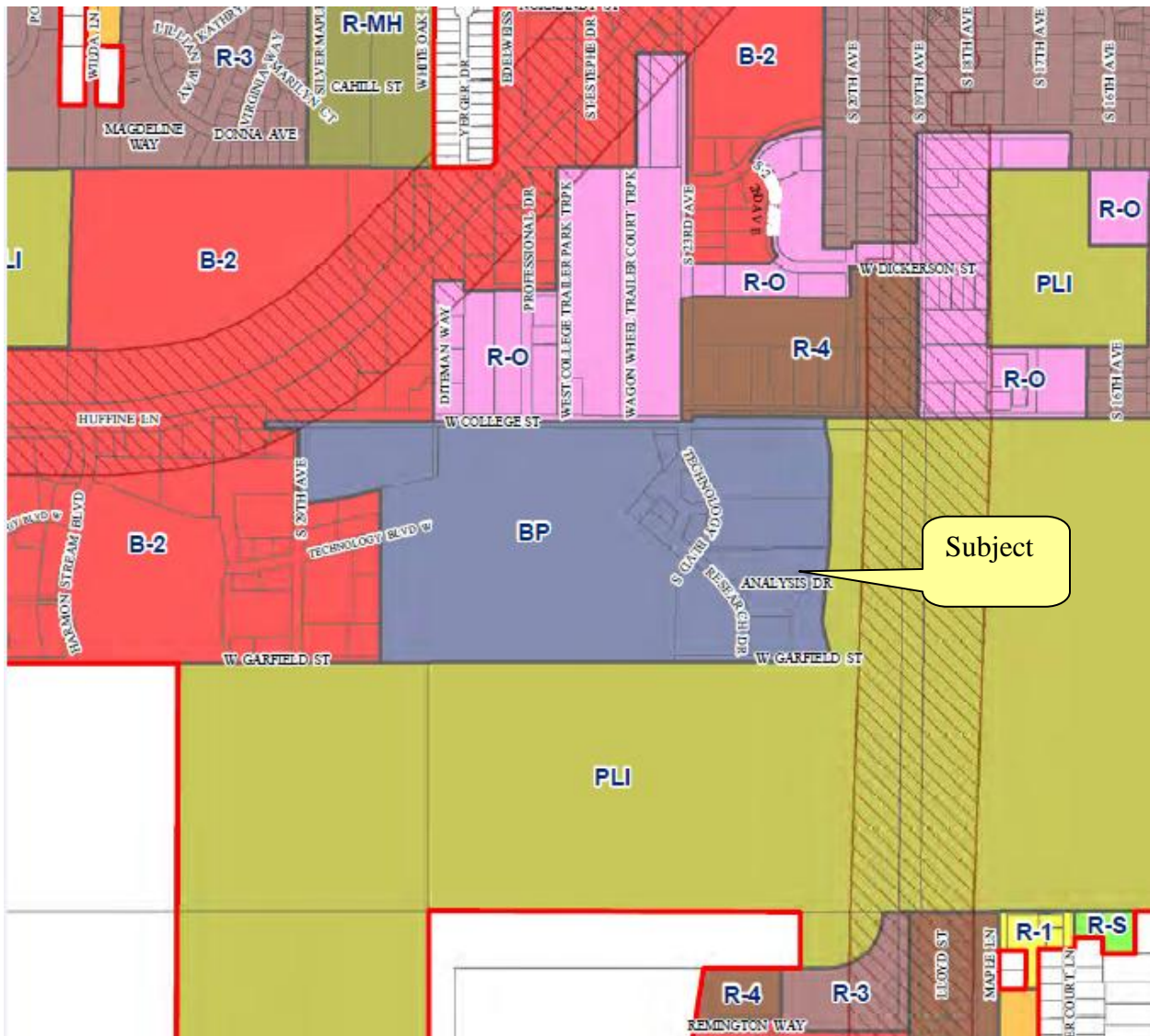
SUBJECT SITE MAP



FLOOD MAP



ZONING AND GOVERNMENT RESTRICTIONS



The subject site is zoned by the City of Bozeman as Business Park B-P.

Business Park (B-P) is to provide for high quality settings and facilities for the development of a wide range of compatible employment opportunities. These areas should be developed so as to recognize the impact on surrounding or adjacent development and contribute to the overall image of the community. Compatibility with adjacent land uses and zoning is required.

The subject improvements are legal and conforming.

DESCRIPTION OF IMPROVEMENTS

IMPROVEMENTS

Building Type:	26,022sf office research buildings
Building Class:	The Subject is a Class- A building.
Quality:	Good
Year Built:	2005
Condition:	Good
Remaining Useful Life:	30 years
Areas & Ratios:	Gross Building Area: 26,022 sf

FOUNDATION, FRAME & EXTERIOR

Foundation:	Poured concrete slab
Basement/Lower Level:	None
Frame:	Steel
Exterior:	Steel
Roof/Cover:	Trussed / EPDM.

INTERIOR

Ceilings & Ceiling Height:	Acoustic ceiling panels / 9'.
Floor Cover:	Carpet-Vinyl
Doors:	Steel-Glass

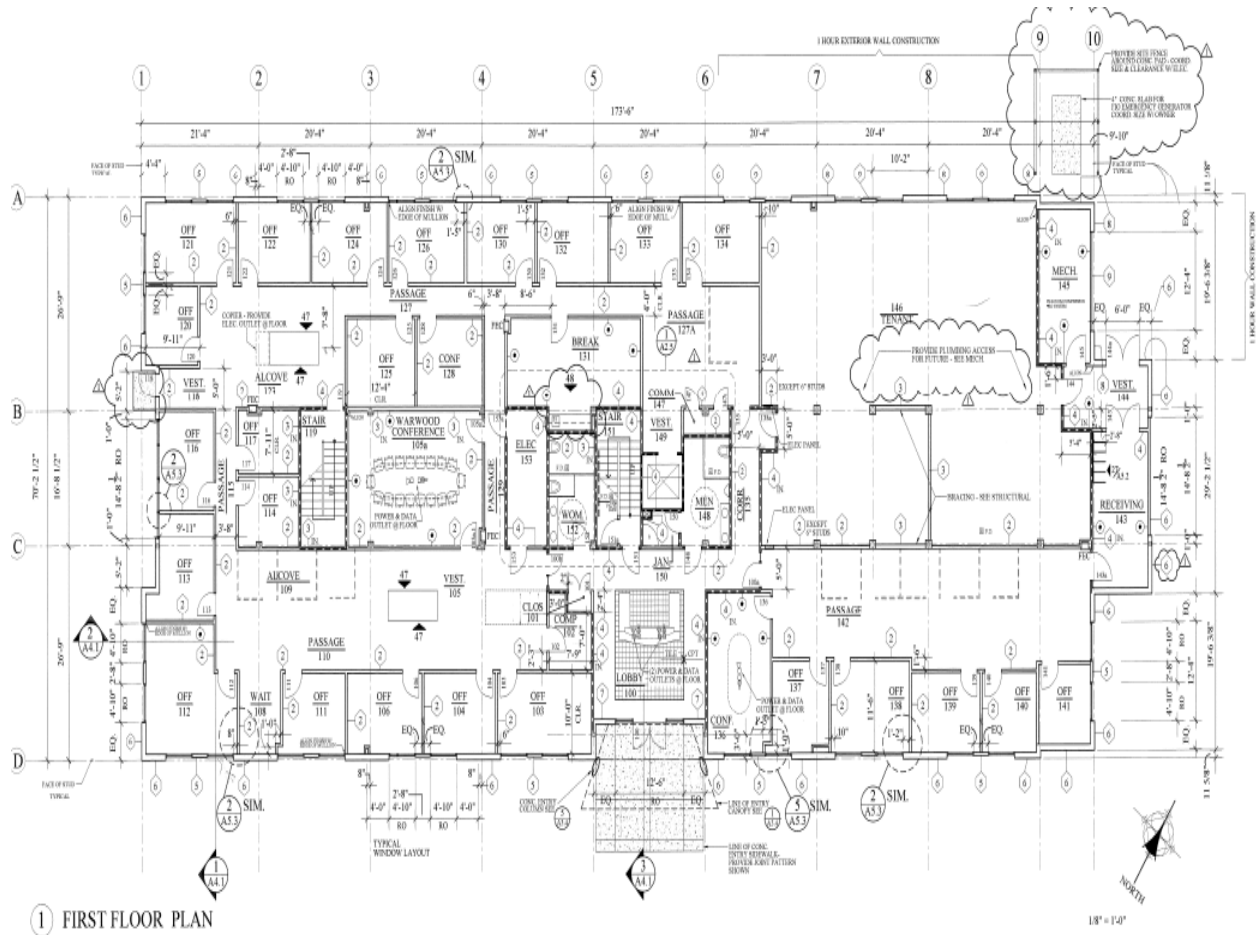
MECHANICAL SYSTEMS

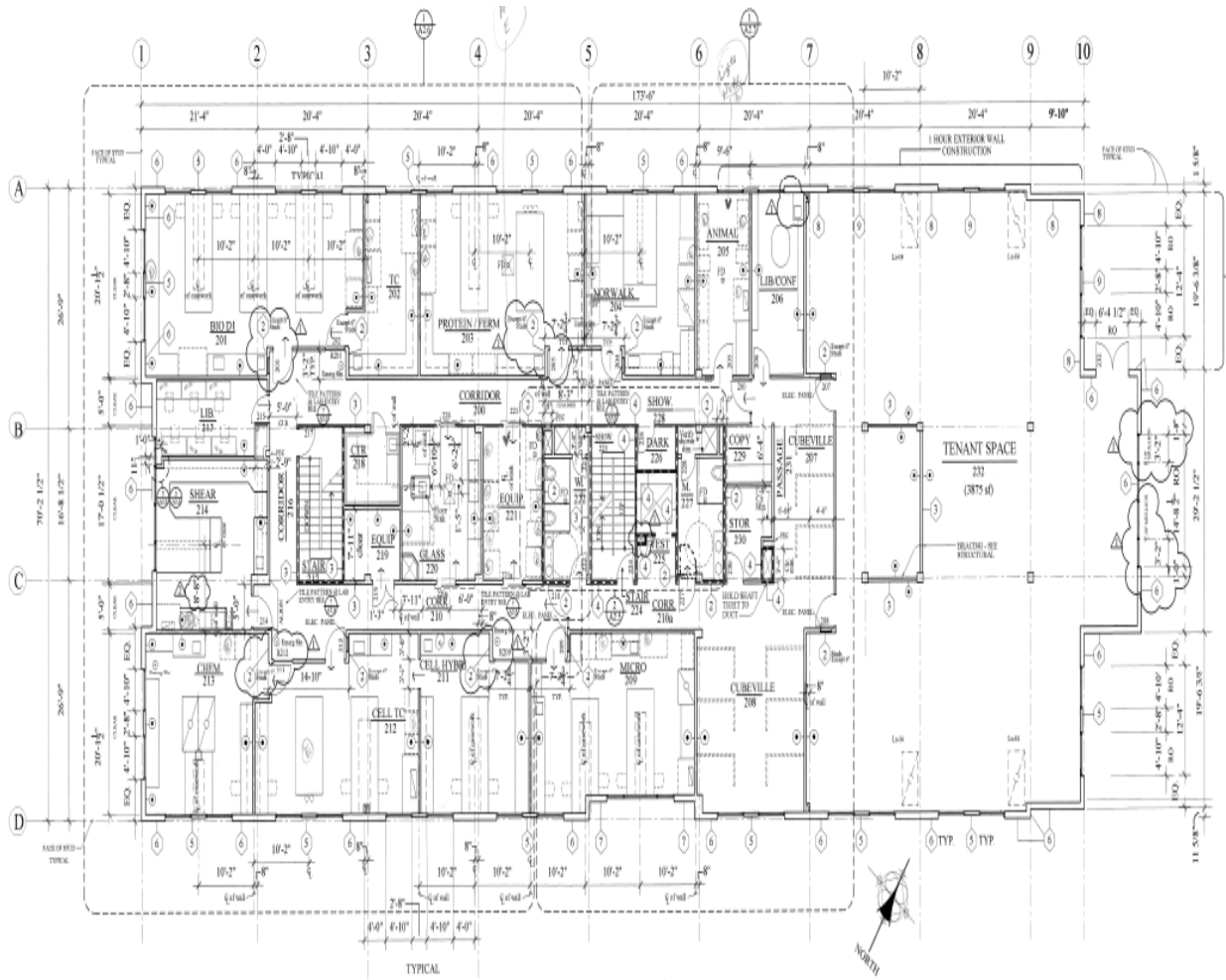
Heating:	Complete RTU HVAC
Cooling:	Complete RTU HVAC
Hot Water:	Hot Water Heaters
Lighting:	A mix of fluorescent and incandescent lighting.
Electrical:	3 Phase-Northwestern Energy- Generator Backup
Plumbing:	Copper - PVC
Sprinkler:	Yes

PROPERTY ANALYSIS

Design & Appeal:	The subject building has good curb appeal. The property has been well maintained and conforms to the subject neighborhood.
Occupancy:	Tenant
Adjacent Uses:	Primarily Office

SUBJECT DIAGRAMS

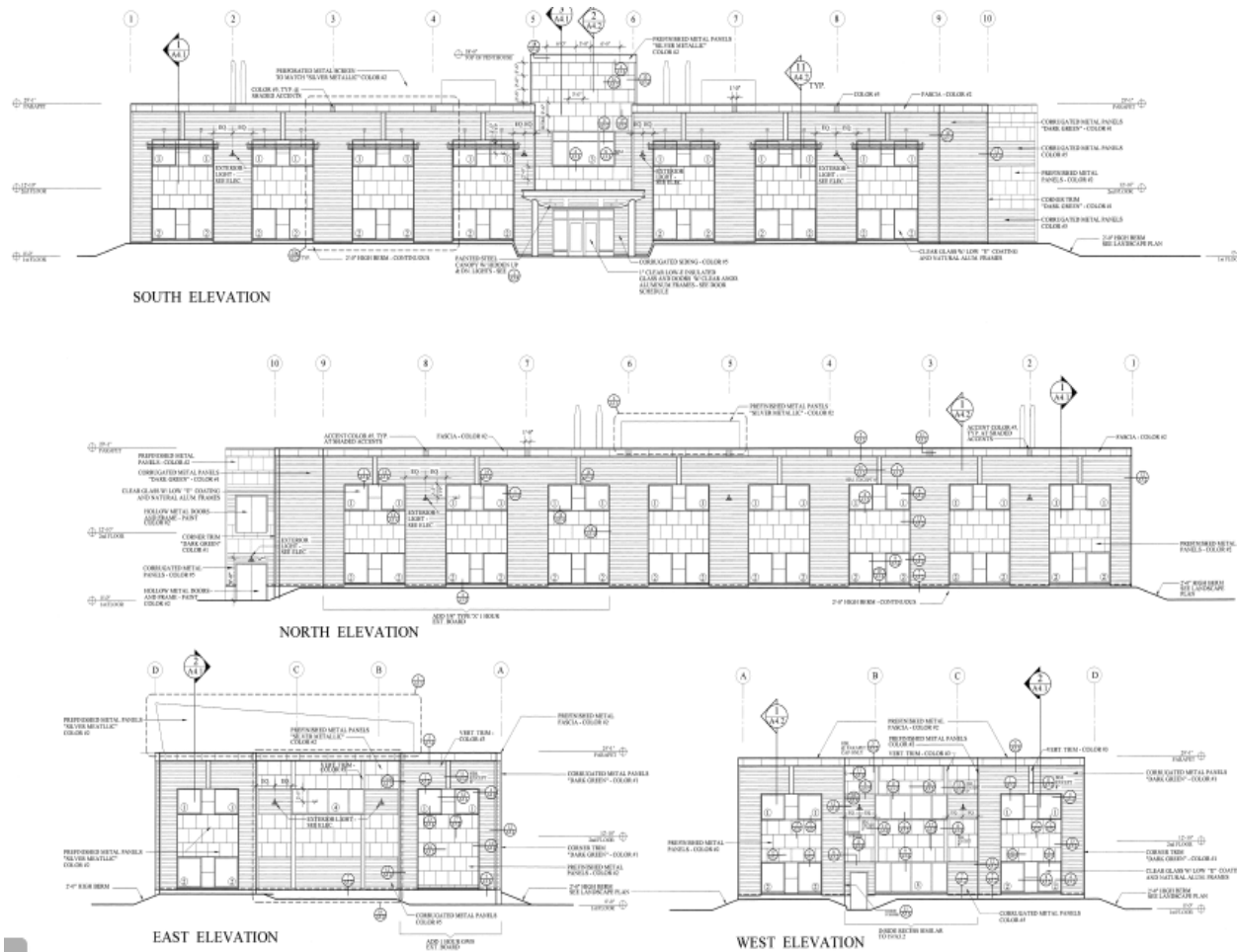




1 SECOND FLOOR PLAN

1/8" = 1'-0"

HORIZONTAL FLOOR/



Conclusion:

The improvements are in good condition and of good quality construction suffering minimal physical depreciation. No functional or external obsolescence was noted at the time of viewing.

PHOTOGRAPHS OF THE SUBJECT



View of the front of the subject property.
Photo taken on August 25, 2015 by Keith O'Reilly, MAI.



View of the front of the subject property.
Photo taken on August 25, 2015 by Keith O'Reilly, MAI.



View of the west side of the subject property.
Photo taken on August 25, 2015 by Keith O'Reilly, MAI.



View of the north and west side of the subject property.
Photo taken on August 25, 2015 by Keith O'Reilly, MAI.



View of asphalt surface parking.
Photo taken on August 25, 2015 by Keith O'Reilly, MAI.



View of asphalt surface parking.
Photo taken on August 25, 2015 by Keith O'Reilly, MAI.



Street scene looking south along Research Drive.
Photo taken on August 25, 2015 by Keith O'Reilly, MAI.



Street scene of Analysis Drive.
Photo taken on August 25, 2015 by Keith O'Reilly, MAI.



Sample view of interior lobby.
Photo taken on August 25, 2015 by Keith O'Reilly, MAI.



Sample view of interior office space.



Sample view of interior office space.



Sample view of interior office space.



Sample view of interior office space.



Sample view of interior office space.



Sample view of interior office space.



Sample view of interior office space.



Sample view of interior lab space.



Sample view of mechanical boilers.



Sample view of electrical panels.



Sample view of roof and RTU HVAC.

HIGHEST AND BEST USE

Highest and Best Use is defined in the fifth edition of *The Dictionary of Real Estate Appraisal* (Appraisal Institute, Chicago, 2010), as follows:

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. The four criteria the Highest and Best Use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.⁴

1. **Permissible Use.** What uses are permitted by zoning and other legal restrictions?
2. **Possible Use.** To what use is the site physically adaptable?
3. **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site?
4. **Maximally Productive.** Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)?

Highest and Best Use analysis is a three-step process. The first step involves the Highest and Best Use of a site as though vacant. The determination must be made to leave the site vacant or improve it. If the conclusion is to improve the site, the second step is to determine the ideal improvement. The final step is a comparison between the ideal improvement and the existing improvement. At this point, the determination must be made to maintain the property in its present form or to modify the improvements to more closely conform to the ideal use.

Conclusion

Highest and Best Use As Improved:

Cure the curable physical depreciation and continue with the current use as office-lab space.

Highest and Best Use As Vacant:

The subject property is zoned B-P, thus residential and retail uses are eliminated. The subject's subdivision is more or less a tech park that lends itself to office and lab research type structures. The site is relatively level with no areas of wetlands. The site has all the necessary infrastructure to be developed with office space. The site is also located just west of Montana State University. The highest and best use as vacant is of the development of office space similar to what currently exists.

⁴ *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010), p. 93.

THE APPRAISAL PROCESS

Typically, real estate can be valued by applying three approaches. All of these approaches to value, (particularly when the purpose of the appraisal is to establish market value) are market data approaches since the data inputs are presumably market derived.

Cost Approach:

One of the approaches to value commonly applied in Market Value estimates and many other valuation situations. A comparative approach to the value of property or another asset that considers, as a substitute for the purchase of a given property, the possibility of constructing another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. The Valuer's estimate is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. The cost approach establishes the value of a real property by estimating the cost of acquiring land and building a new property with equal utility or adapting an old property to the same use with no undue cost due to delay. An estimate of entrepreneurial incentive or developer's profit/loss is commonly added to land and construction costs. For older properties, the cost approach develops an estimate of depreciation including items of physical deterioration and functional obsolescence.⁵

Sales Comparison Approach:

A comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. In general, a property being valued (a subject property) is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered. A general way of estimating a value indication for personal property or an ownership interest in personal property, using one or more methods that compare the subject to similar properties or to ownership interests in similar properties. This approach to the valuation of personal property is dependent upon the Valuer's market knowledge and experience as well as recorded data on comparable items.⁶

Income Approach:

A comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (whereby an overall capitalization rate or all risks yield is applied to a single year's income), yield or discount rates (reflecting measures or return on investment) applied to a series of incomes over a projected period, or both. The income approach reflects the principles of substitution and anticipation.⁷

⁵ *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago; Appraisal Institute, 2010), p. 250.

⁶ *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago; Appraisal Institute, 2010), p. 244.

⁷ *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago; Appraisal Institute, 2010), p. 256

SALES COMPARISON APPROACH

The Sales Comparison Approach is one of the three traditional approaches to value. It is also referred to as the Market Data or Market Comparison Approach. It is defined as follows:

The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.⁸

Basic real estate appraisal principles involved in this approach are the principles of substitution, anticipation and contribution. The "*principle of substitution*" is the underlying premise from the Sales Comparison Approach and its definition is very similar to that of the approach itself. This principle fundamentally states that the value of a property is influenced to a large extent by the prices being paid in the open market for similar properties offering the same utility. It is irrational for somebody to pay an amount of money for a property that is greater than the price at which an equally desirable substitute may be acquired. The market, which is made up of substitute properties, thus represents alternatives for a prospective buyer and tends to set the range of values.

The "*principle of anticipation*" states that prices paid for property is a reflection of the market's expectation of future benefits that accrue from ownership. It follows, then, that if the property is old and nearing the end of its economic life, or for another reason has a dismal future, the present worth of all future benefits would be considerably lower than if the property was new and could generate benefits for a longer period of time. The value of real property, therefore, can be considered the present worth of all future benefits that can be derived from its ownership.

The "*principle of contribution*" is the underlying rationale for the adjustment process in the Direct Sales Comparison Approach. This principle views the sale price of real property as the sum of all value contributing characteristics. The individual characteristics are measured by the effect their presence or absence has on the total sale price. Not only is their mere presence important, but also the quantity and quality in which they exist.

There are other appraisal principles involved in Direct Sales Comparison, but the three mentioned are considered most pertinent.

⁸ *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010), p. 175.

Comparable 1



Transaction

ID	673	Date	08/18/15
Address	2327 University Way	Price	\$12,500,000
City	Bozeman	Price Per SF	\$282.00
State	MT	Transaction Type	Closed
Tax ID	RGG27070	Financing	Cash to Seller
County	Gallatin	Property Rights	Leased Fee
Grantor	University Way, LLC	Days on Market	Less than 1 year
Grantee	Feldstein Enterprises L.P.	Recording Date	08/18/15
Verification Source	Seller Richard Clotfelter	Recording Number	2521844
Legal Description	Unit A of the University Way Condominium, Located on Lot 2 of Minor Subdivision No. 371A, City of Bozeman, Gallatin County, MT		

Site

Acres	4.810	Topography	Level
Land SF	209,524.0	Zoning	Business Park (BP)
Road Frontage	--	Flood Zone	None
Dimensions	Rectangular	Encumbrance or	None
Utilities	NorthWestern Energy	Environmental Issues	None
Corner	Yes	Access	11th Avenue
Site Size	4.81 Acres		

Improvements & Financial Data

Source For SF Area	Owner-Plans and Specs	PGI	\$874,779
GBA	44,326	EGI	--
No. of Units	3	Expense Ratio	--
Year Built	2009	NOI	\$832,482
Renovations	--	Cap Rate	6.65%
Condition	Good	EGIM	--
		Land Value	--
		Imprvmt. Value Per SF	--

Comments

This is the sale of one of the largest professional office buildings in Bozeman. The building was built in 2009 and is in very good condition. The building was leased to Montana State University and to GSA. The indicated cap rate with no vacancy is calculated at 6.66%. with a 5% vacancy the indicated cap rate would be 6.32% There was a shorter term lease in place, however, this did not seem to affect the overall cap rate. There was an additional building pad site that sold for \$700,000, this site was adjacent to the subject and supports 25,295sf of building.

Comparable 2



Transaction

ID	395	Date	12/27/12
Address	960 Technology Blvd	Price	\$8,875,000
City	Bozeman	Price Per SF	\$226.72
State	MT	Transaction Type	Closed
Tax ID	RGG27046	Financing	Conventional
County	Gallatin	Property Rights	Leased Fee
Grantor	Lone Eagle Investments 5, LLC	Days on Market	--
Grantee	Kranzler Mortgage LLC	Recording Date	12/27/12
Verification Source	Seller and Buyer	Recording Number	2436295
Legal Description	Lot 2 in Block 1 of Advanced Technology Park Sub, Phase 2, City of Bozeman, Gallatin County, MT		

Site

Acres	3.9000	Topography	Level
Land SF	169,884	Zoning	Business Park (BP)
Road Frontage	--	Flood Zone	None
Dimensions	Irregular	Encumbrance or	None
Utilities	NorthWestern Energy	Environmental Issues	None
Corner	No	Access	Technology Blvd
Site Size	3.90 Acres		

Improvements & Financial Data

Source For SF Area	Plans and Specs	PGI	\$950,342
GBA	39,145	EGI	\$950,342
No. of Units	1	Expense Ratio	--
Year Built	2002	NOI	\$840,743
Renovations	--	Cap Rate	9.47%
Condition	Good	EGIM	
		Land Value	
		Imprmnt. Value Per SF	\$209.35

Comments

This is a true leased fee sale. The seller was willing to accept a lower sales price if the sale closed by the end of 2012 and did not start marketing the property until approximately August of 2012. Montana State University leases the building; however there was only five years remaining on the lease. Thus the higher cap rate can be attributed to the risk involved if MSU does not renew the lease. However, MSU has put a tremendous amount of FF&E into the building for the Bio-tech/research use. No vacancy was calculated into the implied cap rate; expenses and income are actual and verified.

Comparable 3



Transaction

ID	392	Date	01/31/14
Address	1819 South 22nd Avenue - Unit D1	Price	\$2,140,000
City	Bozeman	Price Per SF	\$144.11
State	MT	Transaction Type	Closed
Tax ID	RG56398	Financing	Conventional
County	Gallatin	Property Rights	Leased Fee
Grantor	DMC, Inc. & Kagy Village, LLC	Days on Market	277
Grantee	400 Marion, Inc.	Recording Date	01/31/14
Verification Source	Copy of Buy-Sell	Recording Number	2473729
Legal Description	Unit D1 of the Kagy Village Condominiums, located on Lot 2 Block 2 of Correction Plat of Kagy Crossroads Subdivision, located in the SE1/4 of Section 14, Township 2 South, Range 5 East, P.M.M., Gallatin County, Montana.		

Site

Acres		Topography	Level
Land SF		Zoning	Community Business (B2)
Road Frontage	S. 22nd & W. Kagy	Flood Zone	None
Dimensions	Nearly rectangular	Encumbrance or	None
Utilities	NorthWest Energy, City of Bozeman	Environmental Issues	None
Corner	No	Access	South 22nd Avenue
Site Size	Shared		

Improvements & Financial Data

Source For SF Area	Floor plans	PGI	\$187,853
GBA	14,850	EGI	\$178,460
No. of Units	1	Expense Ratio	5.00%
Year Built	2007	NOI	\$169,537
Renovations		Cap Rate	7.92%
Condition	Good	EGIM	
		Land Value	
		Imprmnt. Value Per SF	--

Comments

This is an office condo that was 100% leased to LexisNexis Risk Solutions at the time of the sale. At the time of the sale, the tenant paid annual rent of \$237,600 which is equal to \$16.00 per square foot of rentable area. The lease structure is semi-gross with the landlord responsible for all of the operating expenses except janitorial service which is paid for by the tenant. According to the listing broker, landlord expenses average between \$3.10 and \$3.60 per square foot for this property. Using a mid-point estimate of \$3.35 per square foot, the triple-net rental rate is approximately \$12.65 per square foot. There were only two years remaining on the lease at the time of the sale which likely accounted for the relatively high cap rate at which the property sold. The property was listed with an asking price of \$2,375,000 for approximately 277 days before going under contract. The property was purchased as part of a 1031 Exchange.

Comparable 4



Transaction

ID	649	Date	05/15/15
Address	624 Stoneridge	Price	\$1,049,000
City	Bozeman	Price Per SF	\$187.09
State	MT	Transaction Type	Closed
Tax ID	RGG44153	Financing	Cash to Seller
County	Gallatin	Property Rights	Leased Fee
Grantor	John M. Mandeville, Trust	Days on Market	2
Grantee	Richard E. Thomson	Recording Date	05/15/15
Verification Source	Lloyd Mandeville	Recording Number	2511379
Legal Description	Lot 14 of Stoneridge P.U.D. Major Subdivision Phase 2B, City of Bozeman, Gallatin County, Montana.		

Site

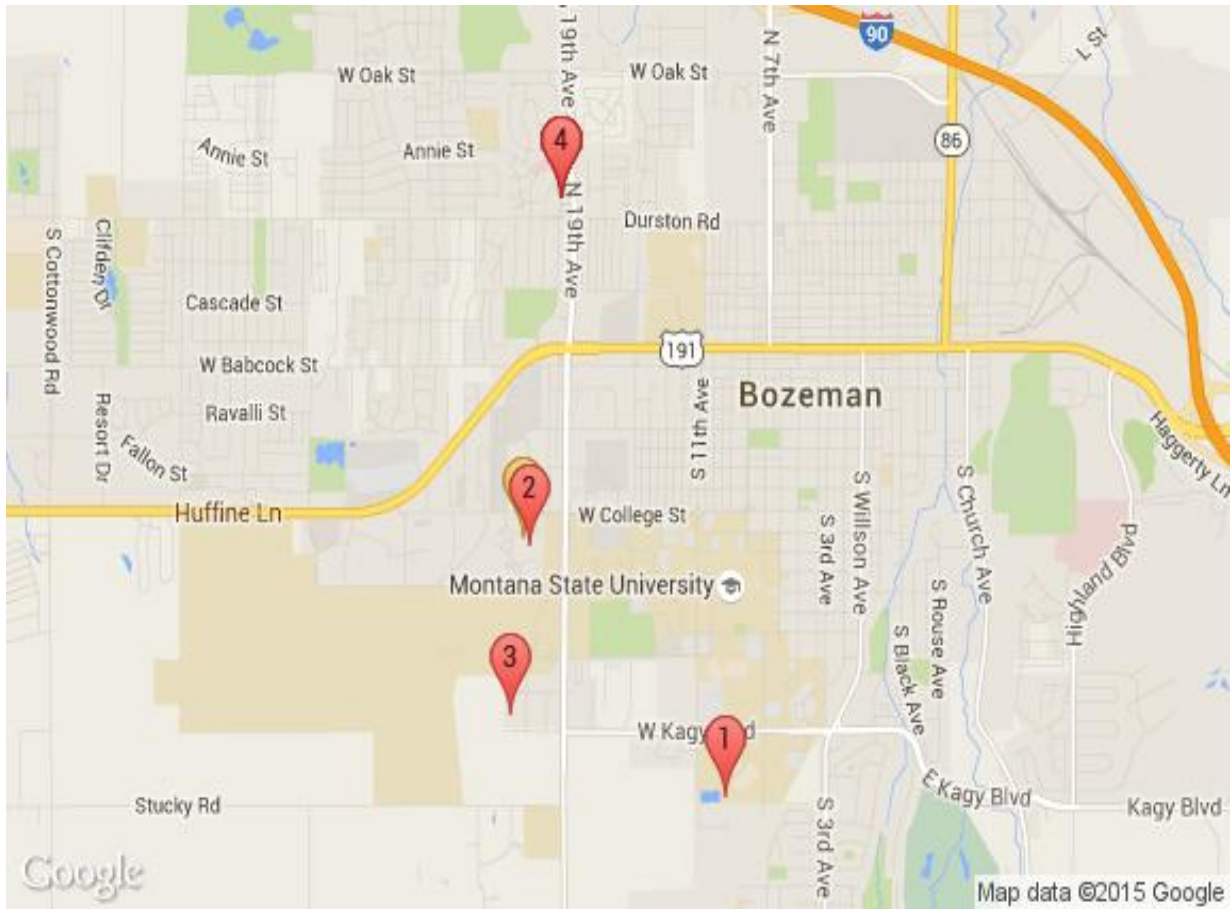
Acres	0.6400	Topography	Level
Land SF	28,093	Zoning	Neighborhood Business (B1)
Road Frontage		Flood Zone	None
Dimensions	Irregular	Encumbrance or	None
Utilities	NorthWestern Energy	Environmental Issues	None
Corner	No	Access	Stoneridge Drive
Site Size	28,093sf		

Improvements & Financial Data

Source For SF Area	Seller	PGI	--
GBA	5,607	EGI	--
No. of Units	1	Expense Ratio	--
Year Built	2003	NOI	--
Renovations	--	Cap Rate	--
Condition	Good	EGIM	
		Land Value	
		Imprvmt. Value Per SF	\$137.15

Comments

This office building was constructed in 2003. This is a stick frame office building of good quality construction. There are two office suites; one was occupied by Hall and Hall a ranch Broker, one is occupied by American Title. Hall and Hall is moving out. This building is located off North 19th Avenue, but has no frontage. The interior space has been upgraded and is in very good condition. The CAM charges are reported at \$3.76psf and the taxes are \$2.32psf, both of these expenses are very typical for the Bozeman office market.



Units of Comparison-Property Valuation:

Since the subject property is an office building, value is derived from the square footage of the improvements. It is logical to use the square footage of the gross building area to derive a value from other comparable sales.

The preceding sales have been analyzed and compared with the subject property. I have considered adjustments in the areas of:

- Property Rights Sold
- Financing
- Conditions of Sale
- Economic Trends (time)
- Location
- Physical Characteristics

Comparable Sale Adjustments

Sale 1 is the most current sale of a property similar to the subject. This sale is in similar proximity to the subject and was a leased fee transaction. This property truly was purchased as an income property. The improvements were newer and in good condition; the sales price was \$282.00psf.

Sale 2 is located adjacent to the subject and is the most similar of any of the comparable sales. This is a slightly older sale that occurred when market conditions were inferior to current conditions. This sale was also influenced by a shorter lease term and some expected changes to capital gains tax structures. Overall the improvements are very similar when comparing quality and age.

Sale 3 again is an older sale of a leased fee transaction. Overall the quality and appeal of this office space is inferior to the subject. This space at best is just above residential construction quality.

Sale 4 is current and was considered to be good quality office space of a relatively equal age when compared to the subject. This property recently sold for \$187.09psf which, in my opinion, would bracket the lower end of the applicable range for the subject property.

When giving the most consideration to Sales 2 and 4, the sales comparison approach supports a value of \$200.00psf.

Sales Comparison Approach Conclusion

Based on the above analysis, I have reconciled to a value of \$5,205,000, as of August 25, 2015, and subject to the Limiting Conditions and Assumptions of this appraisal.

INCOME VALUATION

In the Income Approach, property value is estimated by measuring the present worth of the future income stream. The principle of anticipation is very important and serves as the underlying premise. The procedure in the Income Approach is to estimate the present worth of the value of future anticipated benefits that are derived from ownership of the real property. The reason is that ownership of property rights is entitled to the future benefits accruing from the real estate. Anticipated future benefits have a direct effect on value.

The process involved in this approach is two-fold:

1. The various income and expense items are defined which results in the estimation of Net Operating Income.
2. The Net Operating Income is then converted into a value estimate by direct capitalization.

The basic capitalization formula is: Value is equal to the Net Operating Income divided by the overall capitalization rate.

The following pages present various data and analyses that are employed in estimating the value of the subject property by the Income Approach.

Potential Gross Income (PGI)

The first step in the income approach is the estimation of potential gross income. This income is the annual rent at current market rates that the subject property is capable of producing. The potential gross income is largely determined by what other similar properties are currently being rented for in the open market. To estimate the market rental for the subject, a survey of comparable rentals in the area was conducted.

The following leases were analyzed to best estimate the market lease rates for the subject property.

Lease Comparable 1



Location		Building	
ID	108	Address	1819 S. 22nd Avenue Suite 1
Lessor	Kagy Village LLC	City	Bozeman
Lessee	Lexisnexis Risk Solutions GA Inc.	County	Gallatin
Improvements (SF)	14850	Topography	Level
Age of Improvements:	2007	Water	Public
Corner	No	Utilities	NorthWestern Energy
Zoning	Highway Business District (B2)	Parking	Asphalt
Access	South 22nd Avenue	Landscaping	Good
Confirmed With	Copy of Lease	Site Size	Shared Site

Leases					
Tenant	Size	\$/SF	Type	Date	Term
Lexisnexis	14,850	\$16.00	Modified Gross	Jan-13	3 Years

Comments

This is a pretty general building. A lot of the interior space is open cubical space. The original lease in 2007 was for \$19.00 per square foot semi-net with the tenant responsible for all of the operating expenses with the exception of water, sewer, and property management expenses which were paid for by the landlord. The current lease structure is semi-gross with the landlord responsible for all of the operating expenses except janitorial service which is paid for by the tenant. The estimated expenses from the owner are \$3.10 to \$3.65 per square foot. Using a mid-point estimate of \$3.35 per square foot, the NNN rental rate is approximately \$12.65 per square foot.

Lease Comparable 2



Location		Building			
ID	26	Address	960 Technology Blvd.		
Lessor	Lone Eagle Investments LLC	City	Bozeman		
Lessee	Montana State University	County	Gallatin		
Improvements (SF)	37712	Topography	--		
Age of Improvements:	2002	Water	City		
Corner	No	Utilities	NorthWestern Energy		
Zoning	Business Park (BP)	Parking	Paved Spaces		
Access	Technology Blvd.	Landscaping	Good		
Confirmed With	Copy of Lease	Site Size	3.9 Acres		
Leases					
Tenant	Size	\$/SF	Type	Date	Term
Montana State University	37,712	\$25.20	NNN	Jul-02	15 Years

Comments

Adjustments to rent in the 4th, 7th, 10th, & 13th year adjusted by change in CPI. This is a Class A space leased by Montana State University. This is a Bio-tech building. The tenant has added a considerable amount in TI's a lot of which was equipment.

Lease Comparable 3



Location		Building	
ID	165	Address	274 Discovery Drive
Lessor	GH Investments, LLC	City	Bozeman
Lessee	National Corporate Leasing, LLC	County	Gallatin
Improvements (SF)	8450	Topography	Level
Age of Improvements:	2006	Water	Community System
Corner	Yes	Utilities	NorthWestern Energy
Zoning	Residential Office (RO)	Parking	Paved
Access	Discovery Drive	Landscaping	Average
Confirmed With	Copy of Lease	Site Size	57,499 Square Feet

Leases					
Tenant	Size	\$/SF	Type	Date	Term
National Corporate Leasing,	8,450	\$13.15	NNN	Jan-15	3 Years

Comments

This is a 3-year leaseback of an office building. The seller had several tenants in the building which averaged triple-net rent of \$13.15 per square foot. The seller guaranteed the leases for three years following the closing date. Annual rent for the first two years is equal to \$13.15 per square foot with a 3% annual increase to \$13.54 in the final leaseback year.



The current rental rate is \$12.11psf through January of 2016, the 2016 lease rate will be \$12.47psf. Both of these lease rates are considered under market. Lease rates for professional office building have increased over the past 12 to 18 months. On average, lease rates for good quality space start at \$13.50psf NNN. The building located adjacent to the subject is currently leased at over \$20.00psf NNN.

Vacancy and Collection Loss:

I have included a 0% vacancy rates since there is a five year lease in place and the fact that the derived cap rate from Sale 1 did not have vacancy factored in and I relied heavily on this sale to determine the appropriate cap rate.

Management:

Typical property management fees range from 5% to 10%.

Real Estate Taxes: NNN to tenant

Insurance: NNN to tenant

Net Operating Income:

Net Operating Income represents income to the property remaining after deducting all fixed and operating expenses from the potential gross income, but before deducting financial charges such as depreciation or debt service.

Net Operating Income is the annual figure used in capitalizing income into a value indication. The appraiser believes the Net Operating Income utilized for the subject property represents the criteria that market participants would utilize in estimating a value for the subject by the Income Approach.

Direct Capitalization:

Direct capitalization is the conversion of anticipated net operating income into present value by dividing the income by an appropriate rate that reflects the prevailing relationship of net operating income to selling price for comparable properties being sold in the open market.

The appropriate rate is the overall rate (Ro) that reflects the return necessary on land and improvements to attract investment capital. The capitalization rate is overall because it encompasses both the land and improvements, and the interest or risk rate and building recapture rate. Income capitalization rates typically increase as investment risk increases. Other components that affect overall capitalization rates include the condition of the property and the risk associated with the lease in place.

It is extremely important that the overall rate is applied in the same manner that it was derived. For example, it would not be appropriate to obtain an overall rate from the sale of a property with a net lease and apply it to a property with a gross lease. As well it would not be appropriate to derive a cap rate from a property that vacancy was not accounted for and apply it to a property where vacancy is accounted for.

The general format for the income approach is:

$$\begin{aligned}
 & \text{Potential Gross Income} \\
 & - (\text{Vacancy \& Collection Loss}) \\
 & = \text{Effective Gross Income} \\
 & - (\text{Fixed and Variable Expenses}) \\
 & = \text{Net Operating Income} \\
 & \div \text{Overall Capitalization Rate} \\
 & = \text{Indication of Value}
 \end{aligned}$$

#	Location	Sale Date	Year Built	Gross Building Area (SF)	Cash Equivalent Sale Price	Sale Price / SF	Overall Cap Rate
1	Office Property 274 Discovery Drive Bozeman, Montana	Dec-14	2006	8,450	\$1,170,000 (Allocated)	\$138.46	8.57%
2	Office Property 2005 Gilkerson Drive Bozeman, Montana	Feb-14	1978	9,180	\$819,000	\$89.22	6.96%
3	Office Condo 1819 South 22nd Avenue Unit D1 Bozeman, Montana	Jan-14	2007	14,850	\$2,140,000	\$144.11	7.92%
4	Four Office Condos 280 West Kagy Boulevard Units E, F, G & H Bozeman, Montana	Jun-13	2008	4,000	\$1,025,000	\$256.25	6.78%
5	Two Office Condos 1735 South 19th Avenue Units B1 & B2 Bozeman, Montana	Apr-13	2007	6,163	\$1,030,395 (Effective)	\$167.19	6.48%
6	Two Office/Retail Buildings 1910 North 22nd Avenue Bozeman, Montana	Mar-13	2003	9,015	\$1,200,000	\$133.11	7.07%
Capitalization Rate Range =					6.48%	to	8.57%
Average Capitalization Rate =							7.30%

In addition to the preceding cap rates, Sale 1 recently sold at a 6.65% cap rate. Sale 1 is the most representative of current market conditions. I have actually applied a 6.5% cap rate that takes into account that the current contract rent is below market.

Income Capitalization Analysis					
Unit/Space Type	Income	Method	Units/SF	Annual	% of PGI
Subject building	\$12.47	\$/SF/Year	26,022	\$324,494	100.0%
				\$0	0.0%
				\$0	0.0%
				\$0	0.0%
Potential Gross Income:				\$324,494	100.0%
Vacancy & Collection Loss			0.00%	\$0	
Other Income:				\$0	
Effective Gross Income (EGI):				\$324,494	100.0%
Expense	Amount (% or \$)	Method	Annual	\$/SF	
Taxes	\$0	\$/Year	\$0	\$0.00	
Insurance	\$0	\$/Year	\$0	\$0.00	
Utilities	\$0	\$/Year	\$0	\$0.00	
Repairs/Maintenance	\$0	\$/Year	\$0	\$0.00	
Misc./Other	\$0	\$/Year	\$0	\$0.00	
Management	5%	% of EGI	\$16,225	\$0.62	
Reserves	0.0%	% of EGI	\$0	\$0.00	
Total Expenses:				\$16,225	\$0.62
Expense Ratio (Expenses/EGI):				5.00%	
Expense Reimbursements:				\$0	
Net Expense Ratio				5.00%	
Net Operating Income (NOI):				\$308,270	\$11.85
Capitalization Rate:				6.50%	
Value (NOI/Cap Rate):				\$4,742,610	\$182.25
Rounded:				\$4,745,000	\$182.35

FINAL RECONCILIATION

The process of reconciliation involves the analysis of each approach to value. The quality of data applied and the significance of each approach relating to market behavior and defensibility of each approach are considered and weighed. Finally, each is considered separately and comparatively with each other.

Value Indications

Sales Comparison Approach: \$5,205,000
Income Approach: \$4,745,000

Cost Approach

The cost approach to value is not necessary to arrive at a credible opinion of value; had a cost approach to value been formulated the final estimated value would be no more reliable.

Sales Comparison Approach

The quality and quantity of market data is good and the indication of value is reasonable and reliable. All the sales analyzed are within the Bozeman market. In fact two of the sales are very similar building, one being the adjacent building to the north. Overall market conditions for office space has improved considerably after the real estate market crash in 2007. New office space in Bozeman that is of good quality has been selling for approximately \$225psf to \$230psf. Older office space that is in good condition has been selling for \$165+psf. I have reconciled in the middle of the range between Sales 2 and Sales 4 at \$200.00psf.

Income Approach

The available data for the income approach is good. There is a five year lease in place that is about $\frac{3}{4}$ of the way through the first year. The current lease rate is below market, in addition there is a buyout clause that would be substantial to the building owner. Thus I have reconciled with a slightly lower cap rate, typically below market lease rates are less risky. The income approach is well supported and gives a good indication of market value for the subject property.

Value Conclusions

Both the sales comparison approach and the income approach to value have been considered equally, the range of value is from \$4,745,000 to \$5,205,000; I have reconciled in the middle of that range. I did not complete a cost approach; however, my knowledge of the local building market and costs would lead me to believe the subject property could not be replaced for \$200.00psf. The quality and quantity of market data is good and the indication of value is reasonable and reliable.

Based on the data and analyses developed in this appraisal, I have reconciled to the following value conclusions, as of August 25, 2015, subject to the Limiting Conditions and Assumptions of this appraisal.

Reconciled Value Conclusion: Premise: "As Is"
Estate: Leased Fee
Value Conclusion: **\$4,975,000**

As a result of my investigation and analysis, it is my opinion that the Current Market Value of the Leased Fee Interest, "As Is", in the subject property, as of August 25, 2015, is:

FOUR MILLION NINE HUNDRED SEVENTY FIVE THOUSAND DOLLARS

(\$4,975,000)

CERTIFICATION

As a result of a request for an appraisal assignment of the property, identified as:

2155 Analysis Dr.
Bozeman, MT 59715

I certify:

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 is my personal, unbiased professional analyses, opinions, and conclusions.

The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

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.

My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

My analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the standards and reporting requirements of and in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, and the *Uniform Standards of Professional Appraisal Practice (USPAP)*, published and copyrighted by the Appraisal Foundation.

Keith O'Reilly, MAI, has made a personal viewing of the property that is the subject of this report.

No person, other than the appraiser signing this report, provided significant professional assistance to the persons signing this report.

Further, the value reported is based upon cash in U.S. dollars or in terms of similar financial arrangements.

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, Keith O'Reilly, MAI, have completed the continuing education program of the Appraisal Institute.

I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Keith O'Reilly", written in a cursive style.

Keith O'Reilly, MAI
General Certified Appraiser #400
State of Montana

ADDENDUM



WARRANTY DEED

STC-03A1666

FOR VALUE RECEIVED, ADVANCED TECHNOLOGY INC., 1711 West College, Bozeman, Montana 59715, a corporation duly organized and existing under the laws of the State of Montana, grantor, does hereby grant, bargain, sell, convey and confirm unto BES Properties, LLC, c/o of Richard Clotfelter, 465 Greenridge Drive, Bozeman, Montana 59715, the grantee, the following described premises in Gallatin County, Montana, to wit:

Lots 1 and 2 of Minor Subdivision No. 99, a tract of land located as Lots 3 and 4 in Block 1 of Advanced Technology Park Subdivision, Phase 2, in the NE ¼ of Section 14, Township 2 South, Range 5 East, M.P.M., Gallatin County Montana, according to the official plat thereof on file and of record in the office of the County Clerk and Recorder of Gallatin County Montana.

TO HAVE AND TO HOLD the said premises, with their appurtenances unto the said grantee, its heirs and assigns forever. And the said grantor does hereby covenant to and with the said grantee, that it is the owner in fee simple of said premises; that they are free from all encumbrances except reservations, restrictions, rights of way, and easements of record; and that it will warrant and defend the same from all lawful claims whatsoever.

IN WITNESS WHEREOF, the Grantor, pursuant to a resolution of its Board of Directors has caused its corporate name to be hereunto subscribed by its President and its corporate seal to be affixed this 17th day of December, 2003.


STATE OF MONTANA)
: ss.
County of Gallatin)

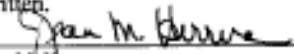
Advanced Technology Inc.

By: 
Roger N. Flair, President

On this 17th day of December, 2003, before the undersigned, a notary public in and for said state, personally appeared Roger N. Flair, known to me to be President of the corporation that executed this instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.




Jean M. Herrera
Notary Public for the State of Montana
Residing in Bozeman, Montana
My commission expires: January 23, 2007

Keith O'Reilly, MAI

State of Montana General Certificate #4400 Expires 3-31-2016

Qualifications

EDUCATION

- Educated in the Bozeman and Billings Public Schools Systems, Bozeman and Billings, MT.
- Obtained a B.S. degree in Business Marketing from Montana State University in 1992.

APPRAISAL EDUCATION COURSES:

- Successfully completed the following courses and seminars from Appraisal Institute:

<u>Courses from Appraisal Institute</u>	<u>Seminars from Appraisal Institute</u>
110 Appraisal Principles	"The New URAR"
1120 Appraisal Principles	"High Tech Appraisal Office"
1210 Appraisal Principles	"Fundamental of Relocation"
1410 Appraisal Principles	"Understanding Limited Appraisals Residential"
1420 Appraisal Principles	"Understanding Limited Appraisals General"
310 Basic Income Capitalization	"660-Small Hotel/Motel Valuation"
430 Standards of Professional Standards Part C	"620-Mixed Use Valuation Analysis"
510 Advanced Income Capitalization	"Appraising Manufactured Housing"
520 Highest & Best Use and Market Analysis	"Data Confirmation and Verification Methods"
530 Advanced Sales Comparison and Cost Approaches	"Partial Interest Valuation-Unclassified"
540 Report Writing and Valuation Analysis	"Appraisal Review General"
550 Advanced Application	"2013 7th USPAP Update"

- Completed Ted Whittier's Comprehensive Appraisal Work Shop, Dallas Texas

APPRAISAL EXPERIENCE:

I have specialized in the appraisals of residential and commercial properties located in Gallatin County, Montana since May of 1992.

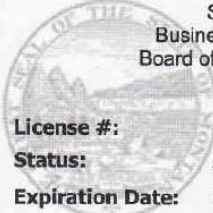

My experience includes an apprenticeship with Henry Neils, MAI & Patrick Nolan, MAI, SRA.

Appraising residential properties including single family, 2-4 family, and condominiums, industrial sites and buildings, commercial sites and buildings, and insurable value appraisals.

I am a native of Bozeman and have resided in the area for approximately 40 years. I served as a board member for the Montana Board of Real Estate Appraisers from 2001 -2007 and was the Chairman of the Screening Panel Committee for the Board of Appraisers.

I have completed work for the following:

Opportunity Bank, Wells Fargo Bank, Rocky Mountain Bank, First Interstate Bank, American Bank, Manhattan Bank, Valley Bank of Belgrade, Big Sky Western Bank, Stockman Bank, Sterling Savings and Loan, First Security Bank of Bozeman, U.S. Bank, Yellowstone Bank, Bozeman Deaconess Hospital, Burlington Northern Santa Fe Railroad, United States Government General Services Administration,

	State of Montana Business Standards Division Board of Real Estate Appraisers	This certificate verifies licensure as: CERTIFIED GENERAL APPRAISER
	License #: REA-RAG-LIC-400	Endorsement: REAL ESTATE APPRAISER MENTOR
	Status: Active	
Expiration Date: 3/31/2016		
KEITH PATRICK O REILLY BRIDGER APPRAISALS 147 MCGEE DR PO BOX 11145 BOZEMAN, MT 59719		 RENEW OR VERIFY YOUR LICENSE AT: https://ebiz.mt.gov/pol/



Bridger Appraisals, Inc.
P.O. Box 11145
Bozeman, Montana 59719

August 11, 2015

Robert V. Lashaway, AVP
University Services
P.O. Box 172760
Bozeman, MT 59717-2760

Re: Appraisal of 2155 Analysis Drive, Bozeman, MT

Mr. Lashaway,

Per your request, I am proposing to complete an appraisal of the property at 2155 Analysis Drive, Bozeman, MT. The purpose of this appraisal is to determine the current market value of the subject property. The intended use of the report is to assist the client for the possible acquisition of the subject property. I am proposing to complete an appraisal report of the property that will conform to the 2014-2015 version of the Uniform Standards of Professional Appraisal Practice. The client and intended user of this report is Robert Lashaway, University Services, Montana State University.

The report will be written in what is considered a summary format. All three approaches to value will be formulated in the appraisal and a separate land valuation will also be completed. I will need copies of all the current leases in place at the time of the appraisal and any expense information that is pertinent to formulating an income approach.

The agreed upon fee for the assignment is \$4,500.00 and the estimated delivery date is approximately 4 weeks from the acceptance of this agreement or before September 11, 2015. Upon receipt of this engagement letter, please sign and return a copy at your earliest convenience. Thank you and please call if you have any questions or concerns.

Sincerely,

Keith O'Reilly, MAI
Bridger Appraisals, Inc

The undersigned accepts the terms and conditions of this engagement letter.
Please sign and return a copy of this agreement.

By: Robert V. Lashaway

Date: 08.11.2015