



**Fusion Technologies Shop/Office  
6907 Entryway Drive  
Billings, Yellowstone County, Montana**

**Date of Inspection: July 28, 2023  
Date of "As Is" Value: July 28, 2023  
Date of Report: July 31, 2023**

**For:**

**First Security Bank of Missoula, a Division of Glacier Bank  
P.O. Box 4506  
Missoula, Montana 59806**

**By:**

**ROVE Valuations  
Brenda L. McNaney, AI-GRS  
3312 Fourth Avenue North  
Billings, Montana 59101  
406-855-0960**





July 31, 2023

First Security Bank of Missoula, a Division of Glacier Bank  
P.O. Box 4506  
Missoula, Montana 59806

RE: Appraisal of 6907 Entryway Drive in Billings, Yellowstone County, Montana (Fusion Technologies Office/Shop).

Dear First Security Bank of Missoula:

Pursuant to your request I have prepared an appraisal of the above-described property. The purpose of this appraisal is to estimate the "As Is" market value of the fee simple estate. I have personally inspected the site and improvements valued in this report. I certify that I have no personal interest, present or contemplated, in the subject property and that this appraisal represents my opinion of the market value of the subject property.

As a result of my investigation, the final estimated "As Is" market value of the fee simple estate, as of the date of last inspection, July 28, 2023, is: **\$1,750,000**. The exposure time for the subject property is estimated to be less than six months.

This letter must remain attached to the report, which contains 46 pages, plus related exhibits, in order for the value opinions set forth to be considered valid. Further, this letter of transmittal precedes the appraisal report further describing the property and containing the reasoning and most pertinent data leading the final value estimates. Your attention is directed to the Assumptions and Limiting Conditions and Certification, which are considered usual for this type of assignment and have been included within the text of this report.

Sincerely,

ROVE Valutations

A handwritten signature in blue ink that reads "Brenda McNaney, AI-GRS". The signature is written in a cursive style with "Brenda" and "McNaney" connected, and "AI-GRS" written below it in a smaller size.

By: Brenda McNaney, AI-GRS  
Montana Certified General Appraiser #16011

Enclosure: Appraisal Report



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## ADDENDA

Aerial Photograph  
Photographs of Subject Property  
Yellowstone County Orion Detail  
Plat Map  
Buy/Sell Agreement  
Land Sales Map  
Improved Sales Map  
Improved Sales Comparables  
Rental Comparables Map  
Letter of Engagement  
Copy of State License

## Summary of Appraisal

<b>Interest Appraised:</b>	Fee Simple Estate
<b>Type of Property:</b>	The subject is a light industrial building featuring shop space with associated office area.
<b>Location:</b>	The subject is located along the north side of Entryway Drive, approximately 206' west of Tande Drive, in Yellowstone County, Montana.
<b>Physical Address:</b>	6907 Entryway Drive, Billings, Montana 59106
<b>Tax ID Number:</b>	C16892
<b>Legal Description:</b>	Lot 6, Block 5, Harnish Trade Center Subdivision, Second Filing, Yellowstone County, Montana, under Document No. 3741056.
<b>Owner of Record:</b>	Bauer Development LLC
<b>Site:</b>	The site has a total area of 1.534 acres and is rectangular in shape. It has 226' of frontage along Entryway Drive. It is located outside the city limits of Billings and has the II – Light Industrial zoning classification. The current improvements are a permitted use of the property.
<b>Improvements:</b>	This site has been improved with a single light industrial building that is to be owner occupied by Fusion Technologies. The building is to be used as a shop with associated office area, totaling 10,200 sf on the main level. The building is to have 1,750 sf of main floor office area, 8,450 sf of shop space and 1,750 sf of partially finished mezzanine above the office area. The mezzanine has not been included in gross building area for valuation purposes. The office is demised into a reception area, four private offices, a conference room, two restrooms, and a mechanical room. The shop has a 20' sidewall, three overhead doors, and suspended gas blower heaters. The overall quality is good to very good. Site improvements consist of yard space with a gravel base that is secured with a chain link fence.

**Highest and Best Use:** “As Vacant”, the highest and best use is development with a light industrial use.

“As Improved”, the highest and best use is its current use as a light industrial building.

<b>Land Value:</b>	\$324,135
<b>Value by Cost Approach:</b>	\$1,755,000
<b>Value by Sales Comparison Approach:</b>	\$1,750,000
<b>Value by Income Approach:</b>	\$1,710,000
<b>Final “As Is” Market Value:</b>	<b>\$1,750,000</b>
<b>Date of “As Is” Value:</b>	July 28, 2023
<b>Date of Report:</b>	July 31, 2023
<b>Estimated Exposure Period:</b>	Less than 6 months

**CLIENT:** First Security Bank of Missoula, a Division of Glacier Bank  
P.O. Box 4506  
Missoula, Montana 59806

**APPRAISER:** Brenda McNaney, AI-GRS  
ROVE Valuations  
3312 Fourth Avenue North  
Billings, Montana 59101  
(406) 855-0960

**SUBJECT:** Appraisal of 6907 Entryway Drive, Billings, Yellowstone County,  
Montana (Entryway Drive Light Industrial)

#### **INTRODUCTION:**

This is an Appraisal Report that is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. The report is in a format similar to what formally was referred to as a summary report. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraisers' file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.



## **PURPOSE OF THE APPRAISAL:**

The purpose of this appraisal is to provide the appraisers' best estimate of the market value of the subject real property as of the effective date. *Market value* is defined by the federal financial institutions regulatory agencies as follows:

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

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

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].)



**Intended Use of Report:** The appraisal is to be used by the client as an aid in underwriting a loan, loan modification or loan extension; classification or monitoring of a loan; and/or the disposition or monitoring of REO or loan collateral, which may constitute a federally-related real estate transaction for purposes of applicable federal appraisal regulations.

**Intended Users:** This appraisal report is prepared for the sole and exclusive use of the appraiser's client: First Security Bank of Missoula, a Division of Glacier Bank. There are no additional intended users. No unnamed third parties are authorized to rely upon this report without the express written consent of the appraiser.

**Interest Valued:** The fee simple estate in the above described real estate.

**Fee Simple Estate:** 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.

*The Dictionary of Real Estate Appraisal. 4<sup>th</sup> Edition: Appraisal Institute, 2002, p. 113.*

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6907 Entryway Drive, Billings, Yellowstone County, Montana  
July 31, 2023

**Extraordinary Assumptions:** None

**Hypothetical Conditions:** None



## **APPRAISAL DEVELOPMENT & REPORTING PROCESS**

In preparing this appraisal, the appraiser:

- Inspected the subject site and both the interior and exterior of the building.
- Gathered information on comparable land sales, improved sales, and performed a rental survey of competitive rental properties located in Billings, Montana.
- Confirmed and analyzed the data and applied the Cost, Sales Comparison, and Income Approaches to value. In the Income Approach, I used direct capitalization analysis. Direct capitalization arrives at value by capitalizing next year's net operating income.

All information pertinent to the valuation of the subject property is contained in the report. Supporting documentation used in arriving at market value is retained in the appraisers' file.



## GENERAL AREA ANALYSIS

The City of Billings, county seat of Yellowstone County, is located in the south central portion of Montana. More specifically, it is situated midway between Seattle, Washington and Minneapolis, Minnesota and approximately 550 miles northwest of Denver, Colorado. Billings is the largest city in Montana with a 2022 population estimate of 119,706 persons. This represents an 8.6% increase over the 2015 estimate of 110,263 persons. Yellowstone County has a 2022 population estimate of 168,083, which represents a 7% increase over the 2015 estimate of 157,048 persons.

The City's economy is generally characterized as diverse. The Billings trade area includes 25 Montana counties and eight Wyoming counties and is considered one of the largest geographical trade areas in the nation. As such, the City serves as a major wholesale and retail trade center. Agriculture has also been a traditionally strong part of the Billings economy. Billings has the second largest livestock auction market in the nation and has always served as an important center for the growing and selling of such crops as wheat, barley, sugar beets, corn and oats.

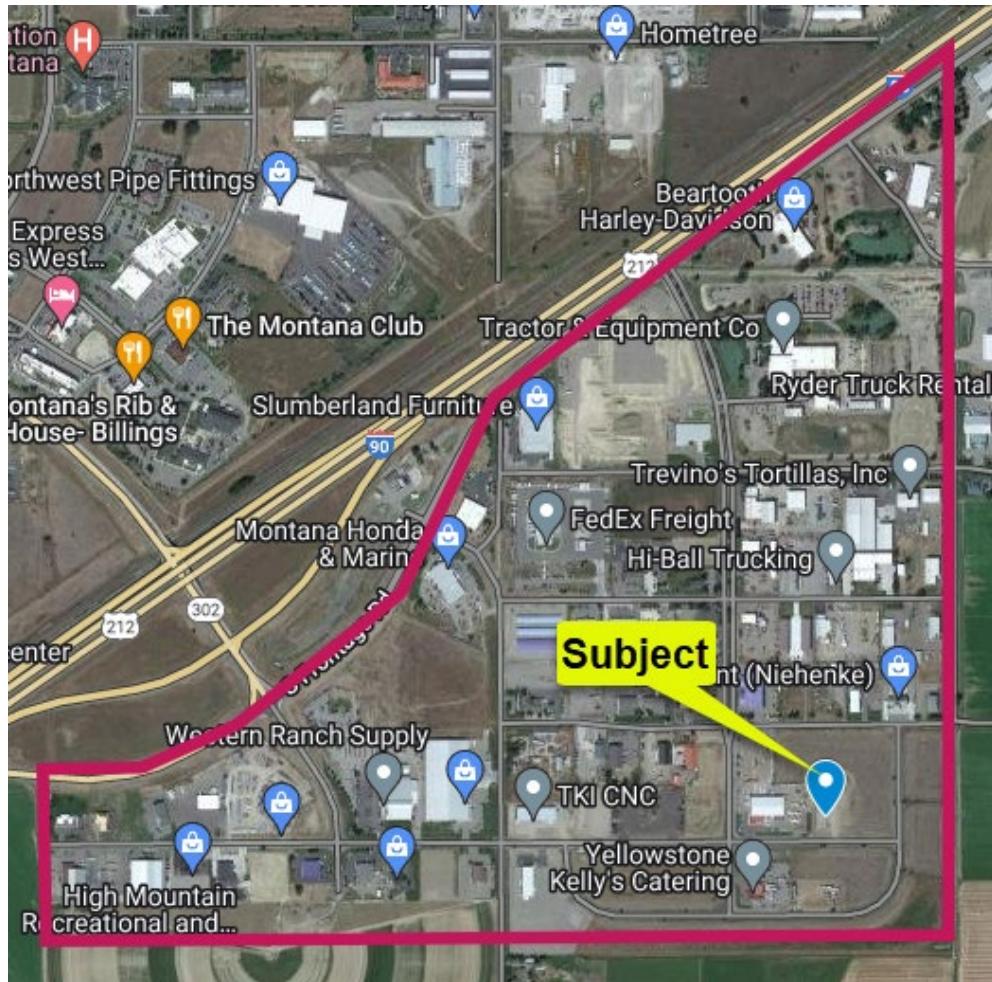
The Billings medical community consists of two major hospitals, several group practices, surgical groups, the Northern Rockies Regional Cancer Treatment Center and the South Central Montana Regional Mental Health Center. These facilities contribute to making Billings the largest major medical center between Spokane and Minneapolis and north of Denver. Tourism and recreation also play an important role in Montana's economy. Billings' proximity to Yellowstone National Park, numerous ski resorts, and excellent hunting, fishing, camping and hiking opportunities make it a likely stop over point for the vacationer in this area.



In summary, the City of Billings is a viable metropolitan area with a diverse economy and a history of healthy, sustained growth. The growing viability of the community as a retail and wholesale trade center, the continued growth in the local medical community, and ever increasing levels of tourism all contributed to predictions by the University of Montana's Bureau of Business and Economic Research that Billings and Yellowstone County will likely be among the leaders in the state in population and economic growth over the next decade.



## NEIGHBORHOOD ANALYSIS



The subject is located along the north side of Entryway Drive, approximately  $\frac{1}{2}$  mile south of South Frontage Road in Billings, Yellowstone County, Montana. This location is approximately one mile east of the Zoo Drive/Interstate 90 interchange in southwest Billings. For the purposes of this report, the subject neighborhood is considered to be the commercially developed areas bounded by South Frontage Road to the north, the lots on the southern side of Tande Drive to the south, Byrne Boulevard to the west, and Shackleford Lane to the east. There is one east-west principal arterial roadway, South Frontage Road, and one north-south collector street, Goodman Road.



The neighborhood is approximately 75% developed with light industrial properties. The remaining 25% is undeveloped industrial land. Notable properties within this area include Bridger Steel, Western Ranch Supply, Montana Honda and Marine, Slumberland Furniture, FedEx Freight, Tractor and Equipment Company, Beartooth Harley-Davidson, and Tvetene Turf. This area is predominantly light industrial properties with a handful of retail properties, which are located primarily along South Frontage Road. The subject is located toward the center of the defined area.

In summary, the neighborhood is best characterized as a regional-oriented light industrial district. Continued expansion of Billings to the west and southwest coupled with the community's continued importance as a regional trade center should tend to insure the economic viability of this area well into the foreseeable future.



## SITE ANALYSIS

The following site description is based on my physical inspection of the subject property and data taken from public records.

### **Description of Subject Site:**

Location: The subject is located along the north side of Entryway Drive, approximately 206' west of Tande Drive, in Yellowstone County, Montana.

Address: 6907 Entryway Drive, Billings, Montana 59106

Tax ID #: C16892

Legal Desc: Lot 6, Block 5, Harnish Trade Center Subdivision, Second Filing, Yellowstone County, Montana, under Document No. 3741056.

Size: 66,832 sf = 1.534 acres (per plat map)

Shape: Rectangular – see plat in addenda

Frontages: 225.79' – Entryway Drive

Improvments: The site is improved with a single building having a footprint area of 10,200 sf, which equates to a site coverage ratio of 15.3%. This is toward the middle of the typical range for this property type and



suggests there is adequate site area for on-site parking, sidewalks, driving lanes, yard space, and landscaping.

Easements: There are no existing or proposed easements that adversely impact value.

Zoning: I1 – Light Industrial

*The light industrial zone is intended to accommodate a variety of business, warehouse, and light industrial uses related to wholesale plus other business and light industries. Low intensity light industrial development can be compatible with adjacent commercial zones. I1 zoning should provide locations directly accessible to arterial and other transportation systems that can conveniently serve the business and industrial centers of the city and county.*

The subject's improvements are a permitted use of the site

Utilities: Serviced by well and septic. Other utilities including electricity, natural gas, telephone and cable have been extended to the site.

Access: Access to the improvements is via a gravel approach located on the south side of the site from Entryway Drive. Access is considered to be good.

Entryway Drive is a lightly traveled local street, used primarily by local businesses and their clients. This is an asphalt paved street that is unimproved. There is one east bound and one west bound travel lane. Entryway Drive terminates to the east at Tande Drive and to the west at Byrne Boulevard.



Topography: The subject is level and at street grade. The site has no distinguishing topographical features.

Flood Hazard: The subject is not located in an identified flood hazard area.

**Adjacent Properties:**

*North:* Vacant commercial development lot;

*South:* Across Entryway Drive is a vacant commercial development lot;

*East:* Vacant commercial development lot;

*West:* Light industrial property (Truss Craft of Montana).

**Hazardous or Toxic Materials:**

A visual inspection of the site did not reveal any unusual soil conditions or hazardous waste materials that may be present on or under the site. I am not aware of a Phase I Environmental Assessment that has been made of the site; therefore, I cannot comment on actual soil conditions or the existence of hazardous wastes, if any, on/under the site. I am not an expert in detecting hazardous materials that may be present on/under the site, which materials may affect the value of the property.

The value estimate is predicated upon the assumption there is no such material on the property. 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 marketplace that may or may not affect the value. If future soil tests should reveal the existence of any unusual soil conditions or hazardous wastes, I reserve the right to review and adjust this appraisal accordingly.



## IMPROVEMENT ANALYSIS

### **Description of Improvements:**

The site is improved with a newly constructed single light industrial building that is to be owner occupied by Fusion Technologies and used as a shop with associated office area. The building has a total main floor area of 10,200 sf, having 1,750 sf of office area and 8,450 sf of shop space. There is a partially finished mezzanine above the office area (1,750 sf). The mezzanine is planned for future office expansion as demand warrants and is accessed via a stairwell from the shop. The main floor office area features a reception area, four private offices, one conference room, one men's restroom, one women's restroom, and a mechanical room. The building is located on the southwest corner of the site, and the remainder of the lot is secured yard space.

Following is a brief description of the construction and finish details of the building.

<b>Improvements</b>	
<b>Name of Property:</b>	Fusion Technologies
<b>Property Type:</b>	Light Industrial
<b>Property Sub-Type:</b>	Shop with associated office
<b>Occupancy:</b>	Owner Occupied (with closing of pending sale)
<b>General</b>	
<b>Number of Buildings:</b>	1
<b>Stories:</b>	1 (with mezzanine)
<b>Year Built:</b>	2023
<b>Year Remodeled:</b>	NA
<b>Effective Age:</b>	New
<b>Remaining Econ. Life:</b>	40 Years
<b>Basement:</b>	N/A



<b>Construction Type:</b>	Pre-engineered steel
<b>Construction Quality:</b>	Good+
<b>Condition:</b>	New
<b>Gross Building Area:</b>	10,200 sf (excludes 1,750 sf mezzanine)
<b>Main Floor Area:</b>	10,200 sf
<b>% of Office:</b>	17%
<b>% of Shop:</b>	83%
<b>Sidewall Height:</b>	20' (center ceiling span of 23')
<b>Exterior</b>	
<b>Foundation/Floor:</b>	6" Monolithic concrete slab on grade
<b>Roof:</b>	Metal
<b>Exterior Walls:</b>	Steel siding
<b>Interior Finishes</b>	
<b>Ceilings:</b>	The shop and mezzanine have exposed ceilings with blanket insulation and metal rafters. The office area has acoustic ceiling tiles.
<b>Flooring:</b>	The shop features sealed concrete. The office area has LVP throughout. Mezzanine has unfinished OSB floors.
<b>Walls:</b>	The shop has exposed blanket insulation. The office area has textured/painted drywall with vinyl trim. The restrooms feature a 4' high fiberglass reinforced panel wainscoting with painted drywall above. The exterior walls of the mezzanine have exposed blanket insulation, with the interior and demising walls having painted drywall.
<b>Doors:</b>	The office entrance features a metal framed storefront glass door. The exterior man doors are hollow metal. The shop features (3) 17' w x 14' h overhead doors on the east wall. Interior doors are wood.
<b>Windows:</b>	Metal framed double paned windows.
<b>Mechanical Systems</b>	
<b>Electrical:</b>	Assumed to be adequate
<b>Heating/Cooling:</b>	The office has HVAC heating and cooling. The shop area has (2) suspended gas blower heaters. No heating or cooling in mezzanine.



<b>Plumbing:</b>	One men's restroom (1 toilet/1 urinal/1 sink) and one women's restroom (1 toilet/1 sink).
<b>Sprinkler:</b>	None
<b>Elevators:</b>	None
<b>Site Improvements</b>	
<b>Asphalt:</b>	Asphalt paved parking along east perimeter of office space with 6 parking spaces.
<b>Concrete:</b>	Concrete apron along the east perimeter of the building in front of the overhead doors. Concrete sidewalk along the office area. Concrete pad on the west side of the building for the man door exit from the shop.
<b>Landscaping:</b>	The site is secured by a 6' chain-link fence on all boundaries. The yard space is be improved with a gravel base.
<b>General Comments</b>	
The improvements are of good to very good quality and the property has good curb appeal. The property would suit the needs of a wide range of light industrial users. The shop space has good sidewall height, multiple overhead doors, and secured yard space, all of which are desired amenities for industrial users.	



## TAXES

The subject is assessed and taxed by Billings and Yellowstone County. The following information shows the assessed value and taxes for 2022.

Assessors Code # – C16892	
2022 Assessed Value	2022 Taxes
Land: \$1,606	\$292.18
Imprvment: _____	
Total: \$ 1,606	

The subject continues to be assessed as a vacant tract. The market value of the land in this report is \$324,135 which is substantially higher than the assessed land value by the Yellowstone County Department of Revenue (DOR). The assessed value, and taxes, will increase significantly upon assessment of the recently finished improvements.



## **PROPERTY OWNERSHIP**

The current owner of record is Bauer Development LLC. Bauer Development LLC acquired ownership from Harnish Trade Center, LLP via Warranty Deed #4019893 recorded on June 13, 2022. The purchase price associated with this transaction was \$240,595. This purchase was for the land only.

Prior to this transaction, the subject had been under the ownership of Harnish Trade Center LLP for the five-year period preceding the date of valuation.

There is currently a pending sale between Bauer Development LLC as the seller and Les and Wendy Klaudt/or assigns as the buyer. The pending purchase price is \$1,750,000. This sale is to close ten days from the full release of contingencies, or a date agreed upon between both parties. As per the results of this appraisal, I have determined that the pending sales price is reflective of market value.



## HIGHEST AND BEST USE

In estimating the site's highest and best use, legal controls, such as zoning, must be considered, along with investor attitudes and the financial feasibility of the alternative uses. Major types of real estate uses, consisting of agricultural, residential, recreational, industrial, commercial and public use, were considered. It is obvious that several of these uses can be immediately eliminated due to zoning restrictions or unsuitability of the site for such a use.

### **“As Vacant”:**

The subject is located south of Interstate 90 in southwest Billings with the primary surrounding improvements being industrial in nature. The immediate neighborhood is in the growth stage of its life cycle and there is steady, measured growth in the immediate area. The industrial market in Billings has been one of the strongest segments in this market for several years. Brokers are reporting a shortage of good quality light industrial properties, with continued strong demand for this property type. Additionally, there is a 300,000 sf speculative light industrial property currently under development along South Frontage Road, approximately 6.5 miles east of the subject. This is the first speculative industrial development that this market has had in quite some time. This speaks to the increased demand for this property type.

Given the current industrial market, the subject's location with easy access to Interstate 90, and surrounding property types, I have concluded that if vacant, the highest and best use of the site is development with a light industrial building.



### **“As Improved”:**

The subject is improved with a recently completed light industrial building that has 17% office area and 83% shop area. At just over 10,000 sf of main floor area, this is a size that is useable by a wide range of businesses in this market. The office finish is of good quality having a good mixture of conference, office, and support areas. The shop has a desirable sidewall height of 20' and the three overhead doors provide good access to the shop. Additionally, there is 1,750 sf of mezzanine space that is partially finished and well suited for storage or future office space expansion. Furthermore, the large, secured graveled yard space is a highly desired amenity for this product type. Overall, the building has good curb appeal, and this configuration would suit the needs of a wide range of light industrial users.

There is no question that the improvements add significantly to the overall value of the property and represent the highest and best use “as improved”.



## COST APPROACH

The Cost Approach is based upon the principle of substitution, which states a prudent investor would not pay more for a property than the amount required to purchase a similar site and construct similar improvements, without undue delay, to produce a property of equal desirability and utility. The procedure begins by estimating the land value of the subject site at its highest and best use, based upon a market analysis of recent comparable sales of vacant land similar to the subject site. The next step involves estimating the current replacement cost of the improvements, less accrued depreciation, if any. The final step involves adding the land value to the contributory value of the improvements to result in a final value indication.

### Land Valuation:

Four sales have been gathered that are considered relevant in the valuation of the subject site. These sales differ from the subject in various ways, i.e. location, time of sale, and physical characteristics. The dissimilarities are adjusted for by adding to the price of the comparable when it is inferior to the subject, and conversely, subtracting from the price of the comparable when it is superior to the subject. In practice it is very difficult to isolate each factor and accurately assess the amount of adjustment required. In most areas there is simply not sufficient data; thus, an appraiser must use subjective judgment in analysis.

A complete analysis of each sale is retained in my file. Pertinent data concerning these sales are contained in the following chart. The subject is listed on the left-hand side for comparison purposes.



### Land Sales Chart

<u>Element:</u>	<u>Subject</u>	<u>Sale 1</u>	<u>Sale 2</u>	<u>Sale 3</u>	<u>Sale 4</u>
<b>Date of Sale:</b>	N/A	05-2023	06-2022	10-2021	06-2021
<b>Location:</b>	Harnish Trade Center B5, Lot 6	W. King Commercial Park, B4, Lot 8	Harnish Trade Center B5, Lot 6	RF Development Properties, B4, Lot 4	Harnish Trade Center, B2, Lot 11
<b>Grantor:</b>	N/A	West King Commercial Park	Harnish Trade Center Partnership	Michael Vinton	Linda & David Bakken
<b>Grantee:</b>	N/A	Jack H. Sprague	Bauer Development LLC	All Holdings, LLC	Tal-Kon Properties LLC
<b>H &amp; B Use:</b>	Industrial	Industrial	Industrial	Industrial	Industrial
<b>City/County:</b>	County	County	County	County	County
<b>Utilities:</b>	Electricity	Electricity	None	Electricity	Electricity
<b>Zoning:</b>	I1	None/CC&R's	I1	CX	CI
<b>Sales Price:</b>	N/A	\$198,463	\$240,595	\$335,000	\$225,000
<b>Size/SF:</b>	66,832	46,479	66,832	67,707	43,583
<b>Price/SF:</b>	<b>N/A</b>	<b>\$4.27</b>	<b>\$3.60</b>	<b>\$4.95</b>	<b>\$5.16</b>
<b>Prop. Rights:</b>	Fee Simple	Equal	Equal	Equal	Equal
<b>Financing:</b>	Cash to Seller	Equal	Equal	Equal	Equal
<b>Cond. Sale:</b>	Typical	Similar	Similar	Similar	Similar
<b>Market Cond.:</b>	Current	Similar	Similar	Inferior	Inferior
Adjustment:	-	-	-	10.0%	10.0%
<b>Adj. Price/SF:</b>	<b>N/A</b>	<b>\$4.27</b>	<b>\$3.60</b>	<b>\$5.44</b>	<b>\$5.68</b>
<b>Location:</b>	Good	Inferior	Similar	Superior	Similar
<b>Utilities:</b>	Electricity	Inferior	Inferior	Similar	Similar
<b>Zoning:</b>	I1	Similar	Similar	Similar	Similar
<b>Size/SF:</b>	66,832	Superior	Similar	Similar	Superior
<b>Overall Comparability:</b>	<b>N/A</b>	<b>Inferior</b>	<b>Inferior</b>	<b>Superior</b>	<b>Superior</b>

#### Adjustments Made to Sales:

Transactional: No adjustments were necessary to any of the sales for property rights conveyed, financing, or conditions of sale.



Market Conditions: These sales occurred between June, 2021 and May, 2023. The value of all classes of real property in this market increased measurably from mid-2020 to early-2022. For this reason, I have adjusted Sales 3 and 4 by 10.0% to account for the improvement in market conditions. Sale 1 occurred in mid-2022 and Sale 2 in mid-2023. These sales are considered reflective of current conditions, therefore no adjustment is warranted.

Property: Property adjustments analyzed for adjustment include location, utilities, zoning and size. Following is a discussion of each sale and its overall comparability to the subject.

### **Discussion of Sales – Overall Comparability:**

**Sale 1** is located in the West King Commercial Park Subdivision, which is located outside the city limits at the northwest corner of King Avenue West and South 64<sup>th</sup> Street West. These lots are to be serviced with a shared septic system and cistern. There is no zoning, however, there are strict CC&R's in place which state the usage should be generally in compliance with the zoning classification "Controlled Industrial". This site is currently being improved with a multi-tenant light industrial building.

Although this sale has electricity, which is similar to the subject's utilities, this site cannot be improved with a well and is to be serviced by a cistern. For this reason, I have concluded that this sale is inferior to the subject in utilities. Additionally, there is no zoning for this development, however, the CC&R's that are in place are similar to the subject's zoning. The intention behind these CC&R's is to govern land use and uphold property restrictions in a manner akin to how zoning regulations operate. Therefore, I have concluded that this sale is similar to the subject in zoning. Additionally, this sale is superior to the subject in size and inferior in location. This sale is inferior to the subject in overall comparability.



**Sale 2** is the most recent sale of the subject. At the time of the sale there were no utilities available. The seller extended electricity to the site subsequent to the transaction.

This sale is inferior to the subject in utilities and similar in location, zoning, and size.

This sale is inferior to the subject in all elements of comparison.

**Sale 3** is located in the RF Development Properties Subdivision on the south side of Entryway Drive. This location is west of the subject, which is outside the city limits and will be serviced with well and septic. This location is in close proximity to Interstate 90 with good accessibility. This site has been improved with a retail building.

Given the proximity to Interstate 90, this sale is superior to the subject in location. Additionally, this sale is similar to the subject in utilities, zoning, and size. This sale is superior to the subject in overall comparability.

**Sale 4** is located in the same subdivision as the subject, Harnish Trade Center Subdivision, which is outside the city limits. This is in the latest phase of this subdivision, which consists of 38 industrial lots. The lot is located an earlier phase of the subdivision where gas & electricity were extended to the site at the time of sale.

This sale is superior to the subject in size and similar in location, utilities, and zoning. This sale is superior to the subject in overall comparability.

### **Conclusion of Value:**

The sales range from \$3.60 to \$5.68 psf after market conditions adjustments. These sales bracket the subject in overall comparability with two superior and two inferior. Given the superior location of Sale 3 and the superior size of Sale 4, the subject should command a



rate lower than \$5.44 psf. Sales 1 and 2 are inferior to the subject in utilities. Additionally, Sale 1 is inferior in location. Based on these sales the subject should command a rate higher than \$4.27 psf.

Given this information, I have concluded to a market value of \$4.85 psf. This is essentially the mid-point between the inferior Sale 1 and superior Sale 3. This is considered reasonable given the subject's location, size, and utilities.

The estimated market value of the subject site is calculated as follows:

$$66,832 \text{ sf} \times \$4.85 \text{ psf} = \$324,135$$

### **Improvement Valuation:**

The next step in this approach is estimating the cost new of improvements. The cost factors for the subject have been taken from two sources: 1) the recent cost estimate of a similar property in this market, and 1) Marshall Valuation Services (MVS), which is a cost data service providing average construction costs for a variety of improvement types and construction qualities with monthly updates of local and current cost multipliers. These cost factors are adjusted accordingly based on local conditions and the physical characteristics of the improvements.

I have used a recent cost estimate of a light industrial property that is similar to the subject in both building and site improvements in the following analysis. This cost estimate has been completed by Eggart Engineering and Construction (EEC) and is dated May 2, 2023. The building is a 10,825 sf pre-engineered steel shop with approximately 29% office space. Total building costs are \$1,219,471, which equates to \$112.65 psf ( $\$1,219,471 / 10,825 = \$112.65$ ). For analysis purposes, I have rounded this to \$113.00 psf.



Additionally, the site improvements on the 46,478 sf lot consist of approximately 10,700 sf of asphalt paving, 19,900 sf of graveled yard space, and similar landscaping. These costs total \$193,074, which equates to \$4.15 psf ( $\$193,074 / 46,478 = \$4.15$ ). Applying these costs per square foot to the subject, the total cost of the building and site improvements is calculated as follows.

### **Cost Breakdown**

Building:	10,200 sf @ \$113.00 psf	=	\$1,152,600
Site Improvements:	66,832 sf @ \$4.15 psf	=	<u>277,353</u>
Total Cost:		=	\$1,429,953

Expressed on a per square foot basis, the total cost of the building and site improvements equates to \$140.19 per square foot ( $\$1,429,953 / 10,200 \text{ sf} = \$140.19 \text{ psf}$ ).

The second source I have used to estimate cost is MVS. The cost factor from MVS is taken from *Good Quality*, Class "S" Industrials, Light Manufacturing (494), Section 14, Page 14 and *Good Quality* Industrial, Interior Office Space (994), Section 14, Page 35. Starting with a base cost of \$85.50 psf for the shop space and \$113.00 psf for the office space the following chart shows the calculations and adjustments that go into arriving at the cost factor for the building.

Base Cost - Shop:	=	\$ 85.50 psf
Heating Climate Adjustment:	+	<u>31.65</u>
Adjusted Base Cost:		\$117.15
Current Cost Multiplier:	x	1.12
Local Multiplier:	x	<u>0.97</u>
Adjusted Cost - Shop:		\$127.27



Base Cost - Office:	=	\$113.00 psf
Heating/Cooling Climate Adjustment:	+	<u>65.66</u>
Adjusted Base Cost:	=	\$178.66
Current Cost Multiplier:	x	1.12
Local Multiplier:	x	<u>0.97</u>
Adjusted Base Cost - Office:		\$194.10

\*Site Improvements: 66,832 sf @ \$4.15 psf = \$277,353

\*The cost of the site improvements is taken from the cost estimate of the comparable previously used. Trying to estimate the cost of site improvements via MVS is less than reliable. Using these cost estimates, the total cost of the building and site improvements via MVS is calculated as follows:

### MVS Cost Breakdown

Shop:	8,450 sf @ \$127.27	=	\$ 1,075,432
Office:	1,750 sf @ \$194.10	=	339,675
Site Improvements:		=	<u>277,353</u>
Total Cost via MVS:		=	\$ 1,692,460 (\$165.93 psf)

As can be seen, the MVS estimate is 18.4% higher than the estimate derived via the cost comparable ( $\$165.93 - \$140.19 = \$25.74 / \$140.19 = 0.184$ ). At first glance this suggests that the cost estimate is slightly above market. It is my experience that national cost estimating services such as MVS almost always lag actual costs in smaller markets similar to Billings. Based on additional cost comparables retained in my files, the comparable's estimated costs are reasonable and I have used this cost estimate in this analysis.



Based on the above information, the value of the subject property via the Cost Approach is calculated as follows.

### **Cost Breakdown**

Building & Site Improvements:	= \$1,429,953
Less Depreciation @ 0.0%*:	= ( _____ -)
Depreciated Value of Improvements:	= \$1,429,953
Plus Estimated Land Value:	= <u> 324,135 </u>
Total Estimated Value via Cost Approach:	= \$1,754,088
Rounded to:	<b>\$1,755,000</b>

#### **\*Depreciation:**

The subject is recently constructed; therefore, no physical depreciation accrues to any of the components that make up replacement cost new (building and site). The layout of the building appears functional for its intended use, therefore, no depreciation is warranted for functional obsolescence. This leaves economic obsolescence as the final form to be considered. Economic obsolescence is a loss in value due to factors external to the property. So what factor external to the property could cause a loss in value? The short answer is the cost of construction. Is the market willing to pay the developer dollar for dollar based on the costs for a light industrial investment property?

As will be shown in the Income Approach, the answer is yes. Based on Rental 2, which is nearly identical to the subject, lease rates are supporting costs. For this reason, I have concluded that there is no economic obsolescence.



## SALES COMPARISON APPROACH

The value of a property tends to be set by the cost of acquiring an equally desirable substitute property. Therefore, in the Sales Comparison Approach market data obtained from sales of properties with a reasonable degree of similarity to the subject property are analyzed and adjusted to arrive at a value indication. The reliability and similarity of comparable sales data tends to determine the reliability and accuracy of this approach. Given the high variability between land value and improvement value among the comparable sales, I have valued these components separately. This eliminates the need for making adjustments to the sales for land value. The land value derived in the Cost Approach will be added as a line item in this approach.

### Improvement Valuation:

Four sales that have a light industrial highest and best use have been gathered and used in the valuation of the building. On the following page is a data chart showing the pertinent facts for each sale along with its overall comparability to the subject. The unit of comparison is price per square foot of gross building area excluding land value. Complete descriptions of each sale are located in the addenda. **Note to reader:** The subject has an additional 1,750 sf of partially finished mezzanine storage. This additional square footage is not included in the total square footage as this is considered an additional amenity to the main floor.



<b><i>Improved Sales Chart</i></b>						
<b><u>Element:</u></b>	<b><u>Subject</u></b>	<b><u>Sale 1</u></b>	<b><u>Sale 2</u></b>	<b><u>Sale 3</u></b>	<b><u>Sale 4</u></b>	
<b>Date of Sale:</b>	N/A	Pending	11-2022	04-2022	10-2021	
<b>Address:</b>	6907 Entryway Drive	6607 Western Way	716 Wagon Trail West	6603 Western Way	7070 Niehenke Avenue	
<b>H &amp; B Use:</b>	Light Industrial	Light Industrial	Light Industrial	Light Industrial	Light Industrial	
<b>Year Built:</b>	2023	2023	2023	2022	2020	
<b>Effective Age:</b>	New	New	New	New	New	
<b>Size/SF Bldg.:</b>	10,200	5,630	5,772	5,772	8,760	
<b>% Office Area:</b>	17%	30%	32%	32%	36%	
<b>Qual./Cond.:</b>	Good+/New	Good/New	Good/New	Good/New	Good+/New	
<b>Sidewall Height:</b>	20'	16' - 21'	16' - 21'	16' - 21'	15'	
<b>Sales Price:</b>	\$1,750,000	\$830,000	\$775,000	\$745,000	\$1,750,000	
<b>Land Value:</b>	\$324,135	\$97,000	\$90,000	\$87,817	\$657,912	
<b>Building Value:</b>	\$1,425,865	\$733,000	\$685,000	\$657,183	\$1,092,088	
<b>\$/SF Building:</b>	<b>\$139.79</b>	<b>\$130.20</b>	<b>\$118.68</b>	<b>\$113.86</b>	<b>\$124.67</b>	
<b>CAP Rate:</b>	N/A	6.18%	6.54%	6.64%	6.03%	
<b>Prop. Rights:</b>	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	
<b>Financing:</b>	Cash to Seller	Similar	Similar	Similar	Similar	
<b>Cond. Sale:</b>	Typical	Similar	Similar	Similar	Similar	
<b>Market Cond.:</b>	Current	Similar	Similar	Similar	Inferior	
Adjustment:	-	-	-	-	10.0%	
<b>Adj. Price/SF:</b>	<b>N/A</b>	<b>\$130.20</b>	<b>\$118.68</b>	<b>\$113.86</b>	<b>\$137.13</b>	
<b>Location:</b>	Good	Inferior	Inferior	Inferior	Similar	
<b>Effective Age:</b>	New	Similar	Similar	Similar	Similar	
<b>Size/SF:</b>	10,200	Superior	Superior	Superior	Similar	
<b>% Office Area:</b>	17%	Superior	Superior	Superior	Superior	
<b>Qual./Cond.:</b>	Good+/New	Inferior	Inferior	Inferior	Similar	
<b>Sidewall Hght:</b>	20'	Inferior	Inferior	Inferior	Inferior	
<b>Overall Comparability:</b>	N/A	<b>Inferior</b>	<b>Inferior</b>	<b>Inferior</b>	<b>Similar</b>	



6907 Entryway Drive, Billings, Yellowstone County, Montana  
July 31, 2023

## **Adjustments Made:**

Transactional: No adjustments were necessary to any of the sales for real property rights conveyed, financing terms or conditions of sale.

Market Conditions: These sales occurred between October, 2021 and late-2023 (Pending Sale 1). The value of all classes of real property have increased measurably in this market from mid-2020 to early-2022. For this reason, I have adjusted Sale 4 by 10.0% to account for the improvement in market conditions. Sales 2 and 3 occurred in mid to late 2022 and Sale 1 is scheduled to close at completion of construction, estimated to be late-2023. These three sales are considered reflective of current conditions, therefore no adjustment is warranted.

Property: Property adjustments consider elements such as location, physical characteristics, economic characteristics, legal characteristics, and non-realty components of value. I have analyzed these sales for the following six elements of comparability: location, effective age, size, % office area, quality/condition, and sidewall height. I have used qualitative analysis in this report. Following is a brief discussion of the sales and my assessment as to their overall comparability to the subject.

## **Overall Comparability:**

Sale 1: Sale 1 is a pending sale that is scheduled to close in August, 2023. This sale is located in the West King Commercial Park Subdivision. This is a light industrial building that is currently under construction with two shop/office suites. Each unit has 1,975 sf of main floor shop space, 425 sf of main floor office space, and 415 sf of mezzanine office (breakroom) for a total of 2,815 sf. The east unit has additional 485 sf of unfinished mezzanine space for storage. This square footage



has not been included in the total square footage. The site will have an asphalt paved parking lot and drive lanes. Additionally, there will be an asphalt paved yard that is secured by a chain link fence along the north side of the building. This was a purchase for speculative investment purposes. Although this sale was constructed for multiple occupants, I used it in this analysis due to the new construction component.

This sale is superior to the subject in size and % of office area, inferior in location, quality/condition, and sidewall height and similar in effective age. This sale is inferior to the subject in overall comparability.

**Sale 2:** Sale 2 is located in the same development as Sale 1, with the same master floor plan. The only difference between this sale and Sale 1 is the additional mezzanine office space and a graveled yard space rather than an asphalt paved yard. Similar to Sale 1, this sale is for multiple occupants and was used based on the new construction component.

Similar to Sale 1, this sale is superior to the subject in size and % of office area, inferior in location, quality/condition, and sidewall height and similar in effective age. This sale is inferior to the subject in overall comparability.

**Sale 3:** Sale 3 is also located in the same development as Sales 1 and 2, with the same master floor plan. This sale is similar to Sale 2 in size, however, there is additional unfinished mezzanine storage area. This additional square footage was not included in the total square footage as it is considered an additional amenity to the main floor. Similar to Sale 1, the rear yard space is asphalt paved. This sale was also constructed for multiple occupants and was used based on the new construction component.



Similar to Sales 1 and 2, this sale is superior to the subject in size and % of office area, inferior in location, quality/condition, and sidewall height and similar in effective age. This sale is inferior to the subject in overall comparability.

**Sale 4:** Sale 4 is a newly constructed shop/warehouse building in the same development as the subject on Neihenke Avenue. The builder/seller in this sale is the same builder/seller of the subject. They had initially constructed this building for their own use but decided to sell it instead given the strength of the market. It was listed with NAI Business Properties and went under contract within 30 days. This is a good quality steel frame building that has 3,120 sf of good quality office on two levels. The warehouse has a 15' finished ceiling height and is fully finished with taped and painted walls and ceilings. There are three 14' x 14' overhead doors, all ground level. Heat is suspended unit heaters. There is no exterior storage yard.

This sale is superior to the subject in % of office area, inferior in sidewall height and similar in location, effective age, size, and quality/condition. This sale is similar to the subject in overall comparability.

### **Summary & Conclusion of Value:**

The sales range from \$113.86 psf to \$137.13 psf after market conditions adjustments. Three are located in West King Commercial Park Subdivision, which is an inferior location to the subject. Additionally, each of these sales are superior to the subject in size and % of office area and inferior in location, quality/condition, and sidewall height. Based on these sales, the subject should command a rate higher than \$130.20 psf. I have given these sales secondary consideration.



Primary consideration has been given to Sale 4. This sale is located in the same development as the subject and was built by the same builder. The superior % of office of this sale is counteracted by the inferior sidewall height. Based on this sale, the subject should command a rate similar to \$137.13 psf.

As previously mentioned, the subject is under contract for \$1,750,000. This equates to \$139.79 psf when land value is excluded, which is approximately \$2.65 psf higher than Sale 4. This is approximately 1.9% higher than Sale 4, which is not substantial. Given the additional secured yard space and partially finished mezzanine of the subject, it is reasonable for the subject to be slightly higher than Sale 4. Based on this information, I have concluded that the pending sales price is reflective of market value.

The market value of the subject via the Sales Comparison Approach is calculated as follows:

Building:	10,200 sf	x	\$139.79/sf	=	\$1,425,858
Plus Land Value:				=	<u>324,135</u>
Overall Market Value:				=	\$1,749,993
Rounded to:					<b>\$1,750,000</b>



## INCOME APPROACH

The Income Approach is an appraisal technique that translates anticipated or future benefits from a property into an indication of value. This technique is predicated on the assumption that, under typical conditions, a prudent investor would not pay more for a property than they would for an alternative investment that offered comparable financial return characteristics. Having its origin in financial analysis, this approach arrives at a value indication by:

- 1) Projecting the future net income that could be generated by a property under a hypothetical efficient operation, assuming the property is well managed, well maintained and well marketed at current market rates; and
- 2) Capitalizing or discounting net income to an indication of present value at a rate that reflects existing market reactions to it.

The estimated gross income is typically derived through an analysis of the subject's past rental history and by conducting a rental survey of similar properties. The subject is recently constructed and is being purchased for owner occupancy, therefore, there is no rental history or lease agreement to help guide an estimate of market rent.

My estimate of market rent is based on a rental survey of similar sized, good quality office/shop properties located in west Billings. The chart on the following page shows the pertinent information for each comparable.



<b>Property</b>	<b>Size - SF</b>	<b>Base Rate/SF</b>	<b>Landlord Expenses</b>
<b>1. 7128 Commercial Avenue Billings, Montana</b>	10,952 sf 8% office 92% shop Year built: 2006	\$9.75	Landlord: Structural Maintenance
<b>2. 7013 Entryway Drive Billings, Montana</b>	10,200 sf 17% office 83% shop Year built: 2023	\$12.89	Landlord: Structural Maintenance
<b>3. 3138 Gabel Road Billings, Montana</b>	25,317 sf 52% office 48% shop Year built: 2010	\$10.07	Landlord: Structural Maintenance
<b>4. 5610 Interstate Avenue Billings, Montana</b>	12,088 sf 23% office 77% shop Year built: 2002	\$10.86	Landlord: Structural Maintenance
<b>5. 2645 Belknap Avenue Billings, Montana</b>	20,000 sf 8% office 92% shop Year built: 2014	\$8.91	Landlord: Structural Maintenance
<b>- Subject Property - 6907 Entryway Dr. Billings, Montana</b>	10,200 sf 17% office 83% shop	-	Landlord: Structural Maintenance

### Discussion - Estimate of Market Rent:

The rental rates for these properties range from \$8.91 to \$12.89 psf (NNN). All are good to very good quality shop/warehouse buildings with average to good quality office space. Rental 1 is inferior to the subject in % office area. Rental 2 is located west of the subject on Entryway Drive. This sf does not include the additional mezzanine storage area. This building is nearly identical to the subject and was constructed by the same builder. This comparable is similar to the subject in all elements of comparison. Rental 3 is superior to the subject in location and % office area and inferior in size. Rental 4 is similar to the subject in all elements of comparison. Rental 5 is inferior to the subject in location, size and % of office area.



Based on these comparables, the subject should command a rate higher than \$9.75 psf and similar to \$10.07 psf to \$12.89 psf. Giving this information, I have estimated market rent for the subject to be \$11.50 psf. This is considered reasonable given the subject's sidewall height, brand new construction, and secured storage yard.

$$10,200 \text{ sf} @ \$11.50 \text{ psf} = \$117,300$$

### **Vacancy & Collection Loss:**

There is very little vacancy among good quality light industrial buildings in this market. Demand is strong and supply is limited. Given the ever-increasing costs of construction, supply is not anticipated to exceed demand any time in the near future. Under that scenario, it is unlikely any good quality building would remain vacant for an extended period of time if priced at market. I have estimated the vacancy rate to be 5.0%, which is a typical rate for this market.

### **Operating Expenses:**

The next item to examine is the landlord's expenses. Market rent is based on the tenant paying all expenses except structural maintenance and repair, which is often referred to as a NNN lease. I have estimated this expense to be 2.5% of effective gross income. This can also be thought of as a reserve for repairs expense, which is an amount set aside each year to cover periodic repairs/replacement of long-lived items such as mechanical systems, roof coverings, and asphalt paving.



Based on these income and expense figures, net operating income is calculated as follows:

### **Recapitulation of Income & Expenses**

Potential Gross Income:	=	\$117,300
Less Vacancy @ 5.0% of PGI:	=	( <u>5,865</u> )
Effective Gross Income:	=	\$111,435
Less Operating Expenses:		
Res. & Repairs @ 2.5%:	=	\$2,786
Total Expenses	=	( <u>2,786</u> )
Net Operating Income	=	<b>\$108,649</b>

### **Direct Capitalization:**

In order to convert the subject's net operating income into a value estimate, it is necessary to divide it by the proper capitalization rate. The cap rates exhibited by the sales are as follows: 6.18%, 6.54%, 6.64%, and 6.03% respectively, with an overall average of 6.35%.

A cap rate is nothing more than a measurement of risk. The higher the perceived risk associated with the investment the higher the rate. The subject would be perceived as having average risk for this market. The subject is new construction with an ideal ratio of shop to office space in a growing industrial development. Additionally, this property type has been well received in the immediate area, which has experienced a continued increase in demand. Given the subject's 20' sidewall height, new construction, and fully secured yard area, the subject would be viewed as a desirable investment in this market. Placing primary emphasis on the overall average, I have estimated a market rate of 6.35%.



To arrive at market value via the Income Approach, the net operating income is divided by the cap rate, as follows:

$$\begin{array}{rcl} \$108,649 & / & .0635 = \$1,711,008 \\ \text{Rounded to:} & & \mathbf{\$1,710,000} \end{array}$$



**CORRELATION ANALYSIS  
AND  
FINAL VALUE ESTIMATE**

The three approaches indicate the following value estimates for the subject property:

<b>COST APPROACH</b>	<b>\$1,755,000</b>
<b>SALES COMPARISON APPROACH</b>	<b>\$1,750,000</b>
<b>INCOME APPROACH</b>	<b>\$1,710,000</b>

The Cost Approach and the Sales Comparison Approach arrive at similar values and have been given primary consideration. The Cost Approach is an excellent indicator of value for newly constructed buildings that represent the highest and best use of the property. The subject is being purchased for owner occupancy and this type of buyer is keenly aware of construction costs, as this is the alternative to purchasing an existing building. The Sales Comparison Approach is the method of valuation used by an owner occupant. In addition to the cost of construction, an owner-occupant is also judging the subject against other buildings having similar utility. These two approaches provide excellent support for the subject's pending sales price.

The Income Approach is the method most often used by investors. The value via this approach is based on the properties income generating potential. As the cost of construction continues to increase, and the cost to borrow money has doubled over the past two years, this approach is no longer as relevant as the other two approaches for an owner-occupied property. For this reason, the Income Approach has been given secondary consideration.



As previously mentioned, the subject is currently under contract for \$1,750,000 and this price is well supported by the Cost Approach and the Sales Comparison Approach. Based on the analysis of the date and information presented in this report, I have concluded that the pending sales price is reflective of market value.

The “As Is” market value of the fee simple estate, as of the date of last inspection, July 28, 2023, is:

**One Million Seven Hundred Fifty Thousand Dollars**  
**(\$1,750,000)**

For the purposes of this analysis, a reasonable exposure period is estimated to be less than 6 months. This is based on a review of sales activity for similar types of property and assumes competitive pricing and competent marketing procedures.



## CERTIFICATION

I hereby 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 are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- the engagement in this assignment was not contingent upon developing or reporting predetermined results.
- the compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- the analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- no one provided significant professional assistance to the person signing this report.
- I have made a personal inspection of the property that is the subject of this report.
- I appraised the subject property in May, 2023.

I further certify that the final estimated "As Is" market value of the fee simple estate, as of the date of last inspection, July 28, 2023, is: **\$1,750,000**. This appraisal was made in accordance with the Codes of Professional Ethics and the Standards of Professional Practice of The Appraisal Institute. The use of this report is subject to the requirements of The Appraisal Institute relating to review by their duly authorized representatives.

ROVE Valuations

By:

*Brenda McNaney, AI-GRS*

Brenda McNaney, AI-GRS  
Montana Certified General Appraiser #16011



6907 Entryway Drive, Billings, Yellowstone County, Montana  
July 31, 2023

## **QUALIFICATIONS/RESUME FOR BRENDA MCNANEY**

### **Designation & Professional Affiliations**

Appraisal Institute General Review Specialist (AI-GRS) Designation  
Affiliate of the Appraisal Institute  
General Candidate for Designation  
Montana Certified General Appraiser #16011

### **Business Address**

Thomas Appraisal Services, Inc.	Phone:	406-855-0960
194 Mountain View Boulevard	Cell:	406-855-0960
Billings, Montana 59101	E-Mail:	brenda@tasmt.net

### **Employment History**

Certified General Appraiser  
Thomas Appraisal Services  
Billings, Montana.... January 2023 to present

Appraiser Trainee.... Thomas Appraisal Services  
Billings, Montana... November 2020 to January 2023

Real Estate Analyst.... NAI Business Properties  
Billings, Montana... January 2020 to November 2020

Commercial Appraisal Specialist.... Western Security Bank  
Billings, Montana... July 2011 to December 2019

Credit Analyst.... Western Security Bank  
Billings, Montana... October 2008 to August 2015

Commercial Lender.... Little Horn State Bank  
Billings, Montana... November 2007 to September 2008

### **Education**

Bachelor of Science, May 2008  
Montana State University, Billings, Montana  
Major: Finance

Bachelor of Science, May 2008  
Montana State University, Billings, Montana  
Major: Finance



### **Qualifying and Continuing Education Courses**

2021 – Advanced Income Capitalization	Appraisal Institute
2021 – 15-Hour USPAP Course	Appraisal Institute
2021 – Basic Appraisal Principles	Appraisal Institute
2021 – Supervisory Appraiser/Trainee Appraiser Course	Appraisal Institute
2020 – Valuation Impacts of COVID-19 (webinar)	Appraisal Institute
2020 – 7-Hour National USPAP Update Course	Appraisal Institute
2020 – COVID-19 Rapid Response and Latest Developments (webinar)	Appraisal Institute
2019 – Appraisal Engagement, Appraisal Reviews & Evaluations	Appraisal Institute
2018 – Engagement Letters (webinar)	Appraisal Institute
2018 - 7-Hour National USPAP Update Course	Appraisal Institute
2017 – Review Case Studies – General	Appraisal Institute
2017 – Review Theory - General	Appraisal Institute
2016 – Quantitative Analysis	Appraisal Institute
2016 – General Appraiser Report Writing and Case Studies	Appraisal Institute
2016 – General Appraiser Sales Comparison Approach	Appraisal Institute
2016 – 7-Hour National USPAP Update Course	Appraisal Institute
2015 – General Appraiser Site Valuation and Cost Approach	Appraisal Institute
2015 – Income Approach for Residential Appraisers	Appraisal Institute
2014 – General Appraiser Market Analysis and Highest & Best Use	Appraisal Institute
2014 – 7-Hour National USPAP Update Course	Appraisal Institute
2013 – Real Estate Finance, Statistics, and Valuation Modeling	Appraisal Institute
2013 – General Appraiser Income Approach, Part 2	Appraisal Institute
2013 – General Appraiser Income Approach, Part 1	Appraisal Institute
2012 – 15-Hour USPAP Course	Appraisal Institute
2011 – Basic Appraisal Procedures	Appraisal Institute
2011 – Basic Appraisal Principles	Appraisal Institute



## **ASSUMPTIONS AND LIMITING CONDITIONS**

This Appraisal Report, the Letter of Transmittal and the Certification of Value are made expressly subject to the following assumptions and limiting conditions, and any special limiting conditions contained in the report which are incorporated herein by reference.

1. The legal description furnished is assumed to be correct. I assume no responsibility for matters legal in character nor do I render any opinion as to the Title, which is assumed to be good. All existing liens and encumbrances, if any, have been disregarded, and the property is appraised as though free and clear, under responsible ownership and competent management.
2. The sketch in this report is included to assist the reader in visualizing the property. I have made no survey of the property and assume no responsibility in connection with such matters.
3. No responsibility is assumed for accuracy of information furnished by work of others, the client, his designee or public records. I am not liable for such information, nor the work of possible subcontractors. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other source thought reasonable; all are considered appropriate for inclusion to the best of my factual judgment and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the client consider independent verification as a prerequisite to any transaction involving, sale, lease or other significant commitment of funds or subject property.
4. This appraisal has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his own risk. Possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by any but the applicant without the previous written consent of the appraiser or the applicant, and then only with proper qualification.
5. The contract for appraisal, consultation or analytical service is fulfilled and the total fee payable upon completion of the report. The appraiser or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with client or third parties except under separate and special arrangement and at additional fee. If testimony or deposition is required because of any subpoena, the client shall be responsible for any additional time, fees and charges regardless of issuing party.
6. The distribution of the total valuation of this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal, and are invalid if so used.



7. Subsurface rights (minerals and oils) were not considered in making this appraisal.
8. This appraiser very carefully inspected the building involved in this Appraisal Report. No advice is given regarding mechanical equipment or structural integrity or adequacy, nor soils and potential for settlement, drainage, and such (seek assistance from qualified architect and/or engineer), nor matters concerning liens, title status, legal marketability (seek legal assistance), and such. The lender and owner should inspect the property before any disbursement of funds; further, it is likely that the lender or owner may wish to require mechanical or structural inspections by qualified and licensed contractors, civil or structural engineers, architects, or other experts.
9. The appraiser has inspected as far as possible by observation, the land and the improvements; however, it was not possible to personally observe conditions beneath the soil or hidden structural or other components. I have not critically inspected mechanical components within the improvements and no representations are made herein as to these matters unless specifically stated and considered in the report. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
10. The appraisal is based on there being no hidden, unapparent, or apparent conditions of the property site, subsoil or structures, nor toxic materials which would render it more or less valuable. No responsibility is assumed for any such conditions, nor for any expertise or engineering required to discover them. All mechanical components are assumed to be in operation condition and status standard for properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment are considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment may be made by the appraiser as to adequacy of insulation, type of insulation or energy efficiency of the improvements or equipment which is assumed standard for subject age and type.
11. All furnishings and equipment, except those specifically indicated and typically considered as a part of real estate, have been disregarded by this appraiser. Only the real estate has been considered.
12. The comparable sales data relied upon in this appraisal is believed to be from reliable sources; however, it was not possible to inspect the comparables completely, and it was necessary to rely on information furnished by others as to said data; therefore, the value conclusions are subject to the correctness and verification of said data.
13. The appraiser assumes no responsibility for any costs or consequences arising from the need or lack of need for flood hazard insurance. An Agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.



14. Neither all nor any part of the contents of this report shall be conveyed to any person or entity other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to the Appraisal Institute. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, the client shall make such party aware of all the assumptions and limiting conditions of the assignment.
15. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.
16. The appraisal is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report; further that all applicable zoning, building and use regulations and restrictions of all types have been complied with unless otherwise stated in the report. Furthermore, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
17. The appraiser reserves the right to re-evaluate statements, analysis, conclusions or any value estimate in the appraisal if facts become known that are pertinent to the appraisal process and which were unknown when the report was finished.
18. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser assumes no responsibility for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, economically or legally.

**ACCEPTANCE OF, AND/OR USE OF THIS APPRAISAL REPORT BY THE CLIENT OR ANY THIRD PARTY CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.**



6907 Entryway Drive, Billings, Yellowstone County, Montana  
July 31, 2023

**A D D E N D A**

## Aerial View of Subject Property



## Subject Property Photos



South and East Elevations



East Elevation



North and East Elevations



West and North Elevations



Typical Shop Space



Typical Shop Space

Taken By: Brenda McNaney, AI-GRS, 7/28/2023

## Subject Property Photos



Typical Shop Space



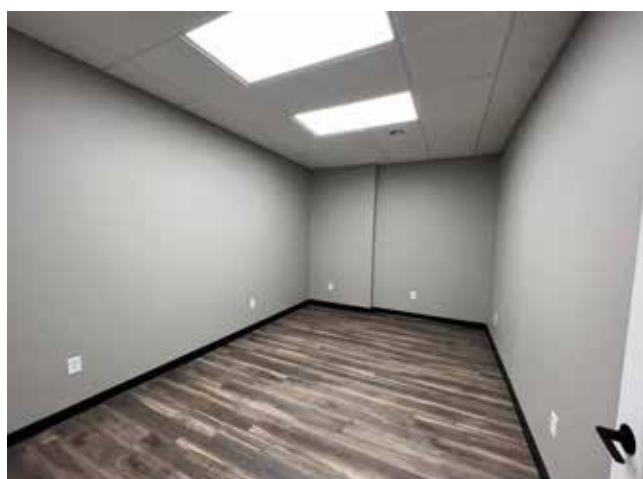
Typical Shop Space



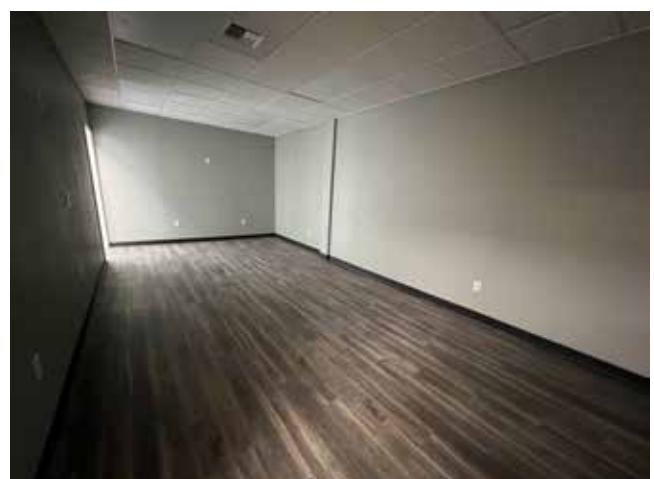
Typical Office



Typical Office



Typical Office



Conference Room

Taken By: Brenda McNaney, AI-GRS, 7/28/2023

## Subject Property Photos



Mechanical Room



Men's Bathroom



Women's Bathroom



Mezzanine Area



Mezzanine Area



Storage Yard Facing North

Taken By: Brenda McNaney, AI-GRS, 7/28/2023

## Subject Property Photos



Storage Yard Facing South



Storage Yard Facing East



Entryway Drive Facing East



Entryway Drive Facing West

# Yellowstone County Orion Detail

7/28/23, 3:53 PM

Yellowstone County, Montana - Treasurer - Itemized Property Tax Detail

## Orion Detail

### Owner Information

**Primary Owner:** BAUER DEVELOPMENT LLC

**Tax Code:** C16892

**GeoCode:** 03-0926-24-3-02-16-0000

**Property Address:**

**Legal** HARNISH TRADE CENTER SUBD 2ND FILING (16), S24, T01 S, R25

**Description:** E, BLOCK 5, Lot 6

**Property Type:** IMP\_R - Improved Property - Rural

**Site Information** - [View Codes](#)

**Levy District:** 03-1981UF-023-UF      **Location:**

**Neighborhood Code:** 203.007.C      **Fronting:**

**Parking type:**      **Parking Prox:**

**Utilities:**      **Access:**

**Lot Size:** 1.534 Acres      **Topography:**

### Commercial Building

**Year Built:** 2022      **Year Remodel:**

**Improvement Class:** 3307      **Effective Year:**

**Building Name:**      **Building Number:** 1

**Grade (Factor):** A (1)      **Structure Type:** 398 - Warehouse

**Total Identical Buildings:** 1      **Units per Building:** 1

**ECF:** 1.14

### Interior/Exterior Commercial Building

Floors	Area/Floor(Sq Ft)	Area (Sq Ft)	Use	Construction	Ptns	Heat	A/C	plumb
01 - 01	10200	10200	045 - Warehouse	4-Pre-engineered Steel	2-Normal	3-Unit or Space	0-Normal	2-Heaters
<b>Building Total:</b> 10200								

# Yellowstone County Tax Detail

7/28/23, 3:52 PM

Yellowstone County, Montana - Treasurer - Itemized Property Tax Detail

**TaxCode: C16892**

**Owner Listed On Last Tax Statement**  
**Last Updated: July 14, 2023**

Primary Owner: BAUER DEVELOPMENT LLC  
**Owner as of July 14, 2023**

Primary Owner: BAUER DEVELOPMENT LLC  
**2023 Mailing Address**

Mailing BAUER DEVELOPMENT LLC  
Address: 148 HALLOWELL LN  
BILLINGS, MT 59101-5018

## **Property Information**

Property

Address:

Township: 01 S Range: 25 E Section: 24

Subdivision: HARNISH TRADE CENTER SUBD 2ND FILING (16)  
Block: 5 Lot: 6

Full Legal: HARNISH TRADE CENTER SUBD 2ND FILING (16), S24,  
T01 S, R25 E, BLOCK 5, Lot 6

GeoCode: 03-0926-24-3-02-16-0000

[Show on Map](#) *(May not work for some newer properties.)*

## **2022 Billing Information**

<b>Year</b>	<b>1st Half</b>	<b>2nd Half</b>	<b>Total</b>
-------------	-----------------	-----------------	--------------

<a href="#">2022</a>	146.09 P	146.08 P	292.17
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<a href="#">2022</a>	0.01 P	0.00	0.01
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(P) indicates paid taxes.

[Credit/Debit Tax Payment](#)

[E-Check Tax Payment](#)

## **School Information**

High School: West - ([Show on Map](#)) / ([PDF](#))

Middle School: Elysian - ([Show on Map](#)) / ([PDF](#))

Elementary  
School: Elysian - ([Show on Map](#)) / ([PDF](#))

# Yellowstone County Tax Detail

7/28/23, 3:53 PM

Yellowstone County, Montana - Treasurer - Itemized Property Tax Detail

**Levy District: O23 - ELYSIAN OUTSIDE (484.1 Mills)**

## 2022 Assessed Value Summary

Assessed Land Value =	\$1,606.00
Assessed Building(s) Value =	\$0.00
Personal Property Value =	\$0.00
Total Assessed Value =	\$1,606.00

## Assessed Value Detail Tax Year: 2022

District	Class Code	Description	Tax Rate	Amount
O23 - ELYSIAN OUTSIDE	1101	Tillable Irrigated Land	1.89%	\$1,606.00
Total:				\$1,606.00

### General Property Tax Information:

General property taxes are derived by using the following formula for each class code (land, building, etc.):

#### O23 - ELYSIAN OUTSIDE

##### Step 1

Market Value x Taxable Rate = Taxable Value (rounded to nearest dollar)

1101 - Tillable Irrigated Land - \$1,606.00 \* \$0.0189 = \$30.00

##### Step 2

(Taxable Value x Mill Levy) / 1000 = General Property Taxes for the year

1101 - Tillable Irrigated Land - (\$30.00 \* 484.10) / 1000 = \$16.94

##### Step 3

Total general property taxes for the year

\$16.94 = \$16.94

#### Grand Total

\$16.94 - [View Tax Detail](#)

Example Shown above is using the **2022** Assessed Values for TaxCode: **C16892**

Special assessments vary in the formula used to determine the amount owing and are set off separately from general taxes.

To learn how most county special assessments are determined, please see the Mill Levy Detail PDFs on the [Mill Levy Information page](#).

For assessments not included in the Mill Levy Detail, please contact the special district.

# HARNISH TRADE CENTER SUBDIVISION, SECOND FILING

BEING TR. 2 OF CERTIFICATE OF SURVEY No. 1454 AND TR. 1-A OF AMENDED TR. 1,  
CERTIFICATE OF SURVEY No. 1454 (LESS HARNISH TRADE CENTER SUBDIVISION, FIRST FILING)  
SITUATED IN THE SW 1/4 OF SECTION 24, T. 1 S., R. 25 E., P.M.M.,

PREPARED FOR : HARNISH TRADE CENTER  
PREPARED BY : SANDERSON N

DECEMBER, 2014  
BILLINGS, MONTANA

BASIS OF BEARING: THE BASIS OF BEARING FOR THIS SURVEY HAS BEEN  
CONFORMED TO THE STATE PLANE COORDINATE SYSTEM, UTM CONVENTION, NAD 1983  
CONFORMAL CONIC SPHERICAL PARTIAL CONFORMAL PROJECTION. THE  
CITY NO RELIANCE, HAVING A POINT OF ORIGIN AT 45° 40' 00" LATITUDE AND  
106° 40' 00" LONGITUDE, AND A SPHERICAL MERCATOR CONVENTION.  
DISTANCES ARE IN FEET AND ANGLES ARE IN DEGREES. THE CONVERGENCE ANGLE IS 1.0000.  
THE SCALE IS 1:12,500. THE COORDINATES ARE IN FEET.  
NOTE: ALL LINES ARE DRAWN AS POLYLINE. THE COORDINATES ARE IN FEET.  
© FOUND SURVEY YARDMARK, REBAR WITH YELLOW CAP MARKED  
ENDOWS THE PARCELS AS NOTED.

• FOUND MONUMENT BOX SET 5/8" X 18" REBAR WITH CAP MARKED WITH THE USE NUMBER  
OF THE UNDERSIGNED LAND SURVEYOR AND SANDERSON STEWART

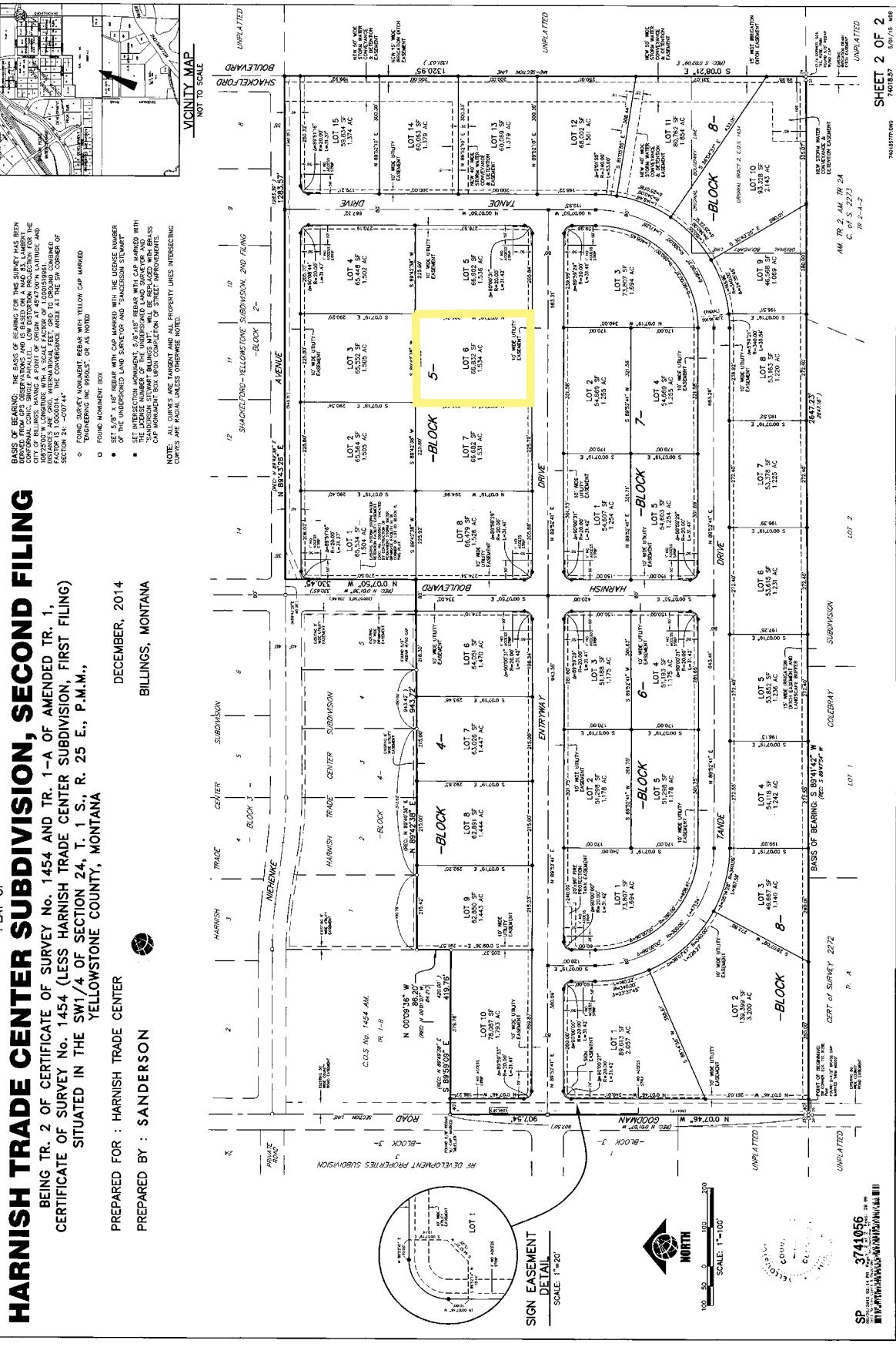
• SET INTERSECTION MONUMENT, 5/8" X 18" REBAR WITH CAP MARKED WITH  
THE USE NUMBER OF THE UNDERSIGNED LAND SURVEYOR AND SANDERSON STEWART  
AND MARKED WITH THE USE NUMBER OF THE UNDERSIGNED LAND SURVEYOR AND  
CAP MARKED UPON COMPLETION OF STREET IMPROVEMENTS.

NOTE: ALL CIRCLES ARE TANGENT AND ALL PROPERTY LINES INTERSECTING  
CURVES ARE RADIAL UNLESS OTHERWISE NOTED.

PLAT OF

SUBDIVISION

NOT TO SCALE



# AGREEMENT TO SELL AND PURCHASE

AND RECEIPT FOR EARNEST MONEY  
COMMERCIAL AND INVESTMENT PROPERTIES

Date July 11, 2023

THE EXECUTION OF THIS AGREEMENT HAS IMPORTANT LEGAL CONSEQUENCES AND THE PARTIES SHOULD SEEK COMPETENT LEGAL ADVICE IF NOT UNDERSTOOD. THIS IS A LEGAL AND BINDING CONTRACT.

## 1. PARTIES AND PROPERTY:

**Les and Wendy Klaudt and/or assigns**

Buyer, taking title as:

Joint tenants with rights of survivorship,  Tenants in common,  Single in his/her own name,  Other \_\_\_\_\_  
agrees to buy, and the Seller agrees to sell on the terms and conditions set forth in this Contract, the following described real property  
in the City of **Billings** County of **Yellowstone** State of **Montana**

Property commonly known as: **6907 Entryway Drive, Billings, MT 59101**

Legal description of the Property: **HARNISH TRADE CENTER SUBD 2ND FILING (16), S24, T01 S, R25 E,  
BLOCK 5, Lot 6**

If the legal description of the Property is not complete or is inaccurate, this Agreement shall not be invalid and the legal description shall be completed or corrected to meet the requirements of the title company referred to in Section 10.

## 2. PURCHASE PRICE AND TERMS:

The purchase price shall be \$ **1,750,000** payable in U.S. Dollars by Buyer as follows:

\$ **20,000** (A) **Earnest Money** in the form of  Personal Check  Cashiers Check  Other To be:

1) Held and not deposited until acceptance by all parties. \_\_\_\_\_

2) Deposited within 3 business days of acceptance. \_\_\_\_\_

Earnest Money to be held by **Flying S Title & Escrow**  Broker  Attorney  Title Company  
in a trust account on behalf of both Seller and Buyer. Broker is authorized to deliver the earnest money deposit to the closing agent, if any, at or before closing. Parties agree that interest accruing on earnest money, if any, while deposited shall be payable to Broker in consideration for services rendered. The undersigned sales representative hereby acknowledges receipt from Buyer of the above noted Earnest Money. \_\_\_\_\_

\$ **1,730,000** (B) **Cash at closing**, plus Buyer's closing costs, to be paid by Buyer at closing by cashier, certified check or electronic funds.

\$ \_\_\_\_\_ (C) Seller to finance Buyer's purchase under the following terms and conditions: \_\_\_\_\_

\$ \_\_\_\_\_ (D) Assumption of Existing Financing: \_\_\_\_\_

\$ **1,750,000** **TOTAL PURCHASE PRICE**

**Additional Provisions:** Within 10 business days of full execution of Buy Sell, Seller to provide any/all documents related to property including but not limited to: Phase 1 or other environmental reports, site plan, construction documents and any builder warranties included/transferred. Buyer has been preapproved by their bank and will provide prequal letter within 2 business days of acceptance.

## 3. PERSONAL PROPERTY AND FIXTURES:

The following personal property shall be included in this sale and transferred by Bill of Sale at closing.

Security Deposits  Signs  Dumpster(s)  \_\_\_\_\_

The following personal property is leased and not included in the sale: \_\_\_\_\_

Fixtures: All permanently installed fixtures and fittings that are attached to the Property are included in the purchase price, such as electrical, plumbing, and heating fixtures, built in appliances, attached floor coverings, antennas, coolers or air conditioners,

mailbox, and trees and shrubs, if any, except \_\_\_\_\_

All personal property and fixtures sold with the Property described above are sold "**AS IS**" without warranty by the Seller, either expressed or implied **NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE IS MADE.**

#### 4. CLOSING AND RELATED PROVISIONS:

##### **10 Days from full**

(A) The date of closing shall be contingency release. The parties may, by mutual agreement, agree to close the transaction at any time prior to the date specified. If third party financing is required by the terms of this Agreement (includes assumptions, contracts for deed, and lender financing), the closing shall occur on the date specified or as soon thereafter as financing is complete but no later than 5 Days after the stated closing date. Buyer and Seller will deposit with the closing agent all instruments and moneys necessary to complete the purchase in accordance with this Agreement.

(B) Possession and Keys: Seller shall deliver to Buyer possession of the Property and allow occupancy at the date of closing.

(C) Closing Costs, Documents and Services: Buyer and Seller shall pay their respective closing costs and all other items required to be paid at closing except as otherwise provided herein. Buyer and Seller shall sign and complete customary or required documents at or before closing. Fees for real estate closing services shall be split equally between the Parties.

(D) Place of closing shall be: Flying S Title & Escrow

#### 5. PRORATION:

As of the date of closing Seller and Buyer agree to prorate current real estate taxes, pre-paid rents, current year assessments for special improvement debt that is assumed, and interest on any assumed loan(s), as well as: \_\_\_\_\_

#### 6. CONTINGENCIES:

The closing of this agreement and sale of the property between Buyer and Seller is contingent upon the following, with this sale to terminate and **30 Days from Execution of Buy Sell unless noted** earnest money returned to the Buyer if not satisfied in writing on or before **below**  
(Check those which apply)

- Buyer receipt of any City / County approval for proposed buildings / remodeling and related cost estimates.
- Buyer receipt of written City approval for Buyer's use of the property.
- Buyer receipt of acceptable zone change or special review.
- Buyer approval of preliminary title report including subdivision restrictions and S.I.D.'s, and future S.I.D.'s.
- Buyer approval of curb valve inspection report, condition of well & septic system, & of access to water/sewer/gas/elec. services.
- Buyer approval of Lead Base Paint, Radon, Asbestos and Mold Reports, and Americans with Disabilities Audit.
- Buyer approval of leases, contracts, income/expenses information, and owner's association/condo expense.
- Buyer approval of Property Condition and of subsoil conditions and underground tanks.
- Buyer approval of:    Survey    Corner identification, Paid by    Buyer    Seller    Shared Equally.
- Buyer approval of Phase One Environmental Report, Cost paid by    Buyer    Seller    Shared Equally.
- Buyer closing of exchange property.
- Buyer's attorney and accountant approval of this Agreement
- Buyer receipt of acceptable loan commitment and appraisal (**45 Days from Execution of Buy Sell**)
- Any other due diligence buyer deems necessary

Buyer agrees to diligently pursue each contingency checked. If Buyer shall fail to notify its Broker, Seller, or Seller's Broker, in writing, by the date noted above that the contingencies checked have not been satisfied then it shall be conclusively presumed that the Buyer has waived those contingencies for which no notice has been given. If Buyer, after due diligence, shall timely Notify Seller, Buyer's Broker or Seller's Broker, in writing, of a deficiency, then in such event this Agreement shall terminate and Buyer shall be entitled to prompt return of Buyer's Earnest Money deposit, less escrow holder or title cancellation fees

The Seller shall have the option of:

- a) Making said items operational
- b) Giving the Buyer(s) a credit for the items, or
- c) Canceling the Agreement to Sell and Purchase and refunding to the Buyer(s) any Earnest Money deposit or similar payments previously made to Seller.

Should Seller cancel the Agreement because of environmental condition, then Seller  shall,  shall not pay, or reimburse Buyer for the cost of the Phase One Environmental Audit

## 7. CONDITION OF PROPERTY AND RELATED ISSUES:

Seller agrees that the Property shall be in the same condition, broom clean, normal wear and tear excepted, from the date of the execution of this Agreement up to the time Buyer takes possession of the Property. Seller has no knowledge of any notice of violations of City, County, State, Federal, Building Zoning, Fire, Health Codes or ordinances, condemnation, hazardous waste, underground storage tanks, special improvement districts or other governmental regulation filed or issued against the Property, except noted herein:

If the property is damaged by fire, hail, or other casualty prior to time of closing. Seller  shall be,  shall not be obligated to repair the same **before the date of closing.** If such damage is not repaired within said time, this Contract may be terminated at the option of the Buyer and the Earnest Money shall be returned to Buyer. Should Buyer elect to carry out the Contract despite such damage, Buyer shall be entitled to credit for all the insurance proceeds resulting from such damage to the Property and Inclusions, not exceeding, however, the total purchase price. Should any Inclusion(s) or service(s) fail or be damaged between the date of this Contract and the date of closing or the date of possession, whichever shall be earlier, then Seller shall be liable for the repair or replacement of such Inclusion(s) or service(s) with a unit of similar size, age, and quality, or an equivalent credit, less any insurance proceeds received by Buyer covering such repair or replacement. **Buyer agrees to accept property in "AS IS, WHERE IS" condition except as herein provided.**

## 8. ASSIGNABILITY:

~~This Contract shall not be assignable by Buyer without Seller's prior written consent, which assignment shall not be unreasonably withheld by Seller. Except as so restricted, this Contract shall inure to the benefit of and be binding upon the heirs, personal representatives, successors and assigns of the parties.~~

## 9. CONVEYANCE:

Seller shall convey the real Property by **Warranty Deed** including all interest of Seller in vacated alleys and streets, easements, other apportionments and improvements free of all liens and encumbrances except those described in the title insurance section of this agreement, and reservations or conveyances of record. All water rights, entitlements, claims, certificates and permits are included with the property, **with any transfer fees split equally.**

## 10. TITLE INSURANCE:

Seller, at Sellers expense, shall furnish Buyer title insurance from **Flying S Title & Escrow** (Title Company) pursuant to a standard form American Land Title Association title insurance commitment in the amount equal to the purchase price, committing to insure merchantable title to the real Property in Buyer's name, free and clear of all liens and encumbrances except: encumbrances hereinabove mentioned, zoning ordinances, building and use restrictions, reservations and exceptions in patents from the United States and the State of Montana, all standard ALTA exceptions, beneficial utility easements apparent or of record, other easements of record, real estate taxes for the year in which closing occurs, Special Improvement Districts (including rural SID's) either noticed to seller by the city / county but not spread, or currently assessed, if any which will be:

PAID OFF BY SELLER AT CLOSING

ASSUMED BY BUYER AT CLOSING,

The following loans **NA**

the following leases **NA**

should be assigned to Buyer at closing. If the Seller's title is not merchantable and cannot be made merchantable before the stated closing date, **30 ADDITIONAL DAYS SHALL BE ALLOWED FOR THE SELLER TO MAKE SUCH TITLE MERCHANTABLE.** If at that time the title is still not merchantable, this Contract may be terminated by Buyer with no penalty, and the earnest money will be returned to Buyer. Encumbrances to be discharged by Seller shall either be satisfied prior to closing or from Sellers' proceeds at time of closing.

## 11. TAX DEFERRED EXCHANGE: (check, where applicable)

Buyer herein acknowledges that it is the intention of Seller to create IRC Section 1031 tax deferred exchange and that Seller's rights and obligations under this agreement may be assigned to facilitate such exchange. Buyer agrees to cooperate with Seller in any manner necessary to enable Seller to qualify for said exchange at no additional cost or liability to Buyer, including the execution of an Assignment Agreement.

Seller herein acknowledges that it is the intention of Buyer to complete IRC Section 1031 tax deferred exchange and that Buyer may assign his rights and obligations under this agreement for the purpose of completing such exchange. Seller agrees to cooperate with Buyer in any manner necessary in order to complete said exchange at no additional cost or liability to Seller, including the execution of an Assignment Agreement.

## 12. STATUTORY DISCLOSURES:

**METHAMPHETAMINE:** If the property is inhabitable real property, the Seller represents to the best of Seller's knowledge that the Property  has

has not been used as a clandestine Methamphetamine drug lab. If the Property has been used as a clandestine Methamphetamine drug lab Seller agrees to execute and provide any documents or other information that may be required under Montana law concerning the use of the Property as a clandestine Methamphetamine drug lab.

**RADON:** Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal guidelines have been found in buildings in Montana. Additional information regarding radon and radon testing may be obtained from your county or state public health unit. Buyer acknowledges receipt of a copy of this statement prior to entering into the agreement to sell and purchase – commercial

If the Property is inhabitable real property as defined in the Montana Radon Control Act, Seller(s) represent that to the best of Seller's knowledge the Property  has  has not been tested for radon gas and/or radon progeny and the Property  has  has not received mitigation or treatment for the same. If the Property has been tested for radon gas and/or radon progeny, Seller agrees to provide, as available, test results to Broker along with any evidence of mitigation or treatment.

**LEAD-BASED PAINT:** If a residential dwelling exists on the Property and was built before the year 1978, the Seller  has  has no knowledge of lead-based paint and/or lead-based paint hazards on the Property. If Seller has knowledge of lead-based paint and/or lead-based paint hazards on the Property Seller agrees to provide all pertinent reports and records concerning that knowledge. Seller acknowledges that the Broker has advised the Seller of Seller's obligation to make lead-based paint disclosures and Broker's obligation to ensure that the Seller satisfies this obligation.

**MOLD:** If the Property is inhabitable real property as defined in the Montana Mold Disclosure Act the Seller represents to the best of Seller's knowledge that the Property  has  has not been tested for mold and that the Property  has  has not received mitigation or treatment for mold. If the Property has been tested for mold or has received mitigation or treatment for mold Seller agrees to provide any documents or other information that may be required under Montana law concerning such testing, treatment or mitigation.

### 13. TIME OF ESSENCE / REMEDIES:

Time is of the essence hereof. If any note or check received as Earnest Money hereunder or any other payment due hereunder is not paid, honored or tendered when due, or if any other obligation hereunder is not performed or waived as herein provided, there shall be the following remedies:

**(A)** If Buyer is in default: If Seller accepts the offer contained in this Agreement and Buyer refuses or neglects to consummate the transaction within the time period provided in this agreement, Seller may:

- 1) Declare the earnest money paid by Buyer to Broker to be forfeited to Seller as liquidated damages, which sum the parties agree is a reasonable sum, as the actual damages to Seller would be extremely difficult or impractical to ascertain; **or**
- 2) Demand that Buyer specifically perform Buyer's duties and obligations under this Agreement; **or**
- 3) Demand Buyer pay monetary damages for Buyer's failure to perform the terms of this Agreement.

**(B)** If Seller is in default: If Seller fails to accept the offer contained in this Agreement within the time period provided, all earnest moneys shall be returned to Buyer. If Seller accepts the offer contained in this Agreement but refuses or neglects to consummate the transaction within the time period provided in this Agreement, Buyer may:

- 1) Demand immediate repayment of all moneys that Buyer has paid to Broker as earnest money, and upon return of such money the rights and duties of Buyer and Seller under this agreement shall be terminated.
- 2) Demand that Seller specifically perform Seller's obligations under this Agreement; **or**
- 3) Demand monetary damages from Seller for Seller's failure to perform the terms of this Agreement.

### 14. EARNEST MONEY DISPUTE:

Notwithstanding any termination of this Contract, Buyer and Seller agree that, in the event of any controversy regarding the Earnest Money and things of value held by Broker or Closing Agent, unless mutual written instructions are received by the holder of the Earnest Money and things of value, Broker or Closing Agent shall not be required to take any action but may await any proceeding, or at Broker's or Closing Agent's option and sole discretion, may interplead all parties and deposit any moneys or things of value into a court of competent jurisdiction and shall recover court costs and reasonable attorney fees.

### 15. BUYER'S CERTIFICATION:

By entering into this Agreement, each person or persons executing this Agreement as Buyer represents that he/she is eighteen (18) years of age or older, of sound mind, and legally competent to own real property in the State of Montana; and if acting on behalf of a corporation, partnership, or other non-human entity, that he/ she is duly authorized to enter into the Agreement on behalf of such entity.

### 16. SELLER'S CERTIFICATION:

By entering into this Agreement, each person or persons executing this Agreement as Seller represents that he/she is eighteen (18) years of age or

older, of sound mind, and legally entitled at this time to transfer title to the real property free and clear of all liens and encumbrances except those described in this Agreement; and if acting on behalf of a corporation, partnership, or other non-human entity, that he/she is duly authorized to enter into the Agreement on behalf of such entity.

#### **17. ALTERNATIVE DISPUTE RESOLUTION:**

**MEDIATION:** If a dispute arises between the parties relating to this Contract, the parties may agree to submit the dispute to mediation. The parties may jointly appoint an acceptable mediator and may share equally in the cost of such mediator. If mediator proves unsuccessful, the parties may then proceed with such other means of dispute resolution as they so choose.

#### **18. ATTORNEY'S FEES:**

If either party defaults in its performance of this Agreement and the other party employs an attorney because of such default, the defaulting party agrees to pay, on demand, all costs, charges, and expenses, including reasonable attorney's fees, reasonably incurred at any time by the other party because of the default.

#### **19. ENTIRE CONTRACT:**

All prior Agreements between the parties are incorporated in this Agreement, which constitutes the entire Contract. Its terms are intended by the parties as a final expression of their Agreement with respect to such terms as are included herein and may not be contradicted by evidence of any prior Agreement or contemporaneous oral Agreement. The parties further intend that this Agreement constitutes the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial or arbitration proceeding, if any involving this Agreement. If any portion of this Agreement shall be held to be void or unenforceable, the balance hereof shall nonetheless be effective. This Agreement shall be governed by the laws of the State of Montana and shall be binding upon the heirs, successors and permit assigns of the parties.

**20. BROKER RELATIONSHIPS:** The following agency relationship(s) are hereby confirmed for this transaction.

Listing Agent **Matt Robertson, NAI**  Is the agent of (check one):  Seller exclusively  
 (Print Agent name)  Both /Buyer & Seller

Selling Agent **Ethan Kanning, NAI**  Is the agent of (check one):  Buyer exclusively  
 (Print Agent name)  Both /Buyer & Seller

#### **21. ADDENDUM ATTACHED:** \_\_\_\_\_

**22. CONSENT TO DISCLOSE:** Buyer and Seller hereby consent to the procurement and disclosure by Buyer, Seller, Broker, and their attorneys, closing agents, and other parties having interest essential to this Agreement, of any and all information reasonably necessary to consummate the transaction described in this Agreement, specifically including access to escrow agents and lenders for review of contracts, deeds, trust indentures, inspections, or similar documents of prior transaction concerning this property or underlying obligations pertaining thereto.

#### **23. COUNTERPARTS / FACSIMILE:**

A copy of this document may be executed by each party, separately, and when each party has executed a copy thereof, such copies taken together shall be deemed to be a full and complete Contract between the parties. The parties agree that a facsimile copy of this Agreement to Sell and Purchase which contains the parties' signatures may be used as the original.

#### **24. BUYER'S COMMITMENT:**

Buyer agrees to purchase the above described Property on the terms and conditions set forth in the above offer and grants said sales Representative until **7/12/23** at **5pm** to secure Seller's written acceptance.

Buyer may withdraw this offer at anytime prior to Seller's written acceptance. If Seller has not accepted by the time specified, this offer is automatically withdrawn. Buyer hereby acknowledges receipt of a copy of this Agreement of Sell and Purchase-Commercial and Investment Properties, bearing Buyer's signature(s) and that Buyers have read and understand this Agreement.

Buyer's Phone: \_\_\_\_\_ Buyer's Signature:   
 DocuSigned by: 7C741352E9864AA...  
 Address: \_\_\_\_\_ Buyer's Signature:   
 DocuSigned by: A81A39E3EG0314C5...

**25. SELLER'S COMMITMENT:**

Seller agrees to sell and convey to Buyer the above-described Property on the terms and conditions hereinabove stated.  
Seller acknowledges receipt of a copy of this Agreement bearing the signature(s) of Buyer and Seller.

Dated this \_\_\_\_\_ day of 7/11/2023 At \_\_\_\_\_ am/pm.

Seller's Phone: \_\_\_\_\_ Seller's Signature: \_\_\_\_\_  
*Chris Bauer*  
DocuSigned by:  
PACFSOP8A9A74AF...  
BB3C90C76EB649F...

Address: \_\_\_\_\_ Seller Signature: \_\_\_\_\_  
*Houston Bauer*

**26. DELIVERY TO BUYER OF A COPY OF ACCEPTED OFFER** (use one of the following:)

Date \_\_\_\_\_  
The undersigned buyer acknowledges receipt of a copy of this Contract  
bearing his / her signature and that of the Seller.

Date \_\_\_\_\_  
A copy of this Contract bearing Buyer(s) signature and that of the  
Seller(s) was sent via ordinary or certified mail to Buyer.

Buyer

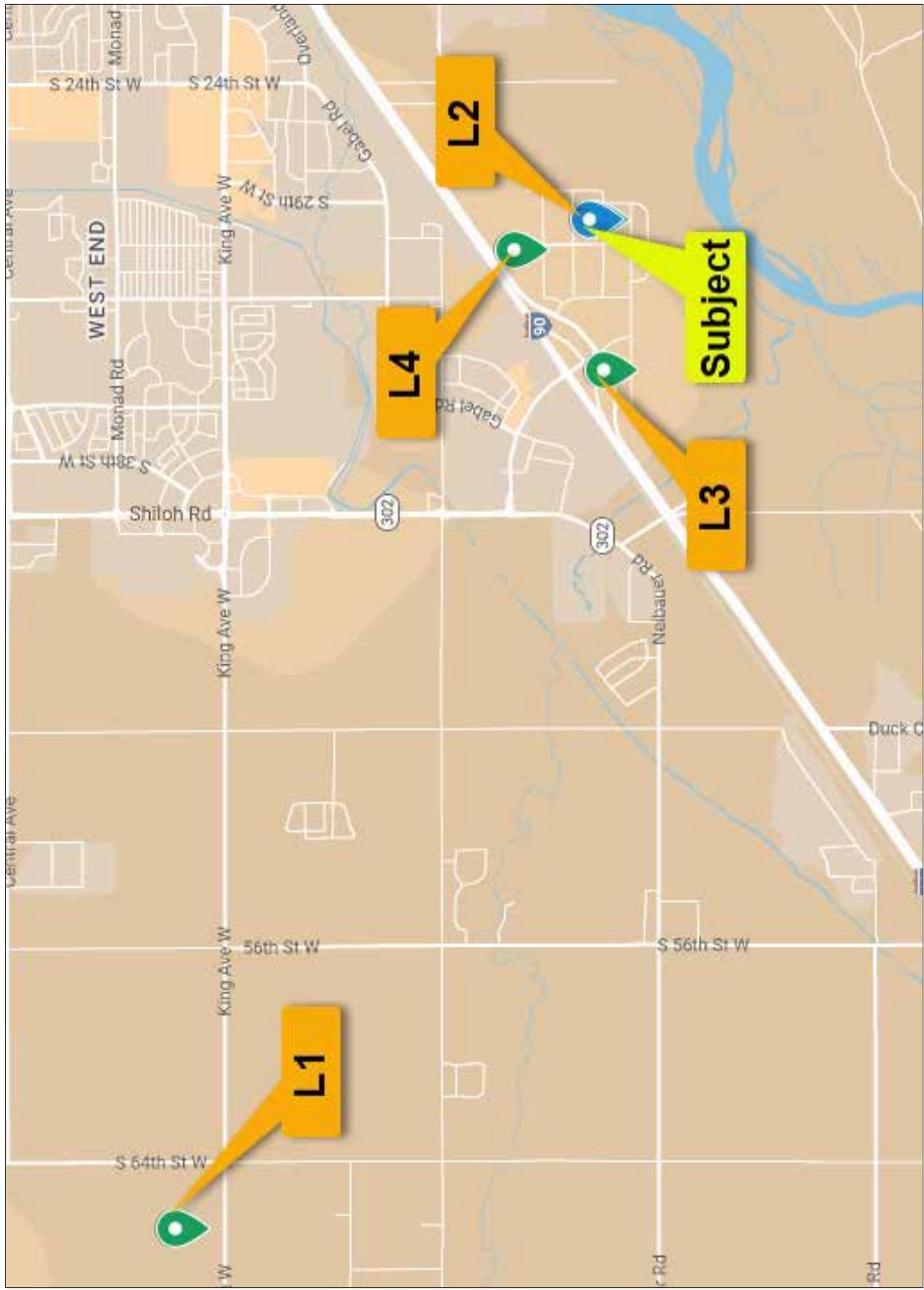
Agent

**ACTION TAKEN, IF OTHER THAN ACCEPTANCE:**

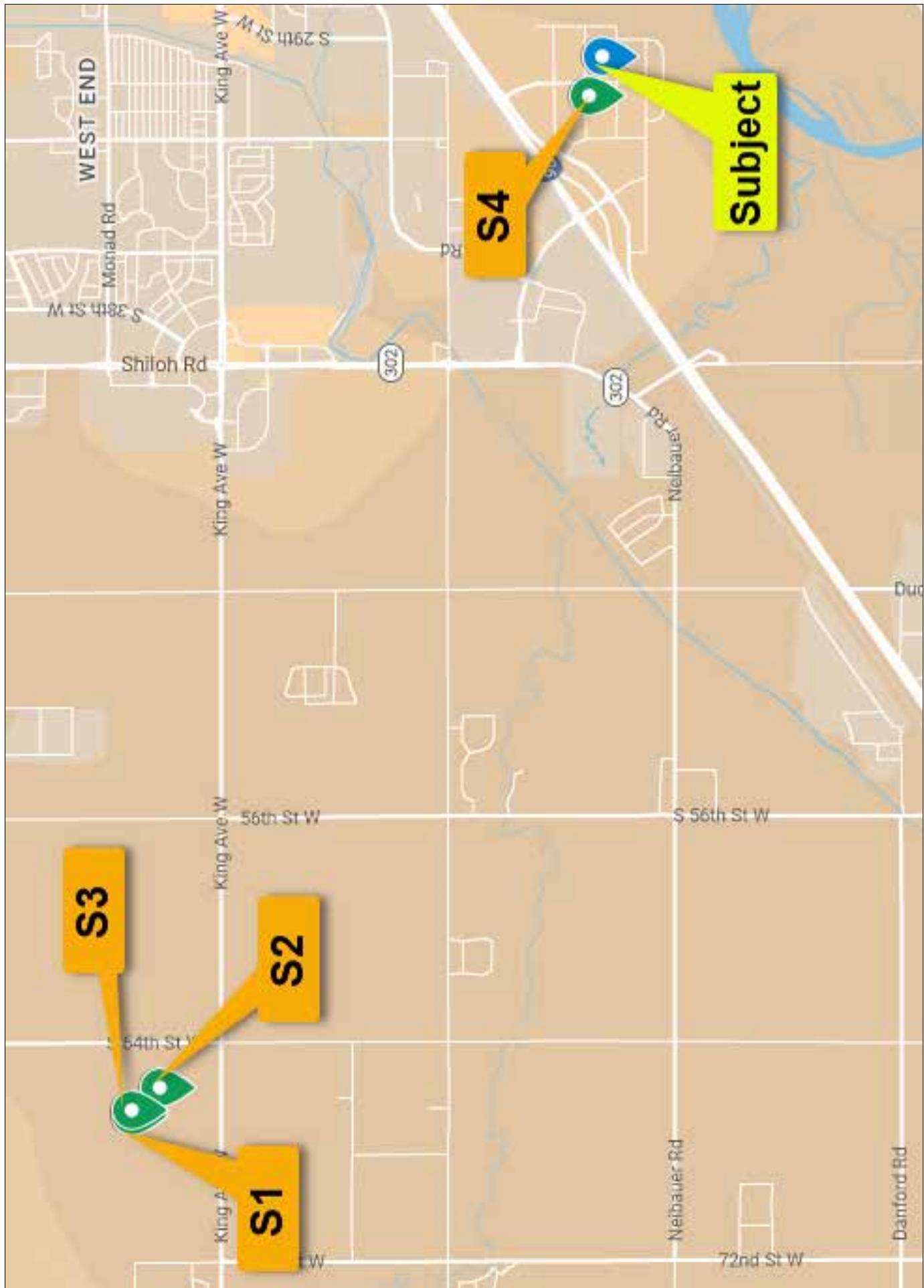
I/We acknowledge receipt of this agreement bearing my/our initial(s) and the signature(s) of the Buyer(s) named above.

Rejected by the Seller \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_  
Seller's Initials \_\_\_\_\_ Date \_\_\_\_\_       Modified per Attached Counter \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_  
Seller's Initials \_\_\_\_\_ Date \_\_\_\_\_

## Land Sales Map



Improved Sales Map





## Pending Sale 1

<b>Type:</b>	Shop Complex
<b>Occupancy:</b>	Vacant
<b>Sale Date:</b>	Pending
<b>Sale Price:</b>	\$830,000
<b>Site Area:</b>	0.504 acres
<b>Building Area:</b>	5,630 sf
<b>Price/SF:</b>	\$147.42
<b>Overall Rate:</b>	6.18% (implied)

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<b>Identification:</b>	None
<b>Address:</b>	6607 Western Way, Billings, Yellowstone County, Montana.
<b>Location:</b>	Along the north side of Western Way, approximately 135' west of Black Hawk Street.
<b>Legal:</b>	Lot 17, Block 1, of West King Commercial Park Subdivision in Yellowstone County, Montana under Document No. 3555252.

<b>Grantor:</b>	KEG Investments LLC	<b>Instrument:</b>	TBD
<b>Grantee:</b>	TBD	<b>Confirmed By:</b>	Brenda McNaney
<b>Prop. Rights:</b>	Fee Simple Interest	<b>Confirmed With:</b>	Lender
<b>Sales Price:</b>	\$830,000	<b>Marketing Time:</b>	Unknown
<b>Financing:</b>	Cash to Seller	<b>Est. Land Value:</b>	\$96,598 @ \$4.40/sf
<b>Adjusted Price:</b>	\$830,000	<b>Building Residual:</b>	\$733,402 @ \$130.27/sf
<b>Comments:</b>	This is a newly constructed two-suite flexible office/shop, located in West King Commercial Subdivision. This was an off-market transaction. Both units were vacant at the time of the sale.		

<b>Parcel #:</b>	C16576	<b>Year Built:</b>	2022
<b>Zoning:</b>	None	<b>Quality/Condition:</b>	Good/Good
<b>Utilities:</b>	Shared Septic and Cistern	<b>Construction Class:</b>	“S” – Metal Skin
<b>Access:</b>	Paved, Good	<b>Stories:</b>	1 w/mezzanine
<b>Site Size:</b>	0.504 acres (21,954 sf)	<b>Gross Area:</b>	5,630 sf
<b>Site Cov. Ratio:</b>	21.9%	<b>Net Area:</b>	5,630 sf
<b>Effective Age:</b>	New	<b>Efficiency:</b>	100%
<b>Comments:</b>	<b>Site:</b> This property is located along the north side of Western Way, approximately 135' west of Black Hawk Street. This location is west of South 64 <sup>th</sup> Street West. There is one building located on the site. The property has asphalt paved access and parking along the south side of the site. On the north side of the buildings is paved yard space, which is secured by chain link fencing. This is outside the city limits and serviced by a shared septic and cistern.		

**Building:** This building features two shop units, having a total main floor area of 4,800 square feet. Each has 1,975 sf of main floor shop space, 425 sf of main floor office space and 415 sf of mezzanine office space (breakroom) for a total of 2,815 sf. Additionally, the east unit is to feature an additional 485 sf of mezzanine storage. It is of pre-engineered steel with sidewall heights ranging from 16' to 21'. Each suite is demised into shop space, office area, and mezzanine area. The interior is finished with exposed ceilings with metal rafters and blanket insulation in the shop area. Textured painted drywall in the office areas and bathroom. The main floor has concrete floors and the mezzanine office spaces have LVP. A single 18' w x 14' h overhead door and a metal man door to at the front and rear entrances. The exterior is metal skin with a metal roof.

<u>Economic Analysis</u>	<u>Depreciation</u>
Potential Gross Income:	\$58,412 (implied)
Vacancy & Credit Loss:	( <u>2,291</u> )
Effective Gross Income:	\$55,491
Operating Expenses:	( <u>4,162</u> )
Net Operating Income:	\$51,329
Expense Ratio:	7.50%
Overall Rate:	6.18%
	Replacement Cost: Not Analyzed
	Plus Land Value:
	Less Sales Price:
	\$ Depreciation:
	% Depreciation:
	Percent/Year:



## Improved Sale 2

<b>Type:</b>	Shop Complex
<b>Occupancy:</b>	Vacant
<b>Sale Date:</b>	November, 2022
<b>Sale Price:</b>	\$775,000
<b>Site Area:</b>	0.509 acres
<b>Building Area:</b>	5,772 sf
<b>Price/SF:</b>	\$134.27
<b>Overall Rate:</b>	6.54%

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<b>Identification:</b>	None		
<b>Address:</b>	716 Wagon Trail West, Billings, Yellowstone County, Montana.		
<b>Location:</b>	Along the west side of Wagon Trail West, approximately 337' north of Wagon Trail, in Yellowstone County, Montana.		
<b>Legal:</b>	Lot 9, Block 1, of West King Commercial Park Subdivision in Yellowstone County, Montana under Document No. 3555252.		
<b>Grantor:</b>	Eggart Enterprises LLC	<b>Instrument:</b>	TBD
<b>Grantee:</b>	Winchell Enterprises, Inc.	<b>Confirmed By:</b>	Brenda McNaney
<b>Prop. Rights:</b>	Fee Simple Interest	<b>Confirmed With:</b>	Chuck Henrichs, EEC
<b>Sales Price:</b>	\$775,000	<b>Marketing Time:</b>	Unknown
<b>Financing:</b>	Cash to Seller	<b>Est. Land Value:</b>	\$90,000 @ \$4.06/sf
<b>Adjusted Price:</b>	\$775,000	<b>Building Residual:</b>	\$685,000@ \$118.68/sf
<b>Comments:</b>	This is a newly constructed two-unit flexible office/shop, located in West King Commercial Subdivision. Both units were vacant at the time of the sale.		

<b>Parcel #:</b>	C16568	<b>Year Built:</b>	2023
<b>Zoning:</b>	None	<b>Quality/Condition:</b>	Good/Good
<b>Utilities:</b>	Shared Septic and Cistern	<b>Construction Class:</b>	“S” – Metal Skin
<b>Access:</b>	Paved, Good	<b>Stories:</b>	1 w/mezzanine
<b>Site Size:</b>	0.509 acres (22,172 sf)	<b>Gross Area:</b>	5,772 sf
<b>Site Cov. Ratio:</b>	21.6%	<b>Net Area:</b>	5,772 sf
<b>Effective Age:</b>	New	<b>Efficiency:</b>	100%
<b>Comments:</b>	<b>Site:</b> This property is located along the west side of Wagon Trail West, approximately 337' north of Wagon Trail. There is one building located on the site. The property has asphalt paved access and parking along the east side of the site. On the west side of the building is graveled yard space, which is secured by chain link fencing. This is outside the city limits and serviced by a shared septic and cistern.		

**Building:** This building features two shop suites, having a total main floor area of 4,800 square feet. It is of pre-engineered steel with sidewall heights ranging from 16' to 21'. Each suite is demised into shop space, office area, and mezzanine office area. Each suite features 1,975 sf of shop space with 425 sf of associated office area on the main floor. Each suite has an additional 486 sf of mezzanine office space. Each suite has a main floor bathroom (1 walk-in shower, 1 toilet, 1 sink). Additionally, there is a washer/dryer hookup on the main floor. The interior is finished with exposed ceilings with metal rafters and blanket insulation in the shop area. Textured painted drywall in the office areas and bathroom. The main floor has concrete floors and the mezzanine office spaces have LVP. A single 18' w x 14' h overhead door and a metal man door to at the front and rear entrances. The exterior is metal skin with a metal roof.

<u>Economic Analysis</u>	<u>Depreciation</u>
Potential Gross Income:	\$57,720 (implied)
Vacancy & Credit Loss:	( <u>2,886</u> )
Effective Gross Income:	\$54,834
Operating Expenses:	( <u>4,113</u> )
Net Operating Income:	\$50,721
Expense Ratio:	7.50%
Overall Rate:	6.54%
	Replacement Cost: Not Analyzed
	Plus Land Value:
	Less Sales Price:
	\$ Depreciation:
	% Depreciation:
	Percent/Year:



### Improved Sale 3

<b>Type:</b>	Shop Complex
<b>Occupancy:</b>	Vacant
<b>Sale Date:</b>	April, 2022
<b>Sale Price:</b>	\$745,000
<b>Site Area:</b>	0.504 acres
<b>Building Area:</b>	5,772 sf
<b>Price/SF:</b>	\$129.07
<b>Overall Rate:</b>	6.64%

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**Identification:** None  
**Address:** 6603 Western Way, Billings, Yellowstone County, Montana.  
**Location:** Along the north side of Western Way, opposite of the north termination of Black Hawk Street.  
**Legal:** Lot 18, Block 1, of West King Commercial Park Subdivision in Yellowstone County, Montana under Document No. 3555252.

<b>Grantor:</b>	Eggart Enterprises LLC	<b>Instrument:</b>	WD #4013599;4/8/22
<b>Grantee:</b>	J & S Properties, Inc.	<b>Confirmed By:</b>	Brenda McNaney
<b>Prop. Rights:</b>	Fee Simple Interest	<b>Confirmed With:</b>	Chuck Henrichs, EEC
<b>Sales Price:</b>	\$745,000	<b>Marketing Time:</b>	Unknown
<b>Financing:</b>	Cash to Seller	<b>Est. Land Value:</b>	\$87,817 @ \$4.00/sf
<b>Adjusted Price:</b>	\$745,000	<b>Building Residual:</b>	\$657,183 @ \$113.86/sf
<b>Comments:</b>	This is a newly constructed two-suite flexible office/shop, located in West King Commercial Subdivision. This was an off-market transaction. Both units were vacant at the time of the sale.		

<b>Parcel #:</b>	C16577	<b>Year Built:</b>	2022
<b>Zoning:</b>	None	<b>Quality/Condition:</b>	Good/Good
<b>Utilities:</b>	Shared Septic and Cistern	<b>Construction Class:</b>	“S” – Metal Skin
<b>Access:</b>	Paved, Good	<b>Stories:</b>	1 w/mezzanine
<b>Site Size:</b>	0.504 acres (21,954 sf)	<b>Gross Area:</b>	5,772 sf
<b>Site Cov. Ratio:</b>	21.9%	<b>Net Area:</b>	5,772 sf
<b>Effective Age:</b>	New	<b>Efficiency:</b>	100%
<b>Comments:</b>	<b>Site:</b> This property is located along the north side of Western Way, opposite the north termination of Black Hawk Street. This location is west of South 64 <sup>th</sup> Street West. There is one building located on the site. The property has asphalt paved access and parking along the south side of the site. On the north side of the buildings is paved yard space, which is secured by chain link fencing. This is outside the city limits and serviced by a shared septic and cistern.		

**Building:** This building features two shop suites, having a total main floor area of 4,800 square feet. It is of pre-engineered steel with sidewall heights ranging from 16' to 21'. Each suite is demised into shop space, office area, and mezzanine area. Each suite features 1,975 sf of shop space with 425 sf of associated office area on the main floor. The mezzanine area differs in each unit. One suite has 1,020 sf of total mezzanine demised into 486 sf of office area and 534 sf of open storage (storage sf not included in total). The other suite features 486 sf of mezzanine office area. Each suite has a main floor bathroom (1 walk-in shower, 1 toilet, 1 sink). Additionally, there is a washer/dryer hookup on the main floor. The interior is finished with exposed ceilings with metal rafters and blanket insulation in the shop area. Textured painted drywall in the office areas and bathroom. The main floor has concrete floors and the mezzanine office spaces have LVP. A single 18' w x 14' h overhead door and a metal man door to the front and rear entrances. The exterior is metal skin with a metal roof.

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<u>Economic Analysis</u>	<u>Depreciation</u>
Potential Gross Income:	\$56,277 (implied)
Vacancy & Credit Loss:	( <u>.814</u> )
Effective Gross Income:	\$53,463
Operating Expenses:	( <u>4.010</u> )
Net Operating Income:	\$ 49,453
Expense Ratio:	7.50%
Overall Rate:	6.64%
	Replacement Cost: Not Analyzed
	Plus Land Value:
	Less Sales Price:
	\$ Depreciation:
	% Depreciation:
	Percent/Year:



## Improved Sale 4

<b>Type:</b>	Shop/Office
<b>Occupancy:</b>	Owner
<b>Sale Date:</b>	December, 2021
<b>Sale Price:</b>	\$1,750,000
<b>Site Area:</b>	177,071 SF
<b>Building Area:</b>	8,760 SF
<b>Price/SF:</b>	\$199.77
<b>Overall Rate:</b>	6.03%

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<b>Identification:</b>	None
<b>Address:</b>	7070 Niehenke Avenue, Billings, Yellowstone County, Montana
<b>Location:</b>	South side of Niehenke Avenue, about 300' west of Harnish Boulevard.
<b>Legal:</b>	Lots 3, 7 & 8, Block 4, Harnish Trade Center Subdivision, Second Filing, Yellowstone County, Montana, under Doc. #'s: 3207396 & 3741056.

<b>Grantor:</b>	Bauer Development LLC	<b>Instrument:</b>	WD #3999977, 12/06/21
<b>Grantee:</b>	Equipmentshare.Com Inc.	<b>Confirmed By:</b>	Brenda McNaney
<b>Prop. Rights:</b>	Fee Simple	<b>Confirmed With:</b>	Matt Robertson, Broker
<b>Sales Price:</b>	\$1,750,000	<b>Marketing Time:</b>	Less than 1 Month
<b>Financing:</b>	Cash to Seller	<b>Est. Land Value:</b>	\$657,912 @ \$3.72/sf
<b>Adjusted Price:</b>	\$1,750,000	<b>Building Residual:</b>	\$1,092,088 @ \$124.67/sf
<b>Comments:</b>	The seller is a local general contractor who initially constructed the building for owner occupancy, however, due to the increase in demand for this property type in the market the seller decided to list the property for sale as it neared completion. The property was initially listed for sale by owner. After a couple weeks of no interest the property was listed by Matt Robertson with NAI and the went under contract within 10 days of this listing. The buyer purchased the building for owner occupancy.		

<b>Parcel #'s:</b>	C14280, C16883, C16884	<b>Year Built:</b>	2020
<b>Zoning:</b>	LI-Light Industrial	<b>Quality/Condition:</b>	Good/Good
<b>Utilities:</b>	Well & Septic System	<b>Construction Class:</b>	"S" – Metal Skin
<b>Access:</b>	Paved, Good	<b>Stories:</b>	1
<b>Site Size:</b>	177,071 sf = 4.06 acres	<b>Gross Area:</b>	8,760 sf
<b>Site Cov. Ratio:</b>	17.1% (see comments)	<b>Net Area:</b>	8,760 sf
<b>Effective Age:</b>	New	<b>Efficiency:</b>	100%

<b>Comments:</b>	<b>Site:</b> This property is located in southwest Billings, immediately south of the Interstate 90/Zoo Drive interchange. The immediate area has been developed with good quality shop/warehouse buildings with associated office areas on 1 to 3 acre lots. This is a desirable area for light industrial properties given its proximity to the interstate, newer infrastructure, and lower taxes and utility costs due to being located in the county. The improvements are located on Lot 3. Lots 7 & 8 are unimproved and considered to be excess land. The contributory value of these lots is estimated to be \$453,356 (\$3.60/sf), which leaves \$1,296,644 to Lot 3 and the improvements.
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**Building:** The building is located on Lot 3, which fronts Niehenke Ave. Lots 7 and 8 are adjacent to the south and front Entryway Drive. These two lots are vacant and excess land in this transaction. The site coverage ratio is based on Lot 3 site area only. The contributory value of Lots 7 & 8 is estimated to be \$453,356 (\$3.60/sf). This is a good quality pre-engineered steel building that features a heated shop with 15' sidewalls, (3) 14' x 14' overhead doors, concrete floors and painted drywall ceilings and walls. There is 3,120 sf (36%) of good quality office space on two levels that feature LVP flooring, acoustic tile ceilings, painted drywall, painted wood trim and a neutral clean aesthetic. The exterior is maintenance free steel with a standing seam metal roof. Along the main floor office space is a covered concrete patio

with wood beams. The site is partially improved with a gravel parking lot. There is no secured yard, however the size of the lot is certainly sufficient for one.

<b>Economic Analysis</b>		<b>Depreciation</b>
Potential Gross Income:	\$87,600 (implied)*	Replacement Cost: Not Analyzed
Vacancy & Credit Loss:	( <u>4,380</u> )	Plus Land Value:
Effective Gross Income:	\$83,220	Less Sales Price:
Operating Expenses:	( <u>4,993</u> )	\$ Depreciation:
Net Operating Income:	\$78,227	% Depreciation:
Expense Ratio:	6.0%	Percent/Year:
Overall Rate*:	6.03%	

Rent Comparables Map



# Engagement Letter



MountainSeed Appraisal Management, LLC  
2100 Powers Ferry Road SE, Suite 410  
Atlanta, GA 30339  
**404-973-2568**

## APPRAISAL REQUEST FORM

### COMPANY: GB – First Security Bank of Missoula, A Division of Glacier Bank – Missoula, MT

State Registration Number: REA-AMC-LIC-5956

#### File Information

**File ID:** 230713034

**Due Date:** 7/31/2023

**Loan Number:** TBD

#### Appraiser Information

**Loan Type:** Acquisition/Purchase

**Appraiser:** McNaney, Brenda

**Form:** Appraisal Report (Narrative format)

**Service Fee:** \$3000.00

**Interest Valued:** Fee Simple

**Real Estate** Land and Improvements

**Effective Date of Value As Is**

**Valued:**

**Valuation:**

**Other Intended**

**Users:**

**USDA:** No

**SBA:** No

#### Client Information

**Client:** First Security Bank of Missoula, A Division of  
Glacier Bank – Missoula, MT

**Borrower:** TBD Forming new RE  
Holding Co.

**Address:** P.O. Box 4506

**Co-Borrower:**

Missoula, MT 59806

**Company Name:** Fusion Technologies,  
Inc.

#### Subject Property

**Address:** 6907 Entryway Drive  
Billings, MT 59101

**Intended Use:** Sale / Purchase

**County:** Yellowstone

**Appraisal Category:** Origination

**Sales Price:** 1,750,000

**Map:** [Map Link](#)

**Property Type:** OO Industrial

**Property Tax ID:** Tax Code is C16892 See property Tax Detail Attachment

**Description:** APPRAISERS: PLEASE PROVIDE FEES FOR BOTH STANDARD AND RUSH  
TURNAROUND TIMES. YOUR FEE AND TURNAROUND TIME FOR A RUSH BID CAN BE  
PLACED IN THE APPRAISERS BID NOTES. THANK YOU.

\*\*This order is for ONE report only. Multiple reports for this order are not permitted. Contact

# Engagement Letter

MountainSeed immediately if you determine multiple reports are needed.\*\*

Commercial Building with Shop and Office Space

Additional Contact information: Wendy Klaudt (purchaser) 406-656-1412  
wendy@fusiontechnologies.com

**Are there issues that the financial institution knows about that could impact value? No**

## Property Contact Information

**Contact Person:** Ethan Kanning – Realtor

**Cell Phone:** 406-656-1412

**Contact Email:** ekanning@aibusinessproperties.com  
**Address:**

**Work Phone:** 4066720435

**Home Phone:**

**Note:** This appraisal order is not transferrable to another appraiser. If the appraiser named on this appraisal request is unable to complete this assignment please contact MountainSeed AMC at 404-973-2568. All appraisers are approved on an individual basis, if this assignment is completed by another appraiser MountainSeed AMC will not be liable for any appraisal related service fee.

# Engagement Letter



Date: 7/17/2023

**Appraisal Company:** ROVE Valuations  
**Appraisal Co Address:** 3312 Fourth Avenue North  
Billings, MT 59102

**Regarding:** 6907 Entryway Drive Billings, MT 59101

Dear: Brenda McNaney

This letter (this ""**Engagement Letter**"") confirms your engagement to prepare an appraisal of the property described below in compliance with the terms and conditions set forth below.

## Basic Information

Property to Be Appraised: 6907 Entryway Drive Billings, MT 59101

Property Description: APPRAISERS: PLEASE PROVIDE FEES FOR BOTH STANDARD AND RUSH TURNAROUND TIMES. YOUR FEE AND TURNAROUND TIME FOR A RUSH BID CAN BE PLACED IN THE APPRAISERS BID NOTES. THANK YOU.

\*\*This order is for ONE report only. Multiple reports for this order are not permitted.  
Contact MountainSeed immediately if you determine multiple reports are needed.\*\*

Commercial Building with Shop and Office Space

Additional Contact information: Wendy Klaudt (purchaser) 406-656-1412  
wendy@fusiontechnologies.com

Interest in the Property to be Appraised: Fee Simple

Client: First Security Bank of Missoula, A Division of Glacier Bank – Missoula, MT

Intended User: Financial Institution

Borrower (if Applicable): TBD Forming new RE Holding Co.

Property Owner Contact Name: Ethan Kanning – Realtor

Property Owner Phone: 4066720435

# Engagement Letter

Appraisal Management Company:	MountainSeed Appraisal Management, LLC
Valuation Methodology to Be Used:	<b>Value As Is</b>
Appraisal Form to Be Used:	Appraisal Report (Narrative format)
Fee:	\$3000.00
Due Date:	7/31/2023
Addressee:	Your Appraisal Report should be addressed to the Financial Institution.

## *I. INSTRUCTIONS*

### a. Purpose of the Assignment

The purpose of the assignment is to develop and report an informed and independent opinion of the Market Value of the Subject Property.

### b. Intended Use

The report you prepare is intended to be used by the Financial Institution as an aid in underwriting a loan, loan modification or loan extension; classification or monitoring of a loan; and/or the disposition or monitoring of REO or loan collateral, which may constitute a federally-related real estate transaction for purposes of applicable federal appraisal regulations. The Financial Institution may, without your prior authorization or a notice to you, provide your report to other parties for their use, including without limitation in lending-related activities.

### c. Acceptance of the Assignment

You must accept or decline this assignment **within one (1) business day**.

### d. Web Portal

The Financial Institution (Client) has engaged MountainSeed Appraisal Management, LLC (MountainSeed) to provide certain appraisal management company services to the Financial Institution. The Client has appointed MountainSeed as the Clients agent for purposes of engaging you on behalf of the Client in accordance with this Engagement Letter. Accordingly, you must direct communications about this appraisal assignment to MountainSeed through the web-based software system with which you registered prior to receiving this assignment (the **Web Portal**). If you have an issue with the Web Portal, please contact MountainSeed by phone (404) 973-2568 or email ([info@mountainseed.com](mailto:info@mountainseed.com)).

You agree to consistently monitor the Web Portal for updates and correspondence from MountainSeed. **You agree to respond to all communications from MountainSeed within one (1) business day**, and you agree to comply with the other timing and delivery requirements set forth below. Failure to respond to communications from MountainSeed regarding this appraisal assignment, or failure to meet any of the other timing and delivery requirements, may result in the work being reassigned to another appraiser. You understand that the Financial Institution reserves the right to withhold payment in the event the assignment is reassigned due to your failure to meet timing and delivery requirements.

## Engagement Letter

Furthermore, this indemnification provision in this paragraph shall not apply to appraisals performed in Vermont; for other states, in the event that the indemnification provision in this paragraph is broader than permitted by any applicable law or regulation, this section shall be limited to the extent of the indemnification permitted by such law or regulation in that state.

**g. Termination**

Notwithstanding anything contained herein to the contrary, either Financial Institution or MountainSeed may, at its option and for any reason, terminate this agreement without responsibility for payment of the appraiser's fees or costs, except for any actual staff time and out-of-pocket costs only, not to exceed the fee amount stated above, incurred by the appraiser in connection with the appraiser's performance of this agreement as of the date of termination.

**h. Amendment**

This Engagement Letter may only be amended in writing, signed by the parties hereto.

**i. Confidentiality**

You will take all reasonable steps to ensure that neither you nor any organization with which you are affiliated (including any employees, agents, appraisers, or officers of any such organization) will divulge any Confidential Information concerning your Appraisal to any person other than Financial Institution or MountainSeed. For purposes of this engagement letter, the term **Confidential Information** shall mean all non-public data or information that is submitted directly or indirectly to you by MountainSeed or Financial Institution or obtained or learned by you as a result of the engagement described in this Letter, including without limitation, information related to Financial Institutions or MountainSeeds customers, technology, operations facilities, consumer markets, products, capabilities, systems procedures, security practices, research, development, business affairs, ideas, concepts, innovations, inventions, designs, business methodologies, improvements, trade secrets, copyrightable subject matter and other proprietary information. All Confidential Information shall remain the property of Financial Institution or MountainSeed, as applicable, and shall be protected as described below.

Except may be required by applicable law or lawful order or requirement of a court or other governmental authority having jurisdiction over you, you shall take reasonable means to hold all Confidential Information in confidence, and you shall not use (except for purposes set forth herein and authorized by Financial Institution or MountainSeed), disclose, duplicate, publish, release, transfer or otherwise make available Confidential Information in any form to, or for the use and benefit of, any person or entity without the express written consent of MountainSeed. You represent and warrant to Financial Institution and MountainSeed that you have established commercially reasonable controls to ensure the confidentiality of Confidential Information and to insure that Confidential Information is not disclosed in violation of the provisions of this Engagement Letter or the Gramm-Leach-Bliley Act of 1999 (15 U.S.C. § 6801, et seq.), as it may be amended, supplemented or replaced from time to time (the **GLB Act**) and the regulations promulgated thereunder. If the GLB Act, the regulations promulgated thereunder or other applicable law now or hereafter in effect imposes a higher standard of confidentiality, such standard shall prevail over the standard set forth in this Engagement Letter.

You also agree that you will at any time during your engagement, at MountainSeeds or Financial Institutions request, and in any event, at the termination of this engagement, regardless of the reason, surrender to MountainSeed and/or Financial Institution (as is appropriate) all Confidential Information and any copies or abstracts thereof, to the extent surrendering the information is not prohibited under USPAP or other applicable federal, state and local laws, ordinances, rules, regulations and guidelines that may require you to maintain certain records.

You have caused this Engagement Letter to be executed as of the date set forth below.

ROVE Valuations

(COMPANY)

## Engagement Letter

By: Brenda McNaney, AI-GRS

Name: Brenda McNaney, AI-GRS

Title: Appraisal Director/Certified General Appraiser

# Appraiser License - Brenda L McNaney



**State of Montana**  
Business Standards Division  
Board of Real Estate Appraisers

**REA-RAG-LIC-16011**

Status: **Active**  
Expires: **03/31/2024**

**BRENDA LEIGH MCNANEY  
2932 LAMPMAN DRIVE  
BILLINGS, MT 59102**

This certificate verifies licensure as:  
**CERTIFIED GENERAL APPRAISER**



Montana Department of  
**LABOR & INDUSTRY**  
RENEW OR VERIFY YOUR LICENSE AT:  
<https://ebiz.mt.gov/pol>