

Staff Report for 2024 State Board of Equalization

File No.: 2024-GRANT-KINGDOM INVESTORS, LLC

Prepared By: Property Tax Division

County or City: GRANT COUNTY

Appellant: KINGDOM INVESTORS, LLC

Type of Appeal: COMMERCIAL VALUE

Appeal Issue: Kingdom Investors, LLC, represented by William Schneider, is appealing the property value on parcels listed in Exhibit 1, located at 7133 Red Rock Street, Glen Ullin, ND.

Analysis:

Summary:

Proposal for Review:

600 E. BOULEVARD AVE., DEPT 127
BISMARCK, ND 58505-0599

WWW.ND.GOV/TAX | TAXINFO@ND.GOV



NORTH DAKOTA



Appellant Information – State Board of Equalization

County or City: Enter County or City Name
 Appellant: Enter Appellant Name
 Type of Appeal: Choose One

Please complete this form in its entirety. The information provided will be taken into consideration when investigating and reaching a conclusion regarding the appeal presented. To provide ample time for investigation, all information to support the appeal (property information, pictures, income information, etc.) must be received by August 1, 2024, and is subject to open records. Please provide one questionnaire per property.

Please email or mail any supporting documentation to:
propertytax@nd.gov
 or
 The Office of State Tax Commissioner, Attn: Property Tax,
 600 E Boulevard Ave., Bismarck, ND 58505-0599

Information for Property Referenced in Appeal:

Address: 7133 RED ROCK ST., GLEN ULLIN, N.D. 58631
 Township Name: 136 NORTH
 County: GRANT
 Parcel ID: ALL 72 ACRES IN 05690000 - 05712100
 Legal Description: SE 1/4 OF SECTION 6 AND N1/4 OF SECTION 7, RANGE 89 WES

Appellant Contact Information:

Appellant Name: KINGDOM INVESTORS LLC
 Address: 1101 COMMUNITY LOOP, BISMARCK, ND 58503
 Phone Number: 701-426-9040
 Email Address: BILLDAKOTA1@gmail.com

Answer the questions below that apply to the appeal:

Are you the owner of the property of this appeal? Yes No
 (If No, please see the Consent to Release Financial Info)

Did you receive a notice of increase letter from the city/township? (choose all that apply)
 Prior to After Township/City Equalization Meeting
 Prior to After County Equalization Meeting
 No Notification Received

At which meeting(s) did you appeal your assessment? (choose all that apply)
 Township/City County N/A

**Please note NDCC § 57-13-04.3(a)(1)(2) requires appellants to appeal to the State Board of Equalization must have applied to both local and county boards.*

Has a recent appraisal been completed on the property?

Yes (if yes, please attach) No

What grounds is your appeal based upon? Please check all that apply and provide supporting documentation for each selection.

- Factual error, that is, a data collection or clerical error.
- Equity and uniformity claim of discriminatory level of assessment.
- Belief that the valuation is inaccurate.
- Exemption, classification, or assessment limitation.

Please attach or email (propertytax@nd.gov) the following:

1. A detailed explanation of your appeal
2. Evidence to validate the assessment appealed
3. Consent to Release Financial Information, if required

Appeal Process:

- 1.) Appellant notifies the Property Tax Division of intent to appeal.
- 2.) Submit this form and all applicable documentation to propertytax@nd.gov by the date specified above.
- 3.) The State Board of Equalization meets on the second Tuesday in August to examine and compare the returns of the assessment of taxable property as submitted by North Dakota counties. This is locally assessed property. The board equalizes the property so that all assessments of similar taxable property are uniform and equal throughout the state. During this meeting, tax directors or other representatives from a county will speak, along with city representatives, and individual taxpayers.
- 4.) After the State Board meeting, your case will be assigned, and staff will reach out to schedule an onsite review of the property (when deemed applicable). While an interior inspection of the property is not required, interior reviews may affect the consideration of value. If denied an interior review, we will assess from the exterior only. Staff will not be allowed to enter the property without the owner or a representative present.
- 5.) Generally, by the first Thursday of October, the property tax division staff will present their findings to the State Board of Equalization with a recommendation. The board deliberates and votes. You can attend this meeting; however, public comments are not accepted.

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BISMARCK, ND 58505-0599

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ND Tax

NORTH DAKOTA

July 31, 2024

To: North Dakota Board of Equalization

Attention: Shelli Myers

From: Bill Schneider, co-owner of Red Rock Resort, Lake Tschida, ND

RE: Request for Property Tax Assessment Reduction

Request

Kingdom Investors LLC (Kingdom Investors) requests the North Dakota Board of Equalization (Board) reduce the values of the parcels it owns in Grant County (Parcels). A list of the Parcels under appeal is attached as **Exhibit 1**. In total, Kingdom Investors request the value be set at \$2,473,000, consistent with the 2024 Appraisal Report of the Red Rock Resort Property prepared by Landmark Real Estate Services (Appraisal), attached as **Exhibit 2**. Kingdom Investors appealed to the Grant County Board of Equalization and received no relief.

Grounds for Appeal

Grant County has applied unlawful 2023 property tax values to Kingdom Investors' Parcels for tax year 2024. In 2023, the State Board of Equalization (Board) set the values for the Parcels, following Kingdom Investors' appeal. Grant County then refused implement these values in direct violation of North Dakota law. The County made no value determination for 2024, which violates its statutory duties. For these reasons, the Board cannot accept the values proposed by Grant County. Since Grant County has not made a valuation determination for 2024, the only evidence of value for the the Board's consideration is the Appraisal, attached as Exhibit 2. The Board should adopt these values, which total \$2,473,000.

Background.

Kingdom Investors owns multiple parcels at Red Rock Resort on the shore of Lake Tschida. The Red Rock Resort is a small family-focused resort, which offers lake lots and camper spots near Koehler's Point boat ramp. It provides a quiet, secure area for people to enjoy the Lake and its surroundings.

Additional information is available at <https://redrockresortnd.com/>. Red Rock Resort includes 72-acres, which represents 0.006753% of the county's 1,066,240 acres.

Grant County Increased Property Tax Values on the Parcels by 400%.

Beginning in 2023, Grant County hired Vanguard Appraisals, Inc. (Vanguard), an Iowa appraisal firm, to value certain properties including the Parcels at issue here. Based on Vanguard's valuations, Grant County increased the property tax values of Parcels by 400% over tax year 2022. Vanguard's valuation was not based on a discounted cash flow method. Rather, it was based on a sales approach with no adjustment for holding costs, time on the market, or other issues.

Grant County 2023 valuation was the most drastic increase in a series of property tax increases Grant County has imposed on Kingdom Investors. Since 2020, Grant County has increased Kingdom Investors' property tax assessments by 1,000%.

Kingdom Investors Appealed in 2023, and the Board Ordered Grant County to Reduce the Values.

As a result, Kingdom Investors was forced to appeal the property tax values of the Parcels in 2023. Grant County offered no relief. Kingdom Investors then appealed to the Board. It obtained a 2023 appraisal from appraiser Wade Bachmeier of Landmark Real Estate Services in Bismarck, which it submitted for the Board's consideration.

Following the investigation by the Board's staff, the Board approved staff's recommendation to lower the property tax values of the Parcels by 28% from \$5,612,500 to \$4,041,000. The Board "[d]irect[ed] Grant County to apply a 28% discount to the vacant parcels in the Red Rock Subdivision bringing the current assessment of \$5,612,500 to an approximate assessment of \$4,041,000." Staff Report for 2023 Board, attached as **Exhibit 3**. This decision to reduce the property tax assessment still resulted in a substantial increase over 2022.

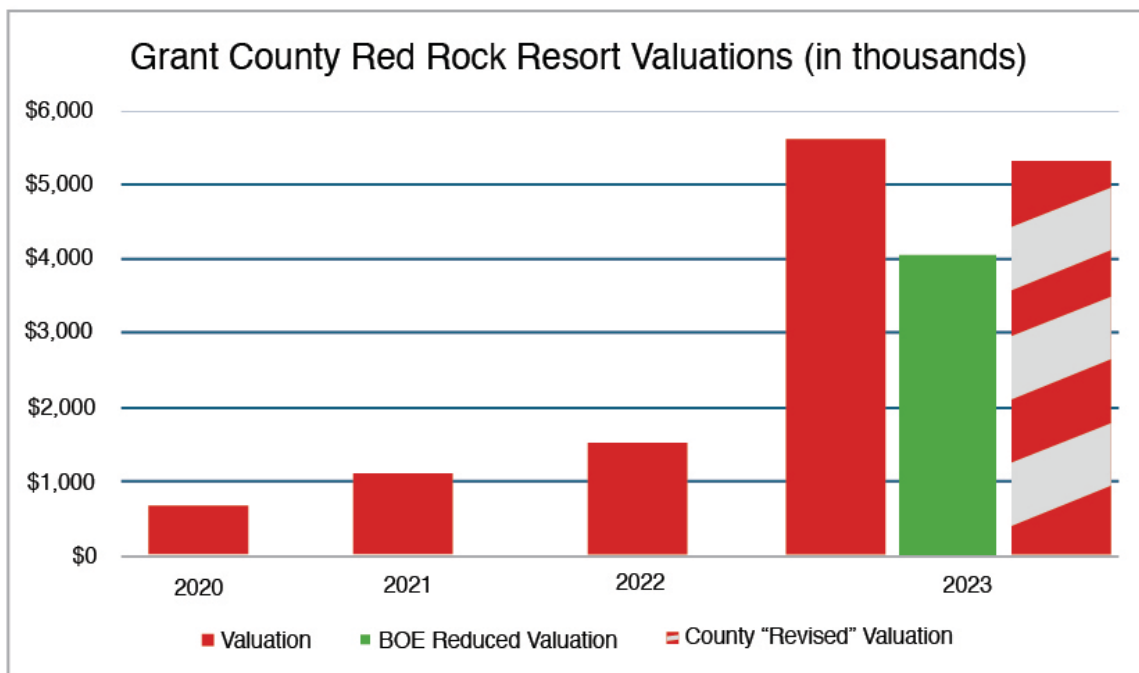
The Board's decision adopted the discounted valuation flow method, not the approach used by Vanguard. Staff's recommendation was based on the

determination that “the discounted cash flow method [is] the most accurate valuation model, based on holding costs and time to sell, for the vacant parcels in the Red Rock Subdivision, owned by Kingdom Investors, LLC.” Ex. 3. The Board ordered the reduction to \$4,041,000, accordingly.

Grant County Did Not Follow the Board’s 2023 Decision.

Grant County ignored the Board’s decision and reduced Kingdom Investors’ tax values by a mere 5% to \$5,312,700, far in excess of the \$4,041,000 the Board ordered. Despite the Board’s clear direction, Grant County concluded it was not required to assign the \$4,041,000 value to the Parcels. Instead, it refused to reduce the value on any parcel it unilaterally reclassified as developed. Grant County improperly reclassified many of the Parcels as developed, when they clearly were not. It ultimately applied the value reduction to a handful of properties.

The following chart demonstrates the negative impact of the County’s decisions on Kingdom Investors:



Although Kingdom Investors strongly disagreed with Grant County’s decision, it paid the higher taxes, in order to seek relief from the Board this year. Grant

County's action, if not addressed, would set a dangerous precedent for other counties to take should they not agree with the Board's findings.

Grant County Used the Same Values for 2024 in Violation of North Dakota Law.

Grant County has used the same 2023 property tax values for 2024. As a result, the 2024 values are invalid for the same reasons the 2023 values were invalid. In North Dakota, the Board, not Grant County, is the final decisionmaker on Parcel values. *Plains Mktg., LP v. Mountrail Cnty. Bd. of Cnty. Comm'rs*, 2016 ND 100, ¶¶ 16, 18, 879 N.W.2d 75 (citing NDCC § 57-13-06) (“The determination of the State Board may not be impaired, vitiated, nor set aside upon any ground not affecting substantially the reasonableness of the tax.”). The County's refusal to honor the Board's valuation of the Parcels renders the current valuations unlawful.

Moreover, Grant County's actions violate its statutory duty to set the values at true and full value each year for the 2024 assessment. NDCC § 57-02-27.1 (“All assessors and boards of equalization shall place the values of all items of taxable property at the true and full value of the property except as otherwise specifically provided by law”); NDCC § 57.02-11(1) (“All real property subject to taxation must be listed and assessed every year with reference to its value, on February first of that year.”). Grant County is not permitted to use unlawful 2023 values for tax year 2024.

Vanguard's Property Tax Assessment is Discriminatory.

In speaking with Vanguard's president Bob Ehler, he stated that their overall valuation increase for the county was approximately \$45 million excluding ranch and farmland. When considering that individual Red Rock Resort lot owners also received 400% increases, the total increase for all Red Rock Resort land was approximately \$6,000,000 or 13% of the total County increase. To put this increase in perspective, Red Rock Resort is made up of 72 acres, which represents only .006753% of the county's 1,066,240 acres. This treatment violates equal protection, equalization, and is patently discriminatory.

The Board Should Adopt Landmark Real Estate Services’ Appraisal.

The County’s failure to follow the Board’s decision or make a reasonable valuation determination for 2024 forced Kingdom Investors to re-engage Landmark Real Estate Services’ to conduct a new Appraisal, attached as Exhibit 2. The Appraisal Complies with staff’s recommendations—it is based on the discounted cash flow methodology and considers all relevant factors that affect value. It was performed by an independent North Dakota fee appraiser. It also corrects two concerns raised by staff in 2023. For 2023, staff noted that 12 parcels had been omitted from the 2023 appraisal. This new Appraisal includes the 12 lots that were inadvertently left off last years’ report. There was also a difference in the calculation for specific costs. The Appraisal reconsidered these calculations for 2024, so that the Board can confidently adopt the Appraisal as the full and true value.

Conclusion

The Board should disregard Grant County’s unlawful property tax assessment for 2024 and should instead adopt the value proposed in Landmark Real Estate Services’ 2024 Appraisal. Kingdom Investors has spent considerable time and expense to seek an equitable valuation including legal, appraisal, and personal costs. We respectfully ask that the board makes a decision that acknowledges all of the above and adopt a total valuation of \$2,473,000.

Exhibit 1

Red Rock Resort Parcels Under Appeal		
Parcel #	Block	Lot
05690000	1	1
05690100	1	2
05690200	1	3
05690300	1	4
05690400	1	5
05690500	1	6
05690600	1	7
05690700	1	8
05690800	1	9
05690900	1	10
05691400	2	4
05691500	2	5
05691600	2	6
05691700	3	1
05691800	3	2
05691900	3	3
05692100	3	5
05692200	3	6
05692500	3	9
05692600	3	10
05692700	3	11
05692800	3	12
05692900	3	13
05693000	3	14
05693100	4	1
05693400	4	4
05693500	4	5
05693600	4	6
05693700	4	7
05693800	4	8
05693900	4	9
05694000	4	10
05694100	4	11
05694200	4	12
05694400	4	14
05694600	4	16
05694700	4	17
05695000	4	20
05695300	4	23
05695400	4	24
05695500	4	25
05695600	4	26
05696000	4	30
05696300	4	33

Parcel #	Block	Lot
05696500	5	1
05696600	5	2
05696900	5	5
05697000	5	6
05697100	5	7
05697200	5	8
05697300	5	9
05697400	6	1
05697500	6	2
05697600	6	3
05697700	6	4
05697800	6	5
05697900	6	6
05698000	6	7
05698100	6	8
05698200	6	9
05698300	6	10
05698400	6	11
05698500	6	12
05698600	6	13
05698700	6	14
05698800	6	15
05698900	6	16
05699000	6	17
05699100	6	18
05699200	6	19
05699300	6	20
05699400	6	21
05699500	6	22
05699600	7	1
05699800	7	3
05700100	7	6
05700200	7	7
05700300	7	8
05700400	7	9
05700500	7	10
05700600	7	11
05700700	7	12
05700800	7	13
05701100	7	16
05701200	7	17
05701300	8	1
05701400	8	2
05701600	8	4
05701700	8	5

Parcel #	Block	Lot
05701800	8	6
05701900	8	7
05702000	8	8
05702100	8	9
05702200	8	10
05702300	8	11
05702400	8	12
05702500	8	13
05702600	9	1
05702900	9	4
05703000	9	5
05703100	9	6
05703200	10	1
05703300	10	2
05703400	10	3
05703500	10	4
05703600	10	5
05703700	10	6
05703800	10	7
05703900	10	8
05704000	10	9
05704100	10	10
05704200	10	11
05704300	10	12
05704700	10	16
05704800	10	17
05705000	10	19
05705300	10	22
05705500	10	24
05705600	10	25
05705700	10	26
05705800	10	27
05706000	10	29
05706100	10	30
05706200	10	31
05706300	11	1
05706400	11	2
05706500	11	3
05706600	11	4
05706700	11	5
05706800	11	6
05706900	11	7
05707000	11	8
05707100	11	9
05707200	11	10

Parcel #	Block	Lot
05707300	11	11
05707400	11	12
05707500	11	13
05707600	11	14
05707700	11	15
05707700	11	16
05707900	11	17
05708000	11	18
05708100	11	19
05708200	11	20
05708300	11	21
05708400	11	22
05708600	11	24
05708700	11	25
05708800	11	26
05708900	11	27
05709000	11	28
05709100	11	29
05709200	11	30
05709300	11	31
05710100	11	39
05710500	11	43
05711000	11	48
05711100	11	49
05711200	11	50
05711300	11	51
05711400	11	52
05711500	11	53
05711700	12	2
05711800	12	3
05712100	12	6
Grand Total:		\$2,473,000

Exhibit 3

Staff Report for 2023 State Board of Equalization

File No.: 2023-GRANT-SCHNEIDER

Prepared By: Property Tax Division

County or City: Grant County

Appellant: William Schneider

Issue: Appeal of Commercial Property Valuation

Summary: Mr. William Schneider is appealing the cumulative property value of \$5,612,500 on parcel numbers 05690000 and 05712100 located at 7133 Red Rock Street, Glen Ullin, ND.

Analysis: Grant County contracted with Vanguard Appraisals, Inc. to conduct a reappraisal of the county in 2022 for the February 1, 2023, assessment date. The reappraisal of Grant County included all parcels with the classification of residential, agricultural dwelling, and commercial. Contained in the letter of transmittal provided by Vanguard were the conclusions of the three approaches to value used to complete the mass appraisal of Grant County. The Grant County Board of Equalization approved the 2023 cumulative true and full value of \$5,612,500 on the vacant parcels in Red Rock Resort Subdivision included in this appeal.

Mr. Schneider appealed two parcel numbers, 05690000 and 05712100, which have the legal descriptions of Lot 1, Block 1, Red Rock Subdivision and Lot 6, Block 12, Red Rock Subdivision, respectively. In a conversation with Property Tax Division staff, he clarified that he is appealing the valuation of all vacant parcels owned by Kingdom Investors, LLC in the Red Rock Resort Subdivision.

Property Tax Division staff met with Mr. Schneider on several occasions to discuss his appeal and for a site tour of the Red Rock Subdivision. Staff also met with Jackie Steinmetz, Grant County Director of Tax Equalization.

The sales approach to value was considered. Mr. Schneider submitted an appraisal dated August 3, 2023, which appraised 153 unsold lots owned by Kingdom Investors, LLC. This appraisal concludes the current cumulative market value of those 153 lots to be \$6,776,000. The Property Tax Staff determined that Kingdom Investors, LLC actually owns 165 lots in Red Rock Resort, and has calculated the cumulative current market value of those 165 lots to be \$7,294,980. Both appraisals show the market value to be higher than the assessed value of \$5,612,500.

The income approach to value was considered using the discounted cash flow method. The discounted cash flow method determines a value as if all individual parcels of land were sold as one unit in a single

sales transaction. Mr. Schneider's August 3, 2023, appraisal determined a value of \$2,673,000. However, that appraisal failed to account for twelve parcels in the final conclusion of value and used an incorrect percentage calculation in the marketing, sales and general administration costs that are part of the discounted cash flow calculation. Property Tax Division Staff used all 165 of the unsold parcels and the correct calculation for the marketing, sales, and general administration costs, and found the discounted cash flow value to be \$4,059,067. Which is lower than the cumulative true and full value of \$5,612,500.

The Property Tax Division Staff believes the discounted cash flow method to be the most accurate valuation model, based on holding costs and time to sell, for the vacant parcels in the Red Rock Subdivision, owned by Kingdom Investors, LLC. Applying a discount of 28% to said parcels will bring the assessment to \$4,041,000 and have the same effect as implementing the discounted cash flow method.

Proposal for Review: Direct Grant County to apply a 28% discount to the vacant parcels in the Red Rock Subdivision bringing the current assessment of \$5,612,500 to an approximate assessment of \$4,041,000.

LANDMARK REAL ESTATE SERVICES

WADE M. BACHMEIER, CERTIFIED GENERAL APPRAISER



**APPRAISAL REPORT
of the Red Rock Resort Property
(Lake Tschida, Glen Ullin, Grant County, North Dakota)**

PREPARED FOR
Kingdom Investors, LLC
AS OF 7-22-2024 (EFFECTIVE DATE)

PREPARED BY
WADE M. BACHMEIER
LANDMARK REAL ESTATE SERVICES

2800 NORTH WASHINGTON STREET
BISMARCK, NORTH DAKOTA 58503
701-222-1234 OFFICE
701-400-4251 CELL
EMAIL: wade@btinet.net

LANDMARK REAL ESTATE SERVICES

WADE M. BACHMEIER, CERTIFIED GENERAL APPRAISER

7-22-2024

Wm Schneider

RE: Red Rock Resort Property (Lake Tschida, Glen Ullin, Grant County, North Dakota)

Enclosed herewith is the Appraisal Report of the above-mentioned real estate, as per your request. In this appraisal, the use of a discounted cash flow analysis was conducted to provide a reflection of the sale of a bulk number of lots rather than one lot at a time. While it is understood that selling one lot at a time is the way most subdivisions are sold, it must also be understood that it takes an amount of time (absorption period) to sell all lots. Thus, it cannot be assumed that the sum of each lot value added together is the true value of the property as a whole. In this case, there are 163 lots available to sell and disposition of all lots in one sale would require you to “discount” them to a buyer that is willing to sell them one at a time over a long period of time. The primary focus of the discounted cash flow analysis is to alert the reader to the fact that the value of one lot is not the same as the value of each lot in a bulk sale. An example would be having an owner of one lot placing it on the market at market value. It would be reasonable to assume that this lot would sell in a logical time frame. However, an owner of 163 lots cannot assume the same market value for all lots during the same sell out period of one individual lot.

As of the effective date, the property was owned by Kingdom Investors, LLC and is located at Lake Tschida, Glen Ullin, North Dakota and is legally described as follows:

Red Rock Resort Subdivision, a Plat of Auditor’s Lots A and B lying in the SE1/4 of Section 6 and the NE1/4 of Section 7, Township 136 North, Range 89 West of the Fifth Principal Meridian, Grant County, North Dakota

- | | | | |
|----------|-------------------|-----------|--------------|
| Block 1: | Lots 1-10 | Block 8: | Lots 1-2 |
| Block 2: | Lots 4-6 | | Lots 4-13 |
| Block 3: | Lots 1-3 | Block 9: | Lot 1 (park) |
| | Lots 5-6 | | Lots 4-6 |
| | Lots 9-14 | Block 10: | Lots 1-12 |
| Block 4: | Lot 1 | | Lots 16-17 |
| | Lots 4-12 | | Lot 19 |
| | Lot 14 | | Lot 22 |
| | Lots 16-17 | | Lots 24-27 |
| | Lot 20 | | Lots 29-31 |
| | Lots 23-26 | Block 11: | Lots 1-31 |
| | Lot 30 | | Lots 39 |
| | Lot 33 (drainage) | | Lot 43 |
| Block 5: | Lots 1-2 | | Lots 48-53 |
| | Lots 5-9 | Block 12: | Lots 2-3 |
| Block 6: | Lot 1-22 | | Lot 6 |
| Block 7: | Lot 1 | | |

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LANDMARK REAL ESTATE SERVICES

WADE M. BACHMEIER, CERTIFIED GENERAL APPRAISER

Lot 3

Lots 6-13

Lots 16-17

After considering all factors relevant to the market value of the property, it is my opinion that the market value as of 7-22-2024 (effective date) was:

\$2,473,000 **Two million six hundred seventy-three thousand dollars after discounted cash flow analysis is applied**

\$7,261,000 **Seven million two hundred sixty-one thousand dollars prior to discount**

This appraisal was performed in accordance with the standards set forth in USPAP and conforms to the requirements of FIRREA Title XI as specified in Part 323 of FDIC's Rules and Regulations. See "CERTIFICATION" section for further detail.

The purpose of this appraisal is to determine the market value of the fee simple interest of the subject property as of the effective date listed above. Market value is defined under the "Definitions" section of this report (page 1). The client and intended user of this report is Kingdom Investors, Inc. No other users are identified. The intended use of the subject property appraisal is to provide an opinion of market value for planning decisions. Viewing of the property was conducted by Wade M. Bachmeier on 7-30-2023 but the effective date of this appraisal is 7-22-2024.

Report Summary

Property Name: Red Rock Resorts Property

Property Address: Lake Tschida, Glen Ullin, Grant County, North Dakota

Effective Date: 7-22-2024

Viewing Date: 7-30-2023

Site Data

Size:	165 lots of which 163 lots are saleable. One lot is used as a drainage area and one is a park
Zoning:	Residential/Recreation
Flood Plain:	Not in flood zone.
Terrain:	Gently rolling.
Access:	Adequate.

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LANDMARK REAL ESTATE SERVICES

WADE M. BACHMEIER, CERTIFIED GENERAL APPRAISER

Hypothetical Condition

This appraisal was prepared under the hypothetical condition that all improvements are in place as of the effective date of this appraisal. As of the effective date of this appraisal, all road placement was complete but electricity had not yet been installed to all lots.

USPAP defines a hypothetical condition as that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Both current and prospective value appraisals subject to completion of proposed improvements to real property are permitted under USPAP. The development of a value opinion for a subject property with proposed improvements in a current value appraisal involves at least one hypothetical condition, specifically that the described improvements have been completed as of the date of value. The use of a hypothetical condition, in turn, imposes additional reporting requirements. The additional reporting requirements are to ensure that an intended user understands that:

- (a) The improved subject property does not yet, in fact exist as of the date of appraisal;
- (b) The analyses performed to develop the opinion of value are based on a hypothesis, specifically that the improved subject property is assumed to exist when in fact it does not exist;
- (c) Certain events need to occur, as disclosed in the report, before the property appraised with the proposed improvements will in fact exist; and
- (d) The appraisal does not address unforeseeable events that could alter the proposed property improvements and/or the market conditions reflected in the analyses

Extraordinary Assumption

This appraisal was prepared under the extraordinary assumption that the lots included in this appraisal are the actual number of lots currently owned by Kingdom Investors Inc. The lots included in this appraisal were obtained from the Grant County Assessor and are assumed to be correct.

USPAP defines an extraordinary assumption as an assignment-specific assumption, as of the effective date regarding uncertain information used in an analysis, which, if found to be false, could alter the appraiser's opinions or conclusions.

Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis.

An extraordinary assumption may be used in an assignment only if:

- o It is required to properly develop credible opinions and conclusions;
- o The appraiser has a reasonable basis for the extraordinary assumption;
- o Use of the extraordinary assumption results in a credible analysis; and

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LANDMARK REAL ESTATE SERVICES

WADE M. BACHMEIER, CERTIFIED GENERAL APPRAISER

- o The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

The use of either a hypothetical condition or an extraordinary assumption might have affected the assignment results.

Respectfully submitted,



Wade M. Bachmeier
North Dakota Certified General Appraiser
Permit # CG-2902

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DEFINITIONS

USPAP: Uniform Standards of Professional Appraisal Practice.

APPRAISAL: USPAP defines an appraisal as the act or process of developing an opinion of value. An appraisal must be numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value).

APPRAISER: USPAP defines an appraiser as one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

ASSIGNMENT: USPAP defines an assignment as 1) An agreement between an appraiser and a client to provide a valuation service; 2) the valuation service that is provided as a consequence of such an agreement.

INTENDED USE: USPAP defines intended use as the use or uses of an appraiser's reported appraisal opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment. The intended use of the subject property appraisal is to provide an opinion of market value for planning decisions. Its purpose is to provide an opinion of market value.

INTENDED USER: USPAP defines an intended user as the client and any other party as identified, by name or type, as users of the appraisal report based on communication with the client at the time of the assignment. The client and intended user of this report is Kingdom Investors, LLC.

MARKET VALUE: The most widely accepted definition of Market Value is Market value is the most probable price which a property should bring in a competitive and open market under all condition's 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:

- (A) Buyer and seller are typically motivated;
- (B) Both parties are well informed or well advised and acting in what they consider their own best interests;
- (C) A reasonable time is allowed for exposure to the open market.
- (D) Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- (E) 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: Regulations published by federal regulatory agencies pursuant to Title XI of FIRREA by the Federal Reserve System, NCUA, FDIC, OTS and OCC)

THE APPRAISAL PROCESS

In determining the opinion of value of Real Estate, three standard approaches to value are recognized. There is the Cost Approach, Income Approach and the Market Data Approach (Sales Comparison). The type and purpose of the property, along with the adequacy and the reliability of the information available for each of the approaches determines the consideration given each approach in arriving at an opinion of value. Generally, all three approaches are used in arriving at an opinion of value and are used as a check against each other.

After the opinions of value have been arrived at in each approach, they are correlated into a final opinion of value and an appraisal report is prepared indicating the processes used and the information and conclusions upon which the appraiser relied in arriving at a final opinion of value.

The three approaches to value are briefly outlined as follows:

COST APPROACH: A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value.

INCOME APPROACH: A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

SALES COMPARISON APPROACH: A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and adjusting the sale prices of the comparable sales based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales is available.

IN THIS APPRAISAL, A DISCOUNTED CASH FLOW ANALYSIS WAS USED TO DETERMINE AN OPINION OF VALUE FOR THE “AS IMPROVED” (AFTER DISCOUNTING) ANALYSIS.

Harrison's Illustrated Dictionary of Real Estate Appraisal... defines discounted cash flow as:

“DISCOUNTED CASH FLOW (DCF): An appraisal technique that analyzes an income property by discounting the estimated future cash flow, using a rate of return which the appraiser estimates are required to attract an investor to the type of investment being appraised.”

SCOPE OF THE APPRAISAL

USPAP requires the appraiser(s) to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s). Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments

The client and intended user of this appraisal is Kingdom Investors LLC. No other intended users have been identified. The intended use of the subject property appraisal is to provide an opinion of market value for planning decisions. Its purpose is to determine an opinion of the market value of the subject property in fee simple.

The assignment conditions for this appraisal include the appraiser(s) impartiality and objectivity required for the development and communication of credible results without being misleading. The client, in this appraisal, expects to receive an unbiased opinion of value for the intended purpose.

The conclusions expressed in this appraisal have been based on research and analysis of all available relevant information. This information included but was not limited to information available through public records (Register of Deeds, Treasurer, records, etc.), confidential information obtained through personal interviews, professional publications, and personal knowledge and interpretation. All data included has been researched and verified through sources deemed reliable.

Predicated on the availability of sufficient and accurate data and information, a final opinion of value is determined after a careful correlation of values obtained from the three traditional approaches to value. In this report, only the Sales Comparison Approach and the Discounted Cash Flow Analysis was used.

Development of a value conclusion based on sales comparison has been accomplished by analyzing multiple sales of similar properties to that of the subject. All these sales were researched from public records, physically inspected by the appraisers, and the data verified by the seller, buyer, or other knowledgeable individual or agency. Adjustments for location, physical condition, etc., were made at the discretion of the appraiser based on the best information known to him at the time of the appraisal. The areas researched was Lake Tschida, Grant County, North Dakota.

The cost approach to value would not provide aid in providing credible results in this appraisal. Regardless of the cost of infrastructure, the client is primarily concerned with the value of the whole as a finished subdivision.

The sales comparison approach to value is utilized to determine the value of the lots as a basis for the cash flow analysis.

The income approach is based on the cash rent value of the appraised property. This potential income stream is capitalized using a capitalization rate derived from comparable sales analysis. The subject property is of a type and nature whereby it is typically not purchased for its ability to generate an ongoing income stream. Therefore, this approach to value was not utilized in this appraisal.

Using the Sales Comparison Approach and the Discounted Cash Flow Analysis, a range of values can be established. These values will assist in correlating and deriving a recommended market value for the subject property.

The subject property was viewed by the appraiser on 7-30-2023 but the effective date of this appraisal is 7-22-2024. Grant County was contacted regarding the pertinent information within their files. Public records were researched regarding the subject property as well as sales of properties within the market area. Plans and specifications were provided to the appraiser by the developer. The market data that is available and used in this report is deemed sufficient and of a quality that is considered strong. The data used in this report has led to credible results under the scope of work rule.

In addition to the above, the highest and best use analysis was conducted for the subject property and the applicable income and expense information were obtained and reviewed by the appraiser and were checked for their relevance to the market value of the subject property.

USPAP requires that prior to accepting an assignment, and if discovered at any time during the assignment, an appraiser must disclose to the client and in the report certification:

*any services regarding the subject property performed by the appraiser within the prior three years, as an appraiser or in any other capacity

This disclosure requirement will allow a prospective client to know, at the time of the assignment, whether the appraiser is performing, or has performed, other services with regard to the property, such as property management, leasing, brokerage, auction, or investment advisory services, etc., this allowing the client to determine potential conflicts, if any. The disclosure is required to be included in the certification and signed by the appraiser.

CERTIFICATION

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We 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.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. The appraisers' engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. The appraisers' 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 related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
8. Wade M. Bachmeier personally inspected the property on 7-30-2023, but the effective date of this appraisal is 7-22-2024.
9. In this appraisal, no one provided significant appraisal assistance to the appraiser signing this report.
10. The appraiser certifies, and the client is aware that the appraiser conducted an appraisal of the subject property for the same client and for the same purpose as this appraisal. The previous appraisal was completed on 8-4-2023 with an effective date of 7-30-2023.



Wade M. Bachmeier
North Dakota Certified General Appraiser
Permit # CG-2902

ASSUMPTIONS AND LIMITING CONDITIONS

(Singular includes plural and appraiser includes evaluator, except where text is *italicized*)

The certification of the Appraiser appearing in the appraisal report is subject to the following assumptions and limiting conditions.

1. The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to title, which is assumed to be good and marketable, and that the legal description furnished is correct. The property is appraised as though under responsible ownership.
2. Sketches in the report may show approximate dimensions and are included only to assist the reader in visualizing the property. The Appraiser has made no survey of the property. Drawings and/or plats are not represented as an engineer's work product, nor are they provided for legal reference.
3. The Appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question unless arrangements have been previously made.
4. Any distribution of the valuation in the report applies only under the existing program of utilization. Contributory value indications are only allocations and are not represented as separate valuations. The intended use of those contributory value indications is only in underwriting. Any other use is without obligation to the Appraiser.
5. The Appraiser has, in the process of exercising due diligence, requested, reviewed, and considered information provided by the ownership of the property and client, and the Appraiser has relied on such information being candid and complete, and assumes there are no hidden or unapparent conditions of the property, subsoil or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, for engineering that might be required to discover such factors, or the cost of discovery or correction.
6. In an assignment where the Appraiser has not inspected the subject property, due to the lack of peaceful access and/or client approved assignment limitations, as described and documented in the report, the appraiser has used subject property information developed in the course of public and/or private record research. If public record information is subsequently found to have been in error, responsibility for the impact of the error rests with its source, not the appraiser.
7. The Appraiser is not qualified to verify or detect the presence of hazardous substances by visual inspection or otherwise, and is not qualified to determine the effect, if any, of known or unknown substances present. Unless otherwise stated, the final value conclusion is based on the subject property being free of hazardous waste contaminations, and it is specifically assumed that present and subsequent ownerships will exercise due care to ensure that the property does not become otherwise contaminated.
8. Information, estimates, and opinions furnished to the Appraiser and contained in the report were obtained from sources considered reliable and believed to be true and correct. The Appraiser assumes no responsibility for accuracy of such items furnished the Appraiser.
9. Unless specifically cited, no value has been allocated to mineral rights or deposits.
10. The land area has been obtained from either the recorded plat or city information, both of which are deemed to be correct. Measurements of improvements are based on physical inspection and/or city information.

11. There has not been a specific compliance survey and analysis to determine whether or not the subject property is in conformity with the Americans with Disabilities Act.
12. Disclosure of the contents of this report is governed by applicable law and/or by the Bylaws and Regulations of the professional appraisal organization(s) with which the Appraiser is affiliated and by the Uniform Standards of Professional Appraisal Practice.
13. Neither all nor any part of the report, or copy thereof, shall be used for any purposes by anyone but the client and intended users specified in the report without the written consent of the Appraiser. This report was prepared for the client's use only unless otherwise specified.
14. Where the appraisal conclusions are subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner consistent with the plans, specifications and/or scope of work relied upon in the appraisal.
15. EXCLUSIONS. In analyzing the subject property and its market the Appraiser considered and, as applicable, used the cost, income, and direct market sales comparison approaches to develop value indications and reconciled the results of the approaches completed to develop a final value conclusion. The explanation for excluding any of the three approaches in developing the final value conclusion is provided in this report.
16. Acceptance of the report by the client constitutes acceptance of all assumptions and limiting conditions contained in the report.
17. Other assumptions and Limiting Conditions, including any extraordinary assumptions or hypothetical conditions are listed as follows:

Hypothetical Condition

This appraisal was prepared under the hypothetical condition that all improvements are in place as of the effective date of this appraisal. As of the effective date of this appraisal, all road placement was complete but electricity had not yet been installed to all lots.

USPAP defines a hypothetical condition as that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Both current and prospective value appraisals subject to completion of proposed improvements to real property are permitted under USPAP. The development of a value opinion for a subject property with proposed improvements in a current value appraisal involves at least one hypothetical condition, specifically that the described improvements have been completed as of the date of value. The use of a hypothetical condition, in turn, imposes additional reporting requirements. The additional reporting requirements are to ensure that an intended user understands that:

- (a) The improved subject property does not yet, in fact exist as of the date of appraisal;
- (b) The analyses performed to develop the opinion of value are based on a hypothesis, specifically that the improved subject property is assumed to exist when in fact it does not exist;
- (c) Certain events need to occur, as disclosed in the report, before the property appraised with the proposed improvements will in fact exist; and

- (d) The appraisal does not address unforeseeable events that could alter the proposed property improvements and/or the market conditions reflected in the analyses

Extraordinary Assumption

This appraisal was prepared under the extraordinary assumption that the lots included in this appraisal are the actual number of lots currently owned by Kingdom Investors Inc. The lots included in this appraisal were obtained from the Grant County Assessor and are assumed to be correct.

USPAP defines an extraordinary assumption as an assignment-specific assumption, as of the effective date regarding uncertain information used in an analysis, which, if found to be false, could alter the appraiser's opinions or conclusions.

Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- o It is required to properly develop credible opinions and conclusions;
- o The appraiser has a reasonable basis for the extraordinary assumption;
- o Use of the extraordinary assumption results in a credible analysis; and
- o The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

The use of either a hypothetical condition or an extraordinary assumption might have affected the assignment results.

PROPERTY IDENTIFICATION

An inspection (viewing) of the subject property is not required by USPAP, but one was conducted in this case. The primary reason for inspection (viewing) of a property is to gather information about the characteristics of the property that are relevant to its value. While there are other ways to gather such information, in many cases the personal observations of the appraiser are the primary source of information regarding the subject property. Every assignment is subject to conditions that limit, in one way or another, the inspection of the subject property. Regardless of the detail one employs, it is always possible to perform an inspection that is more thorough. The appraiser’s inspection commonly is limited to those things readily observable without the use of special testing or equipment.

The subject property is located at Lake Tschida, Glen Ullin, North Dakota and is legally described as follows:

Red Rock Resort Subdivision, a Plat of Auditor’s Lots A and B lying in the SE1/4 of Section 6 and the NE1/4 of Section 7, Township 136 North, Range 89 West of the Fifth Principal Meridian, Grant County, North Dakota

- | | | | |
|----------|-----------------|-----------|------------|
| Block 1: | Lots 1-10 | Block 8: | Lots 1-2 |
| Block 2: | Lots 4-6 | | Lots 4-13 |
| Block 3: | Lots 1-3 | Block 9: | Lot 1 park |
| | Lots 5-6 | | Lots 4-6 |
| | Lots 9-14 | Block 10: | Lots 1-12 |
| Block 4: | Lot 1 | | Lots 16-17 |
| | Lots 4-12 | | Lot 19 |
| | Lot 14 | | Lot 22 |
| | Lots 16-17 | | Lots 24-27 |
| | Lot 20 | | Lots 29-31 |
| | Lots 23-26 | Block 11: | Lots 1-31 |
| | Lot 30 | | Lots 39 |
| | Lot 33 drainage | | Lot 43 |
| Block 5: | Lots 1-2 | | Lots 48-53 |
| | Lots 5-9 | Block 12: | Lots 2-3 |
| Block 6: | Lot 1-22 | | Lot 6 |
| Block 7: | Lot 1 | | |
| | Lot 3 | | |
| | Lots 6-13 | | |
| | Lots 16-17 | | |

Site Data

- Lots: 165 (163 saleable. One lot is used for drainage and another for park)
- Zoning: Residential/Public Use.
- Flood Plain: Not in flood zone.
- Terrain: Gently rolling.
- Access: Adequate.

The subject property contains 165 lots of what was originally slated as a 186-lot subdivision. It is located overlooking Lake Tschida which is a lake that was created under the Bureau of Reclamation with a dam known as Heart Butte Dam. There is access to the lake from public boat ramps. The

subject property is not located along the lake and does not have a private boat ramp. This location is in northern Grant County, ND.

Access is considered adequate via county-maintained gravel roadways. Electricity is available through a local electric cooperative and sanitary sewer is handled with private septic systems. Water comes from private wells with the possibility of rural water coming to the area through an expansion of the Southwest Water Authority (SWWA).

Demand for “cabin” lots and/or camper parking lots on or near a lake has been historically high. This was demonstrated after the covid pandemic which prompted people to have another avenue for outdoor escape and pleasure without being inside. Since then and more recently, higher interest rates and higher prices due to inflation has begun to curb the demand.

The subject property has a location that will entice buyers from a broad market segment including the Bismarck-Mandan area as well as the Dickinson area.

ENVIRONMENTAL DISCLAIMER:

The value estimated is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions unless otherwise stated in this report. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The appraisers routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would affect the property negatively unless otherwise stated in this report. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous substances or detrimental environmental conditions on or around the property that would negatively affect its value.

SUBJECT PICTURES



Entrance (Looking West)



Overview (Looking South)



Overview (Looking West)



Overview (Looking Southwest)



Looking Southwest



Playground



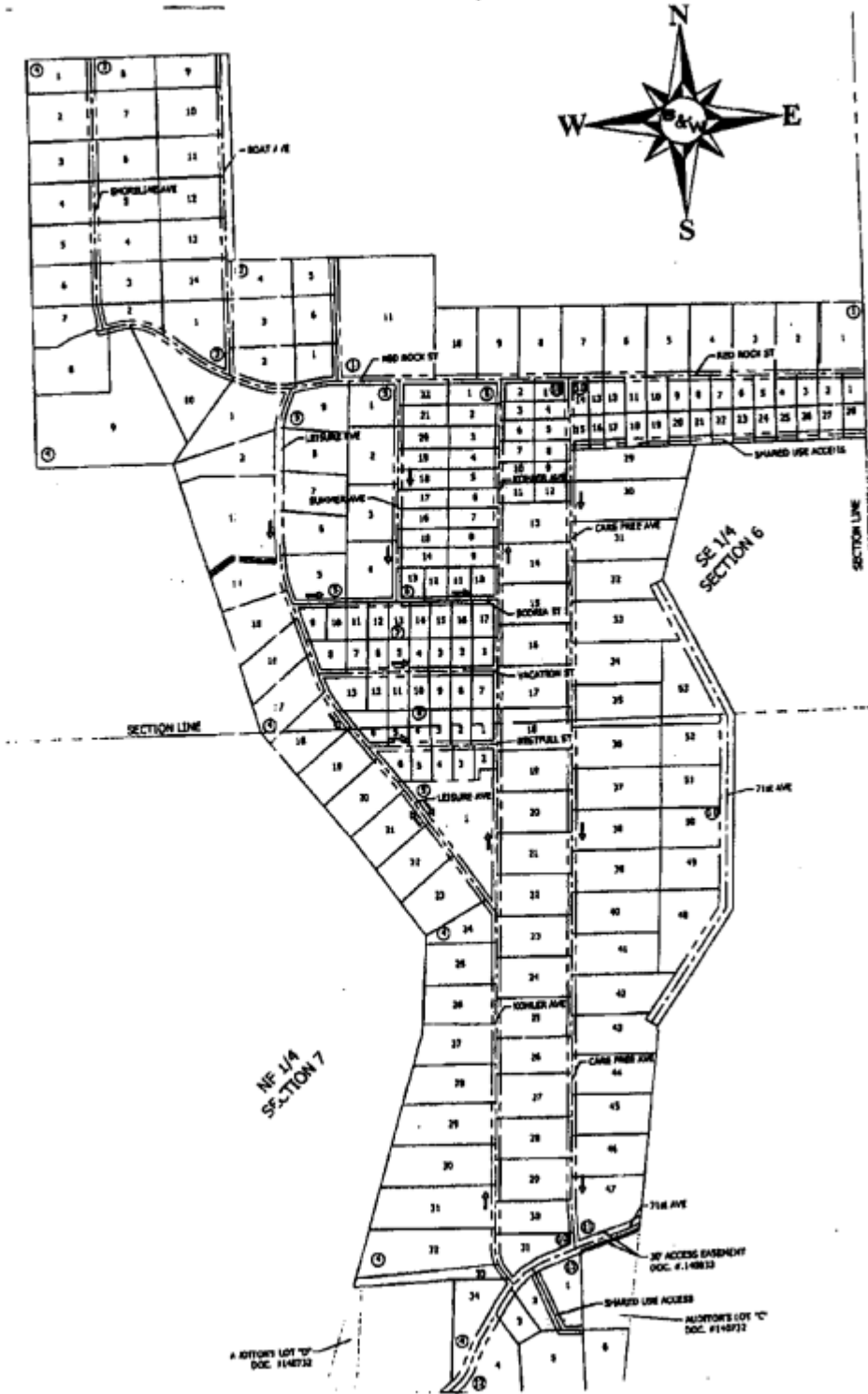
Lot Markers



Public Boat Ramp

RED ROCK RESORT SUBDIVISION

A PLAT OF AUDITORS LOTS A AND B,
 LYING IN THE SOUTHEAST QUARTER (SE1/4) OF SECTION 6 AND THE
 QUARTER (NE1/4) OF SECTION 7, TOWNSHIP 136 NORTH, RANGE
 GRANT COUNTY, NORTH DAKOTA

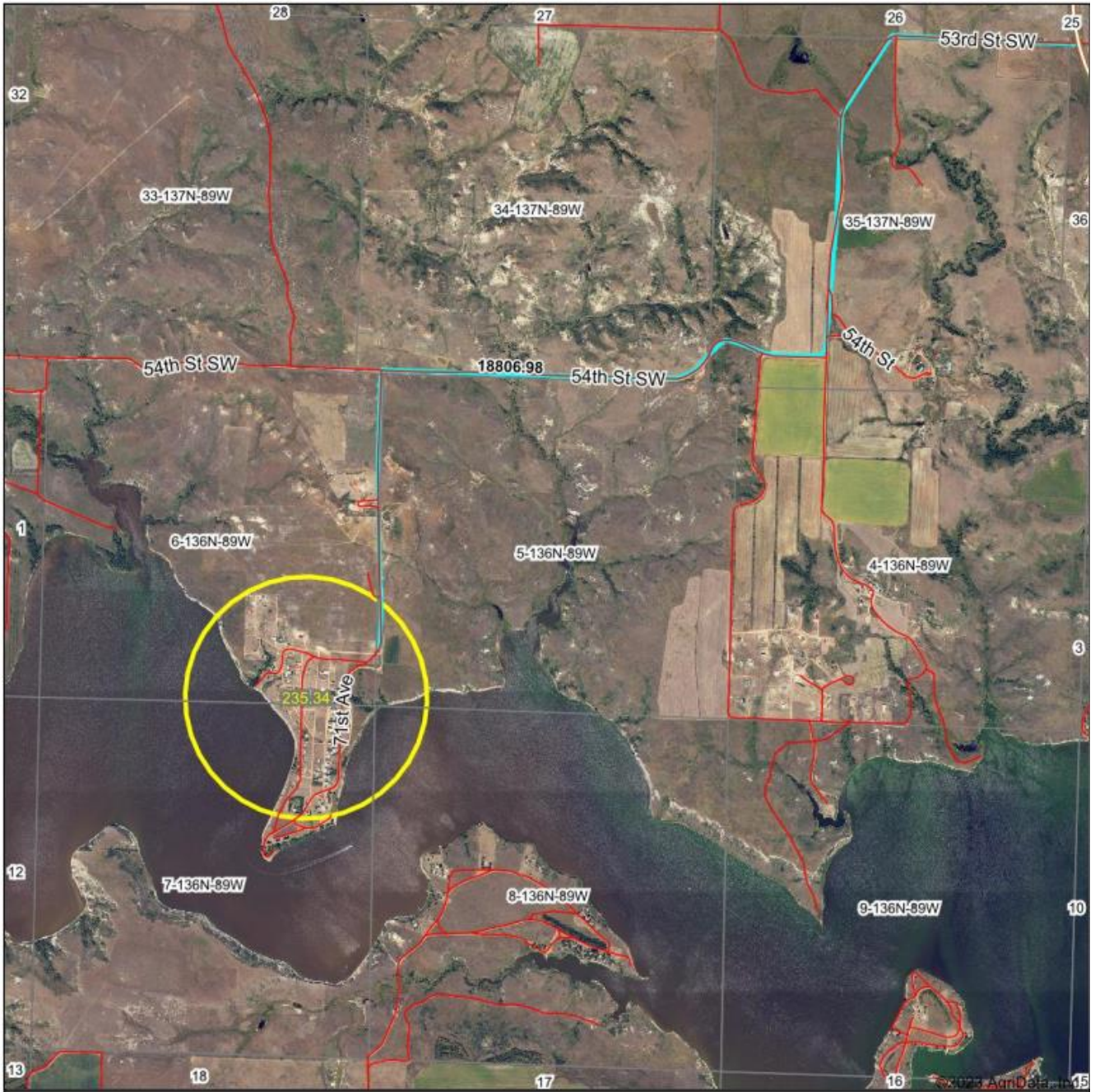


Aerial Approximation of Subject Property

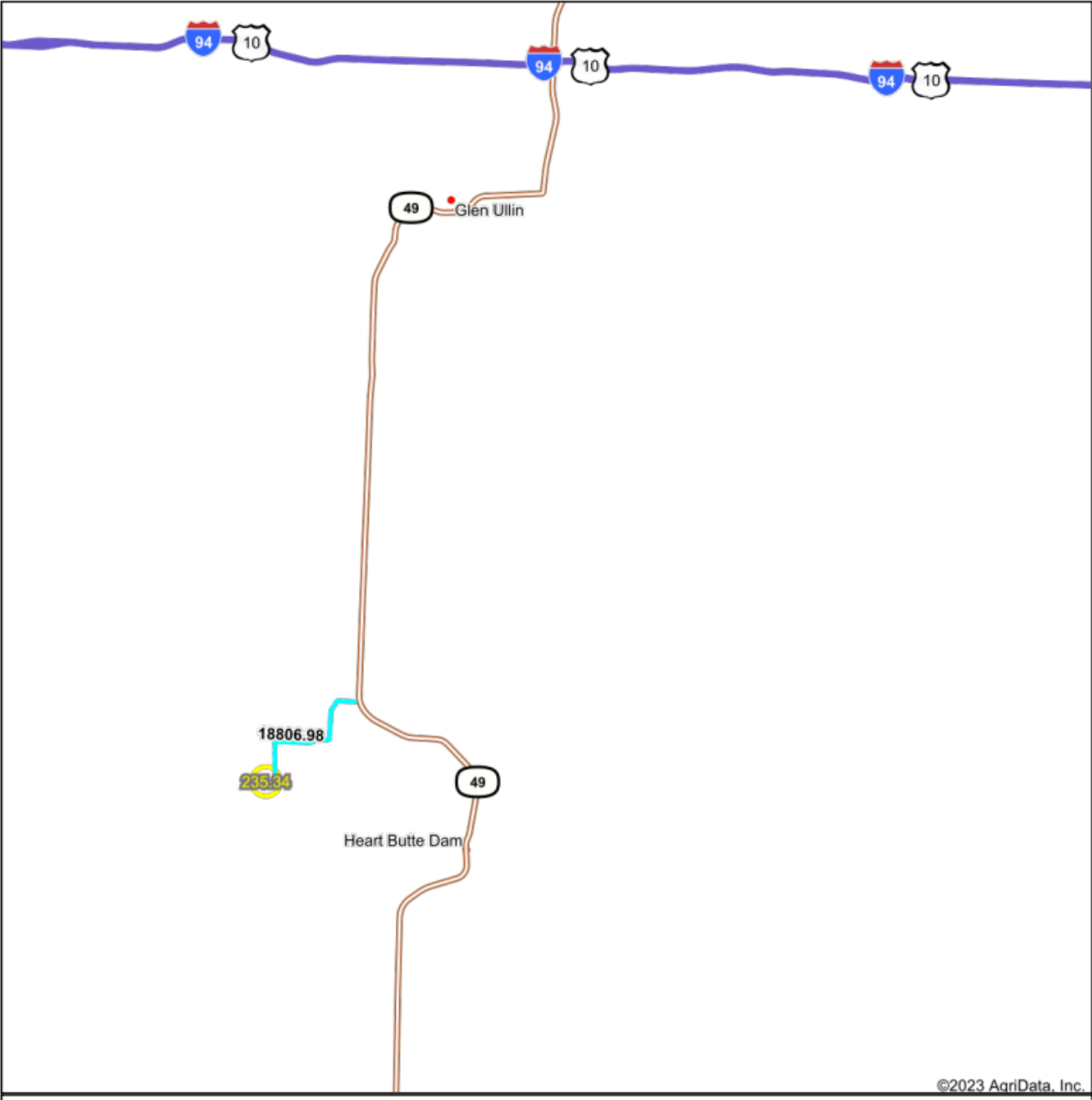
Aerial Approximation



Aerial with Access



Location Map



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SUMMARY OF FACTS

OWNER OF RECORD: Kingdom Investors LLC.

PROPERTY RIGHTS APPRAISED: Fee simple, subject to normal utility easements and prior reservations of mineral rights. The value of mineral rights, if any, is not a consideration in this appraisal.

DATE OF VALUE OPINION: 7-22-2024

ZONING: (As Is): Residential/Recreation.

EXPOSURE TIME: USPAP defines exposure time as the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. Statement 6 of USPAP says "Reasonable exposure time is one of a series of conditions in most market value definitions. Exposure time is always presumed to precede the effective date of the appraisal. Exposure time is different for various types of property and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable effort. This statement focuses on the time component."

Based on statistical information about days on market; information gathered through sales verification; and interviews of market participants, the estimated exposure time for the subject property is 18 years.

MARKETING TIME: USPAP defines marketing time as an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. An estimate of marketing time is not mandated by USPAP but may be required by the client. In this appraisal, the opinion of marketing time would be 18 years.

OWNERSHIP HISTORY: Ownership history is obtained from the North Dakota Recorder Information Network (NDRIN), an online subscription that provides for the research, viewing and purchasing of recorded documents. Reference to ownership history was obtained from NDRIN and no warranties are made by the appraiser regarding documents that may be recorded at the recorder office but are not yet on the NDRIN site.

On 8-18-2022, a Warranty Deed recorded as document 145665 transferred Lot 4, Block 5 of the subject property to the current owner. This deed was issued to dissolve a contract for deed and is deemed a none arm's length transaction. Another Warranty deed recorded as document 144251 was recorded on 2-23-2021 for Lot 7, Block 4 for a reported amount of \$18,000. It is assumed that this deed was also given to dissolve a contract for deed.

According to the public records, there have been no other transfers of the subject property within the past three years.

CURRENT LISTING OR CONTRACT: Each of the subject property lots are listed for sale by the owner. This listing information can be found at redrockresortnd.com and is attached to this appraisal by reference.

SOILS: The soils are suitable for building.

TOPOGRAPHY: Gently rolling.

FLOOD PLAIN: The property *is not* located in an AE flood zone based on information from the Surety Mapping GIS system.

TAXES: Attached by reference due to the large number of lots.

AREA, REGIONAL AND NEIGHBORHOOD ANALYSIS

The subject property is located in an area whereby its major influence comes from the Bismarck-Mandan area. Bismarck and Mandan, sister cities, are situated on opposite sides of the Missouri River. Bismarck is the state capitol as well as the county seat for Burleigh County. Mandan is the county seat for Morton County.

Bismarck-Mandan is a trade and transportation hub and, in addition to agriculture, the state's largest industry, energy has played a significant role in the growth of Bismarck-Mandan. Several major energy companies are located here, each pursuing the development of oil, coal, and synthetic fuels. Bismarck-Mandan has a thriving medical center and boasts the largest medical facilities between Minneapolis and the west coast. Most recently, data processing and customer service centers are adding to the economic base of the community.

The Bismarck-Mandan community combines a mix of urban and rural living. The Bismarck-Mandan MSA is home to an estimated 125,296 people, according to the US Census Bureau estimates. This population is centered in Bismarck and Mandan, with 73,112 and 22,519 residents, respectively. The remainder of the population resides in the surrounding areas of Burleigh and Morton Counties.

Bismarck and Mandan are in the Central Time Zone, a part of the Plains Midwest region of the United States. Bismarck has an area of 25.9 square miles and Mandan has an area of 10.05 square miles. Elevation of the area is approximately 1,700 feet.

Higher education facilities include Bismarck State College which is a two-year college with a 2018 enrollment of 3800 students. BSC offers freshman and sophomore academic transfer courses as well as bachelor's degree programs through cooperative programs with other universities. The University of Mary is a private, four-year institution with a 2019 enrollment of approximately 3,796 students. U of M offers 60 undergraduate majors, 14 master's degrees, 4 doctoral programs and the #1 nursing program in the nation. Other institutions include Medcenter One College of Nursing, St. Alexius Medical Center's ND School of Respiratory Care, and School of Radiologic Technology, and United Tribes Technical College.

There are over 30 hotels, motels and other lodging facilities offering 2,600 rooms in Bismarck-Mandan. Convention facilities include the Bismarck Civic Center with a 48,000 square foot exhibition hall, and a 36,000 square foot arena with seating up to 10,500. The Mandan Community Center is a full-service recreation and convention center.

The area has two airports, Bismarck, and Mandan Municipal. Bismarck Municipal Airport offers daily passenger, freight, airmail, and express service to all points in the United States. Mandan Municipal Airport offer's service for small aircraft and 24-hour self-service fueling system.

Rail service provided by Burlington Northern Santa Fe Railroad Company and the Dakota, Missouri Valley and Western Rail provide a high level of service and access to markets. Amtrack provides passenger rail services in North Dakota once a day in each direction. The Bis-Man Transit and the Capitol Area Transit offer transportation to the immediate area.

The Northern Plains Commerce Centre (NPCC) is a premier industrial park with immediate access to road and rail transport located in Bismarck. The NPCC has access to both Canadian Pacific and the

BNSF via the MDVW Railroad. The truck route between US I-94 and NPCC is considered a heavy haul corridor.

Major employers for the area include:

State of ND	4,600
Sanford	3,284
St. Alexius Medical Center	2,044
Bismarck Public Schools	2,187
ND Federal Government	1,200
City of Bismarck	988
Mandan Public School District	697
University of Mary	642
Aetna	660
Housing Industry Training (HIT)	641
MDU Resources	592
(Fortune 500 nation's largest companies in 2008 and 2009)	
Doosan	582
Missouri Slope Lutheran Care Center	560
Mid-Dakota Clinic	550
Dan's Supermarkets	476
Missouri Valley YMCA	475
Coventry Health Care	460
Basin Electric Power Cooperative	455
National Information Solutions Coop	450
Pride Inc.	365
Walmart South	300
Walmart North	365
Burlington Northern Railroad	398
Bismarck State College	332
Cloverdale Foods	240
Bis-Man Parochial Schools	320
Baptist Home	265
Tesoro Petroleum	253
Missouri Valley YMCA	250
Burleigh County	250
Walmart-Mandan	237
Scheels	236
United Tribes Technical College	225
Target	209
Kadmas, Lee & Jackson	200

Population Trends

	Bismarck	Burleigh	Mandan	Morton	Bismarck-Mandan MSA
2000	55,532	69,416	16,718	25,303	94,719
2005	57,377	73,900	17,225	25,498	99,398
2006	58,333	75,384	17,449	25,754	101,138
2007	59,503	77,316	17,736	25,926	103,242
2008	60,389	78,689	18,091	26,255	104,944
2009	61,217	79,822	18,274	26,464	106,268
2010	61,272	81,308	18,331	27,471	108,779
2011	62,608	83,145	18,499	27,734	110,879
2012	64,751	85,774	18,978	28,101	113,875
2014	68,896	90,503	20,820	29,822	120,325
2016	72,417	94,487	21,769	30,809	125,296
2017	72,865	95,158	22,228	30,906	128,115
2018	72,291	95,273	19,727	31,095	132,678
2019	73,674	97,841	19,902	29,838	132,938
2020					133,198

North Dakota

Population	2010 Census	672,591
	2018	760,077
	2019	760,900
Growth Rate	2000-2010	4.7%
Housing Units		360,660
		36 th fastest growing state in the US

Largest ND Cities	Population
Fargo	118,523
Bismarck	73,112
Grand Forks	58,500
Minot	46,409
West Fargo	38,638
Williston	24,494
Mandan	22,822
Dickinson	20,722
Jamestown	15,482
Wahpeton	7,647
Devils Lake	7,207
Valley City	6,383
Grafton	4,218
Lincoln	4,178
Beulah	3,352
Rugby	2,746
Horace	2,967
Hazen	2,245
Casselton	2,498
Bottineau	2,107

Source: World Population Review US Census Annual Estimates American Fact Finder

MARKET AREA AND MARKET CONDITIONS

The market area for the subject property area would include the surrounding areas of Grant and Morton Counties. In addition, the market area would also include the areas of Bismarck-Mandan and Dickinson, ND.

This market area comprises of a wide variety of market participants who in general, have the income levels to support ongoing sales of “cabin” and camper lots. The subject market area is one that has grown exponentially over the last several years and ongoing demand would be a logical expectation.

The subject property is located in an area whereby all supporting factors are available including an economic base as well as a population base to support such.

Energy production has been a less of stabilizing factor for North Dakota as evidenced by the fewer number of oil rigs drilling in the western part of the state. This recent slowdown has removed much of this stability in western North Dakota and continued volatility in this area could affect the local market area. Nonetheless, oil production has become a major factor in the economy of North Dakota as evidenced by the following statistics:

ND Producing Oil Wells		Average Daily Barrel Production	
March 2010	4,736	March 2010	277,403
July 2011	5,777	July 2011	425,121
July 2012	7,468	July 2012	674,067
December 2012	8,429	December 2012	768,853
November 2013	10,023	October 2013	945,182
October 2014	11,892	October 2014	1,182,174
January 2015	12,197	January 2015	1,191,198
January 2016	13,129	January 2016	1,122,100
May 2017	13,632	May 2017	1,025,638
December 2017	14,313	December 2017	1,182,836
December 2018	16,126	2018	1,277,755
November 2019	16,094	2019	1,432,750

Total Well Permits		Average Rig Count	
July 2011	136	July 2011	177
July 2012	184	May 2012	218
October 2012	370	July 2012	211
December 2012	182	November 2012	186
November 2013	232	November 2013	184
October 2014	328	October 2014	191
January 2015	246	January 2015	160
January 2016	78	January 2016	52
May 2017	58	May 2017	50
December 2017	86	December 2017	60
December 2018	1,512	2018	62
2019	1,397	2019	61

Source: Industrial Commission of ND; ND.gov; Jobs ND

Price per Barrel		Natural Gas	
July 2008	\$136.29	November 2012	783,997 MCF/day
July 2011	\$71.13	November 2013	1,086,571 MCF/day
July 2012	\$90.60	October 2014	1,429,593 MCF/day
November 2012	\$80.86	January 2015	1,473,516 MCF/day
November 2013	\$71.42	January 2016	1,638,226 MCF/day
October 2014	\$68.94	December 2017	2,081,522 MCF/day
January 2015	\$31.41	December 2018	2,650,006 MCF/day
January 2016	\$21.13	2019	3,133,139 MCF/day
2017	\$50.84		
2018	\$64.90		
2019	\$57.05		
2020	\$34.00		

Coal	
2016	27.7 Million tons
2017	29.1 Million tons
2018	29.7 Million tons
2019	27.2 Million tons

Source: Prairie Business Magazine; US Energy Information Administration; ND State Industrial Commission, Lignite Energy Council

EMPLOYMENT BY INDUSTRY--ND

Data Series	Back Data	July 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019
Labor Force Data							
Civilian Labor Force(1)		404.9	404.3	403.9	404.0	404.6	(p)405.3
Employment(1)		395.2	394.5	394.0	394.0	394.5	(p)395.4
Unemployment(1)		9.7	9.8	9.9	10.0	10.0	(p)9.8
Unemployment Rate(2)		2.4	2.4	2.5	2.5	2.5	(p)2.4
Nonfarm Wage and Salary Employment							
Total Nonfarm(3)		435.7	436.8	435.5	435.2	436.9	(p)436.9
12-month % change		0.1	0.6	0.2	0.1	0.7	(p)0.5
Mining and Logging(3)		20.9	20.6	20.6	20.4	20.2	(p)20.5
12-month % change		-0.5	-1.9	-3.3	-4.2	-3.3	(p)-6.4
Construction(3)		28.6	28.5	27.5	28.0	27.7	(p)28.2
12-month % change		10.9	11.3	6.2	6.1	2.6	(p)5.6
Manufacturing(3)		26.2	26.4	26.3	26.3	26.2	(p)25.9
12-month % change		1.2	2.3	1.2	0.0	0.4	(p)0.4
Trade, Transportation, and Utilities(3)		92.9	92.4	92.6	91.9	92.8	(p)92.1
12-month % change		-1.5	-1.8	-1.8	-2.2	-0.9	(p)-1.5
Information(3)		6.1	6.1	6.1	6.0	6.1	(p)6.1
12-month % change		-1.6	-1.6	-1.6	-1.6	0.0	(p)1.7
Financial Activities(3)		23.4	23.9	24.1	24.0	24.5	(p)24.4
12-month % change		-4.5	-1.6	-0.8	-1.2	0.4	(p)0.8
Professional & Business Services(3)		35.9	36.1	35.9	36.0	36.0	(p)35.9
12-month % change		3.8	4.6	4.1	3.7	3.2	(p)2.6
Education & Health Services(3)		66.2	66.4	66.0	66.1	66.6	(p)66.3
12-month % change		4.1	4.4	3.6	4.1	4.1	(p)2.6
Leisure & Hospitality(3)		38.6	39.1	39.0	39.5	39.7	(p)40.0
12-month % change		-5.9	-3.2	-3.0	-2.2	0.3	(p)1.3
Other Services(3)		14.7	14.8	14.8	14.7	14.6	(p)14.9
12-month % change		-4.5	-3.9	-4.5	-3.3	-2.7	(p)0.7
Government(3)		82.2	82.5	82.6	82.3	82.5	(p)82.6
12-month % change		-0.8	-1.0	0.0	-0.1	0.1	(p)0.0

(1) # Persons in thousands seasonally adjusted

(2) In percent, seasonally adjusted

(3) # of jobs in thousands seasonally adjusted (P) Preliminary

Source: U.S. Bureau of Labor Statistics

EMPLOYMENT BY INDUSTRY-BISMARCK

Data Series	Back Data	July 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019
Labor Force Data							
Civilian Labor Force ⁽¹⁾		69.3	68.4	67.1	67.2	67.2	(p)66.8
Employment ⁽¹⁾		67.8	66.8	65.8	66.0	65.7	(p)65.2
Unemployment ⁽¹⁾		1.5	1.6	1.4	1.2	1.5	(p)1.6
Unemployment Rate ⁽²⁾		2.2	2.3	2.0	1.8	2.3	(p)2.4
Nonfarm Wage and Salary Employment							
Total Nonfarm ⁽³⁾		72.6	72.1	72.9	73.5	73.1	(p)72.6
12-month % change		0.0	0.7	0.6	0.3	0.6	(p)0.1
Mining, Logging, and Construction ⁽³⁾		5.7	5.6	5.6	5.7	5.3	(p)4.8
12-month % change		9.6	7.7	5.7	7.5	8.2	(p)9.1
Manufacturing ⁽³⁾		1.9	1.9	1.9	1.9	1.9	(p)1.8
12-month % change		5.6	5.6	5.6	5.6	5.6	(p)5.9
Trade, Transportation, and Utilities ⁽³⁾		13.8	13.9	13.8	13.9	14.3	(p)14.2
12-month % change		-4.2	-1.4	-1.4	-2.1	0.7	(p)-0.7
Information ⁽³⁾		0.9	0.8	0.8	0.8	0.8	(p)0.8
12-month % change		0.0	-11.1	0.0	0.0	0.0	(p)0.0
Financial Activities ⁽³⁾		3.4	3.4	3.4	3.4	3.4	(p)3.4
12-month % change		0.0	0.0	0.0	0.0	0.0	(p)0.0
Professional and Business Services ⁽³⁾		7.7	7.7	7.5	7.6	7.2	(p)7.1
12-month % change		-3.8	-2.5	-2.6	-2.6	-5.3	(p)-6.6
Education and Health Services ⁽³⁾		13.8	13.8	13.9	14.0	14.1	(p)14.1
12-month % change		0.7	1.5	0.7	0.7	0.7	(p)0.7
Leisure and Hospitality ⁽³⁾		7.7	7.8	7.6	7.5	7.5	(p)7.6
12-month % change		1.3	2.6	1.3	1.4	1.4	(p)2.7
Other Services ⁽³⁾		3.0	3.0	3.0	3.0	3.0	(p)3.0
12-month % change		0.0	0.0	0.0	0.0	0.0	(p)0.0
Government ⁽³⁾		14.7	14.2	15.4	15.7	15.6	(p)15.8
12-month % change		0.7	0.7	1.3	0.0	0.0	(p)-0.6

(1) # Persons in thousands seasonally adjusted

(2) In percent, seasonally adjusted

(3) # of jobs in thousands seasonally adjusted (P) Preliminary

Source: U.S. Bureau of Labor Statistics

Taxable Sales and Purchases

Bismarck-Mandan MSA
(1st three quarters of year plus
4th quarter of previous year)

2006	\$1,334,445,256
2007	\$1,411,477,459
2008	\$1,503,630,845
2009	\$1,479,858,075
2010	\$1,558,916,031
2011	\$1,764,574,481
2012	\$2,129,377,346
2013	\$2,174,046,234
2014	\$2,192,866,010
2015	\$2,176,441,366
2016	\$1,985,415,646
2017	\$1,881,355,180
2018	\$1,536,411,437
2019	\$1,574,728,434

Office of State Tax Commissioner

Median Age

Bismarck	36.5
Mandan	35.8

(2000 Census)

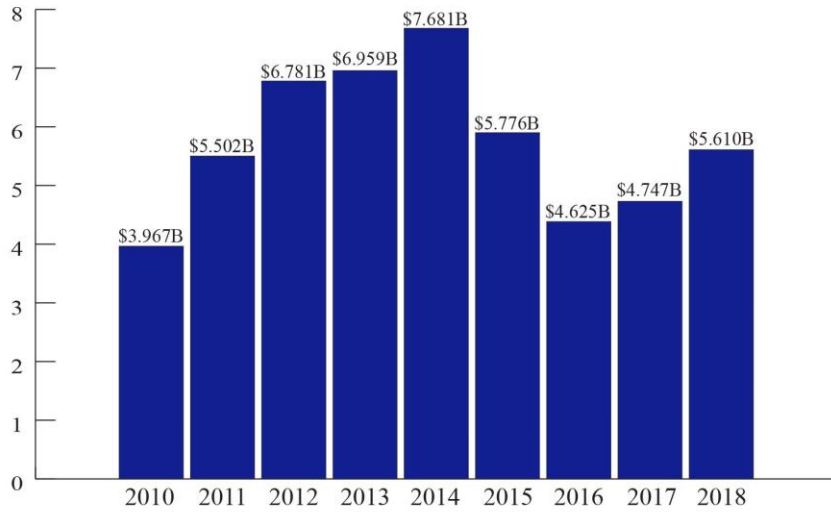
Bismarck Airport Passengers

2009	2010	2011	2012	2013	2014	2015
181,114	194,043	196,414	236,172	237,683	245,205	259,734
2016	2017	2018	2019			
271,022	272,739	282,000	309,337			

Cities in Region Ranked Among Top Small Metros for Business

Rank	City
1	Sioux Falls
4	Bismarck
9	Fargo
11	Rapid City
45	Grand Forks

ND Total Taxable Sales and Purchases (ND State Tax Commissioner)



COMPETENCY RULE OF USPAP

The Uniform Standards of Professional Practice (USPAP) require that prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently; or alternatively:

1. Disclose the lack of knowledge and/or experience to the client before accepting the assignment; and
2. Take all steps necessary or appropriate to complete the assignment competently; and
3. Describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.

The appraiser is familiar with the geographical area in which the subject property is located. Properties which are physically and economically similar to the subject property have been past appraisal assignments. The appraiser possesses the knowledge and experience to complete this assignment competently. Please refer to the qualification's statements at the end of this report, prior to the addendum, for appraiser education.

The subject property is of a type and nature that is familiar to the appraiser from prior appraisal assignments as well as from more than 32 years of real estate experience. The appraiser is familiar with the area as well as the market participants, which gives an insight into the motivations of the market participants.

Cameron T. Bachmeier, Apprentice Appraiser, acquired competency in the process of this appraisal by researching sales, assisting with verifying sales, and inspecting all sales personally. Further, he is familiar with Mandan and Bismarck and its multifamily areas. This type of property, its uses and inherent characteristics, is of a nature that is familiar to the appraiser from past appraisal assignments.

HIGHEST AND BEST USE

Highest and Best use is defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. (The Dictionary of Real Estate Appraisal 4th Edition)

Market forces create value, so the interaction between market forces and highest and best use is of crucial importance. When the purpose of an appraisal is to estimate market value, the highest and best use analysis identifies the most profitable, competitive use to which the property can be put. Therefore, the highest and best use is a market driven concept.

The definition forms the basis or foundation of the highest and best use analysis. The property's use must be:

- I. legally permissible
- II. physically possible
- III. financially feasible
- IV. maximally productive

Consideration is given to trends based on recent land sales, economic factors, and the strength of the local market. An Analysis of the highest and best use of the property forms the basis for the valuation of the property. Highest and best use serves as a guide in the selection of sales to be used in the valuation analysis of the subject property.

Because the use of land can be limited by the presence of improvements, highest and best use is determined for 1) the land, or site "as though vacant" and available to be put to its highest and best use; and 2) the property "as improved."

The previous definition applies specifically to the highest and best use of the land. One must recognize in some cases; the highest and best use may be determined to be different from the existing use. The existing use of the property as improved will continue until the value of the site in its highest and best use exceeds the value of the property "as improved."

The determination of highest and best use is a result of an appraiser's judgment and analytical skills. This opinion includes the study of alternative uses, plus the existing use in the types of market available in the area, or the surrounding uses. The highest and best use determined from this analysis represents an opinion, not a fact to be found.

HIGHEST AND BEST USE - “as if vacant”

In considering the use of the subject property, we have considered its current use as well as the uses to which the property is capable of being adapted. Consideration is given to uses that are recognized in the limitations first imposed by governmental regulations, physical characteristics, financially feasible uses, and the maximally productive use. The analysis is progressive, and a user must first meet the legal/governmental test, physical test, and so forth. The four tests of the highest and best use are covered in the following analysis.

Legally Permissible Uses: The subject property is zoned for residential and recreational uses which includes camper parking areas. This use is consistent with areas around and adjoining lakes and are conducive to recreational and seasonal uses.

Physically Possible Uses: The subject property is adequately served by utilities, has an adequate shape and size, sufficient access, etc., to be a separately developable site. The subject site would reasonably accept a site layout for any of the legally probable uses. There is no known physical reason why the subject site would not support any legally probable development.

Financially Feasible Uses: The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. The subject market is generally stabilized, which would indicate that it would be financially feasible to complete a seasonal residential and camper use

Maximally Productive Use: Analysis has indicated that the subject property has a maximally productive use as a residential/recreation property.

HIGHEST AND BEST USE - “as vacant”

Based on the information presented above and upon information contained in the market and neighborhood analysis, it has been concluded that the highest and best use of the subject property as if vacant, would be the development of a multifamily property. The analysis of the subject property and its respective market characteristics indicate the most likely buyer, as if vacant, would be an investor (land speculation) or a developer.

HIGHEST AND BEST USE - “as improved”

Legally Permissible Uses: As discussed, the subject site’s zoning and legal restrictions permit a variety of land uses. The site is an existing residential/recreation development that is assumed to be a legal, conforming use.

Physically Possible Uses: The physical characteristics of the subject proposed improvements have been discussed and both the layout and positioning of the improvements are considered functional for a residential/recreation development. While it would be physically possible for a wide variety of uses, based on the legal restrictions and the design of the improvements, the existing use of the property would be the most functional use.

Financially Feasible Uses: The financial feasibility of the subject property is based on the amount of rent which can be generated, less operating expenses required to generate that income and if a residual amount exists; then the land is being put to a productive use. In this case, the subject property is of a type and nature that is built with the intent of sale. This is a type of property (residential/recreation) that has a history of being financially feasible.

Maximally Productive Use: The maximally profitable use of the subject property as improved should conform to neighborhood trends and be consistent with existing land uses. Although several uses may generate sufficient revenue to satisfy the required rate of return on investment and provide a return on the land, the single use that produces the highest price or value is typically the highest and best use. As shown in the applicable valuation sections, properties that are similar to the subject property have been acquired and/or continue to be used as residential/recreation projects. None of the comparable properties have been acquired for conversion to an alternative use. These comparable sales would indicate that the maximally productive use of the subject property is consistent with its existing use as a residential/recreation development.

Conclusion: The highest and best use would be its proposed use as a residential/recreation development.

Discussion: The subject property, by virtue of its location near Lake Tschida as well as its proximity to populated areas has a highest and best use as a residential/recreation development.

COST APPROACH TO VALUE

In this appraisal, the opinion of value was derived by using the Sales Comparison Approach and Discounted Cash Flow Analysis. With this analysis, it is assumed that all infrastructure items related to the subdivision are in place as of the effective date of the appraisal. While it is admitted that the infrastructure items could be part of a cost approach to value, the underlying objective of the appraisal is to determine the value of the completed subdivision as a whole.

Therefore, the cost approach to value would not assist in providing credible results in this appraisal. Regardless of the cost of infrastructure, the client is primarily concerned with the value of the whole as a finished subdivision.

SALES COMPARISON APPROACH TO VALUE

The sales comparison approach is a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and adjusting the sale prices of the comparable property based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales is available. (Source: The Dictionary of Real Estate Appraisal 4th Edition, Appraisal Institute).

The appraisal principles involved in the sales comparison approach to value include:

1. **Supply and Demand:** The properties offered for sale make up the supply, and the available buyers create the demand. If demand is high, prices tend to increase; if demand is low, prices tend to decrease. An appraisal is made at a specific time, and appraisers must analyze the effective demand and the supply of properties available at the specific time of the appraisal.
2. **Substitution:** The principle of substitution holds that the value of a property is set by the price paid to acquire a substitute property of similar utility and desirability.
3. **Balance:** The balance between supply and demand changes continually. Due to shifts in population, purchasing power, and consumer tastes and preferences, demand varies over time. The construction of new buildings and demolition of old one's changes supply. Appraisers must constantly watch for changes in supply and demand in the market.
4. **Externalities:** External forces affect the market value of property greatly, and the appraiser must be aware of the changing public wants and needs as they apply to forces in the market. Positive and negative external forces affect all types of property. The appraiser must identify these forces in a particular neighborhood and be able to analyze the market impact of the external forces.

A search of records was conducted to find recent real estate transactions in the market area of the subject property. All sales were verified with the grantor, grantee, or someone who had knowledge of the property and could verify the consideration paid.

After determining the scope of work as well as the highest and best use of the subject property, sales were researched, verified, and developed with the results to follow. The sales used in this analysis were deemed the most similar to the subject property and will be used in determining a credible opinion of value from this approach.

The sales utilized in this appraisal are all verified sales from the subject subdivision. It was reported that 54 lots have been sold in this subdivision from 2018 thru until the effective date of this appraisal (7-30-2023).

Items of consideration

In this portion of the appraisal, the appraiser is using the sales to formulate an opinion of value from the sales comparison approach to value. In lieu of quantitative adjustments, the appraiser will use a qualitative analysis. This is due to the difficulty in determining credible, market extracted quantitative adjustments. Generally, there are five items of consideration in adjustments regardless of whether the appraiser uses a quantitative or qualitative analysis. These five items of consideration include the following:

- Property rights transferred
- Financing considerations
- Market conditions
- Location
- Physical characteristics

Each of the sales used in this analysis are considered arm's length transactions, sold in fee simple subject to normal utility easements, and sold for cash or its equivalent. Therefore, no further considerations need to be given to the property rights transferred or financing considerations.

Market conditions (time factor) were considered and while it is known that values have been increasing, using a direct dollar number and/or a percentage increase would be subject to scrutiny due to the absence of direct market evidence in the form of paired sales. Qualitative analysis will be used in lieu of quantitative analysis.

Location factors are typically accounted for in the value of the underlying land as vacant. Each sale has a land value assigned to it by the appraiser based on market values at the time of sale. This value is calculated as a dollar amount per square foot of building area as a measure of both the land value as well as location considerations.

The physical characteristics are adjusted with a qualitative analysis as well as using the overall extracted depreciation rates of the sales. Depreciation from all sources is included in this portion of the appraisal due to it being a good indication of age and condition. Each of the sales is analyzed and an extracted depreciation rate is arrived at which is an indication of the market contribution for the improvements. Typically, this improvement contribution is a good indication of the age and condition of said improvements.

In this approach to value, the appraiser is looking for patterns established by the sales with which to use as a comparison to the subject property. Ideally, the sales should bracket the subject property in as many aspects as possible. In this case, the sales bracket the subject property in overall unit size.

The Sales used in this analysis are varied and distinctive and each Sale's individual characteristics serve to create a context for comparison with the explicit intent of demonstrating the direct and indirect relationships the Sales have to the subject property both individually and in specified narrowed ranges. This analysis will lead to a synthesis where one better understands

the subject property by comparing it with similar and dissimilar sales, and by looking at interrelations between the subject properties and the given Sales' constituent components leading to an indication for an opinion of value.

Lastly, regarding the varied Sales within the given data array, many of the Sales' respective prices do not explicate buyer motivation. The buyer's decision-making process is impossible to quantify and nearly as difficult to parse with qualitative analysis. It is a matter of individual differences. Different buyers are motivated in different ways and for myriad different reasons.

A search of records was conducted to find recent real estate transactions in the market area of the subject property. All sales were verified with the grantor, grantee, or someone who had knowledge of the property and could verify the consideration paid.

After determining the scope of work as well as the highest and best use of the subject property, sales were researched, verified and developed with the results to follow. The sales used in this analysis were deemed the most similar to the subject property and will be used in determining a credible opinion of value from this approach.

Moving forward into direct analysis of how the subject property relates to the given Sales, the determination toward a final opinion of value will be defined by a number of categorical elements such as proximity, accessibility, location, inherent amenities and impediments, and a weighing of the elements of highest and best use.

Summary of Sales

Date Sold	Legal Description	Sale Price	Grantee	Grantor
7/29/2022	Block 2 Lot 1 & 2	\$269,997	Shear	Kingdom Investors Kingdom
12/14/2020	Block 3 Lot 8	\$195,000	Stenehjem	Kingdom Investors Kingdom
10/14/2022	Block 4 Lot 32	\$110,000	Schank	Kingdom Investors Kingdom
8/1/2022	Block 4 Lot 13	\$105,000	Wahl	Kingdom Investors Kingdom
8/23/2021	Block 4 Lot 31	\$79,269	Knopik	Kingdom Investors Kingdom
11/23/2022	Block 4 Lot 2	\$78,000	Gerving	Kingdom Investors Kingdom
3/1/2022	Block 4 Lot 34	\$77,999	Knopik	Kingdom Investors Kingdom
9/1/2023	Block 4 Lot 19	\$69,090	Knutson	Kingdom Investors Kingdom
3/12/2022	Block 4 Lot 28	\$66,860	Meidinger	Kingdom Investors Kingdom
3/6/2018	Block 12 Lot 5	\$64,000	Kraft	Kingdom Investors Kingdom
4/28/2021	Block 4 Lot 29	\$62,950	Meidinger	Kingdom Investors Kingdom
4/27/2021	Block 11 Lot 42	\$60,920	Gunwall	Kingdom Investors Kingdom
3/25/2021	Block 4 Lot 27	\$60,890	Owen	Kingdom Investors Kingdom
4/1/2021	Block 4 Lot 18	\$60,830	Burghart	Kingdom Investors Kingdom
9/11/2019	Block 4 Lot 21	\$60,500	Thomas	Kingdom Investors Kingdom
11/23/2022	Block 11 Lot 38	\$60,000	Imhoff	Kingdom Investors Kingdom
4/9/2018	Block 12 Lot 4	\$60,000	Seeger	Kingdom Investors Kingdom
1/28/2021	Block 4 Lot 22	\$59,867	Richter	Kingdom Investors Kingdom
3/6/2018	Block 11 Lot 47	\$58,800	Kilzer	Kingdom Investors Kingdom
10/3/2018	Block 4 Lot 15	\$56,000	Miller	Kingdom Investors Kingdom
3/13/2018	Block 3 Lot 7	\$55,800	Cook	Kingdom Investors Kingdom
12/28/2020	Block 11 Lot 44	\$55,498	Helfrich	Kingdom Investors Kingdom
9/9/2018	Block 11 Lot 32	\$55,000	Rue	Kingdom Investors Kingdom

3/19/2018	Block 4 Lot 3	\$53,800	J. Olson	Kingdom Investors
11/29/2022	Block 11 Lot 40	\$53,171	Kern (LD Holdings)	Kingdom Investors
2/18/2022	Block 11 Lot 36	\$53,114	Binstock/Steckler	Kingdom Investors
3/9/2018	Block 11 Lot 33	\$51,800	Reindel	Kingdom Investors
3/2/2018	Block 11 Lot 46	\$51,800	Storley	Kingdom Investors
4/20/2022	Block 11 Lot 35	\$51,614	Groll	Kingdom Investors
	Block 11 Lot 45	\$51,500	B. Olson	Kingdom Investors
3/16/2018	Block 12 Lot 1	\$51,200	G. Gerving	Kingdom Investors
3/13/2021	Block 11 Lot 34	\$49,991	J. Hoffman	Kingdom Investors
3/12/2018	Block 2 Lot 3	\$49,800	Duttenhefer	Kingdom Investors
8/9/2019	Block 11 Lot 37	\$45,984	Doerr	Kingdom Investors
3/28/2018	Block 3 Lot 4	\$45,800	Baker	Kingdom Investors
10/3/2022	Block 10 Lot 18	\$45,621	Nadvornik	Kingdom Investors
3/9/2018	Block 11 Lot 41	\$43,900	Haugtvedt	Kingdom Investors
9/24/2018	Block 10 Lot 28	\$42,940	J. Reindel	Kingdom Investors
8/31/2022	Block 5 Lot 4	\$42,000	Stedman	Kingdom Investors
4/12/2018	Block 5 Lot 3	\$42,000	Anderson	Kingdom Investors
4/28/2022	Block 10 Lot 15	\$40,500	Gillen	Kingdom Investors
8/25/2021	Block 10 Lot 14	\$40,277	D. Gillen	Kingdom Investors
10/17/2020	Block 10 Lot 20	\$40,170	Richardson	Kingdom Investors
8/31/2020	Block 10 Lot 21	\$40,170	Angel	Kingdom Investors
7/15/2019	Block 5 Lot 4	\$35,000	Anderson	Kingdom Investors
3/9/2018	Block 10 Lot 13	\$34,000	N. Gillen	Kingdom Investors
4/1/2018	Block 10 Lot 23	\$32,800	A. Gillen	Kingdom Investors
2/28/2020	Block 7 Lot 15	\$19,000	Kolling	Kingdom Investors

	Block 9 Lot 2	\$15,000	Wolff	Kingdom Investors
7/9/2021	Block 7 Lot 2	\$20,800	Buxbaum	Kingdom Investors
12/9/2021	Block 7 Lot 4	\$19,750	Johnson	Kingdom Investors
12/9/2021	Block 8 Lot 3	\$21,840	Maki	Kingdom Investors
1/27/2022	Block 7 Lot 14	\$21,840	Stedman	Kingdom Investors
4/1/2022	Block 7 Lot 5	\$21,840	Langanki/Main	Kingdom Investors
8/10/2022	Block 9 Lot 3	\$22,714	Habinger	Kingdom Investors

Sales Discussion

There are some items of note with the compiled sales. First, it must be noted that the sales on the very high end of the range reflect lots that also had residential structures placed on them. Thus, the sale price reflects an improved property rather than only vacant lots. Secondly, the sales on the low end of the range reflect sales of camper parking lots which are vastly smaller and cannot accommodate a permanent residential structure.

The appraiser placed the sale prices of each lot on a plat of the subdivision in order to discern patterns with sale prices versus physical characteristics. Some general patterns that are worth mentioning include lots on the west side of the subdivision which lie adjacent to federal lands. These lots tend to have higher sale prices with the assumption being that there will be no additional lots with homes on them that would hinder the subject lots. Additionally, some of the subject western lots look over Lake Tschida.

Another item of note would be the lots in Block 1 which all sit at a higher elevation and overlook the area as well as having views of the lake.

Date of sale was a consideration in the process of determining an opinion of value and while it was noted that there is a “general” appearance of increasing values, no definite pattern was distinct enough for it to be a large part of valuation.

Finally, the appraiser based the subject lot values on general physical characteristics rather than using a value per square foot of lot size. In general, the larger lots are selling for higher prices but there is no pattern that can be extracted that reflects an adjustment. In other words, buyers will look at the physical characteristics and make a determination without being so specific as to look at each lot size in square feet.

Based on the aforementioned physical characteristics and qualitative analysis, the following is a summary of the opinion of value for the subject lots.

Summary of Subject Lot Opinion of Value (OOV)

Block	Lot	OOV	
1	1	\$57,500	
1	2	\$57,500	
1	3	\$57,500	
1	4	\$57,500	
1	5	\$57,500	
1	6	\$57,500	
1	7	\$57,500	
1	8	\$57,500	
1	9	\$57,500	
1	10	\$57,500	
2	4	\$50,000	
2	5	\$50,000	
2	6	\$50,000	
3	1	\$50,000	
3	2	\$50,000	
3	3	\$50,000	
3	5	\$50,000	
3	6	\$50,000	
3	9	\$50,000	
3	10	\$50,000	
3	11	\$50,000	
3	12	\$50,000	
3	13	\$50,000	
3	14	\$50,000	
4	1	\$65,000	
4	4	\$65,000	
4	5	\$65,000	
4	6	\$65,000	
4	7	\$65,000	
4	8	\$80,000	Size and view
4	9	\$105,000	Size and view
4	10	\$65,000	
4	11	\$65,000	
4	12	\$65,000	
4	14	\$65,000	
4	16	\$65,000	
4	17	\$65,000	
4	20	\$65,000	
4	23	\$65,000	
4	24	\$65,000	

4	25	\$65,000	
4	26	\$65,000	
4	30	\$65,000	
4	33	\$0	Drain ge
5	1	\$42,000	
5	2	\$42,000	
5	5	\$42,000	
5	6	\$42,000	
5	7	\$42,000	
5	8	\$42,000	
5	9	\$42,000	
6	1	\$22,000	
6	2	\$22,000	
6	3	\$22,000	
6	4	\$22,000	
6	5	\$22,000	
6	6	\$22,000	
6	7	\$22,000	
6	8	\$22,000	
6	9	\$22,000	
6	10	\$22,000	
6	11	\$22,000	
6	12	\$22,000	
6	13	\$22,000	
6	14	\$22,000	
6	15	\$22,000	
6	16	\$22,000	
6	17	\$22,000	
6	18	\$22,000	
6	19	\$22,000	
6	20	\$22,000	
6	21	\$22,000	
6	22	\$22,000	
7	1	\$22,000	
7	3	\$22,000	
7	6	\$22,000	
7	7	\$22,000	
7	8	\$22,000	
7	9	\$22,000	
7	10	\$22,000	
7	11	\$22,000	
7	12	\$22,000	
7	13	\$22,000	
7	16	\$22,000	
7	17	\$22,000	

8	1	\$22,000	
8	2	\$22,000	
8	4	\$22,000	
8	5	\$22,000	
8	6	\$22,000	
8	7	\$22,000	
8	8	\$22,000	
8	9	\$22,000	
8	10	\$22,000	
8	11	\$22,000	
8	12	\$22,000	
8	13	\$22,000	
9	1	\$0	Park
9	4	\$22,000	
9	5	\$22,000	
9	6	\$22,000	
10	1	\$42,000	
10	2	\$42,000	
10	3	\$42,000	
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10	26	\$50,000	
10	27	\$50,000	
10	29	\$50,000	
10	30	\$50,000	
10	31	\$50,000	
11	1	\$55,000	
11	2	\$55,000	
11	3	\$55,000	
11	4	\$55,000	
11	5	\$55,000	
11	6	\$55,000	

11	7	\$55,000
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11	10	\$55,000
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11	19	\$55,000
11	20	\$55,000
11	21	\$55,000
11	22	\$55,000
11	24	\$55,000
11	25	\$55,000
11	26	\$55,000
11	27	\$55,000
11	28	\$55,000
11	29	\$55,000
11	30	\$55,000
11	31	\$55,000
11	39	\$55,000
11	43	\$55,000
11	48	\$55,000
11	49	\$55,000
11	50	\$55,000
11	51	\$55,000
11	52	\$55,000
11	53	\$55,000
12	2	\$60,000
12	3	\$60,000
12	6	\$60,000

Total	Lots	163	165 total but 2 omitted for park and drainage
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Total: \$7,261,000

The opinion of value for the subject lots prior to discounting is \$7,261,000.

Absorption Period and Absorption Rate

For these types of projects, it is common and prudent to consider an absorption period. The absorption period is the actual or expected period required from the time a property is initially offered for purchase or use by its eventual users until all portions have been sold or stabilized occupancy has been achieved.

The absorption rate is the rate at which properties for sale or lease have been or are expected to be successfully marketed in a given area; usually used in forecasting sales or leasing activity.

There have been 56 reported lot sales within this subdivision from 2018 until the effective date of this appraisal (7-22-2024). This indicates 9 lot sales per year ($56 \text{ lot sales} / 6.5 \text{ years} = 8.6$, rounded to 9 lot sales per year). This translates into about 18-year period or 9 lot sales per year ($163 \text{ lots} / 9 \text{ lots per year} = 18 \text{ years}$). It must be noted that there was only one lot sale in 2023 and no lot sales yet in 2024 which is most likely an indication of a slowing market due to inflation and higher interest rates. Nonetheless, the subject subdivision has a historic sales ratio of about 9 lots per year.

Subject Absorption Rate: 9 lots per year
Subject Absorption Period: 18 years rounded (163 lots / 9 lots per year)

Discount rate

In real estate investments, capital may be recaptured in many ways. Investment capital may be recaptured through annual income, or it may be recaptured all or in part through disposition of the property at the termination of the investment. It may also be recaptured through a combination of both. If the property value does not change between the time the initial investment is made and the time the property is sold, the investor can recapture all the initial capital invested at property resale at the end of the holding period. Thus, when the initial value is equivalent to resale value, the annual income can all be attributed to the return on capital. If the income has remained level (or constant), the indicated income rate (i.e., the overall capitalization rate) will equal the return on capital.

In yield capitalization the distinction between the return on and the return of capital is more explicit. The yield rate estimated for cash flows determines a specified return on capital. When the capitalization rate is applied to the subject property's income, the indicated value must represent a price that would allow the investor to earn a market rate of return on the capital invested along with the recapture of the capital. Thus, the capitalization rate estimated and applied to value property must reflect or consider a market level of return and return on the initial investment in one calculation.

Various sorts of discount rates are used to discount cash flows applicable to a specific position or interest in defined real estate. Discount rates may or may not be developed in the same way as internal rates of return and may not necessarily consider all expected property benefits.

An equity yield rate is a rate of return on equity capital. It may be distinguished from a rate of return on debt capital, which is usually referred to as an effective mortgage interest rate. The equity yield rate is the equity investor's internal rate of return; it is affected by the amount of financial leverage employed in securing mortgage debt.

In estimating rates, whether it is an income rate or a yield rate, the conversion of income into property value should represent the annual rate of return the market indicates is necessary to attract investment capital. This rate is influenced by many factors:

- The degree of perceived risk
- Market expectations regarding future inflation
- The prospective rates of return for alternative investments
- The rates of return earned by comparable properties in the past
- Availability of debt financing
- The prevailing tax laws

To the extent that the rates of return used in the income capitalization approach represent prospective rates, not historical rates, the market's perception of risk and changes in purchasing power are particularly important. Generally, higher overall capitalization rates (R_o) are associated with less desirable properties, and lower overall capitalization rates with more attractive properties.

The suitability of a particular rate of return cannot be proved with market evidence, but the rate estimated should be consistent with the data available. Rate estimation requires appraisal judgment and knowledge of prevailing market attitudes and economic indicators.

Typically, investors expect to receive a return on capital that represents the time value of money with an appropriate adjustment for perceived risk. The time value of money underlies the accrual of interest on investments. The minimum rate of return on invested capital is sometimes referred to as the safe, riskless, or relatively riskless rate-e.g., the prevailing rate on insured savings accounts or guaranteed government securities. Theoretically, the difference between the total rate of return on capital and the safe rate may be considered a premium to compensate the investor for risk, the illiquidity of invested capital, and other investment considerations.

A discount rate reflects the relationship between income and the value that a market will attribute to that income. The financial and economic concepts implicit in a discount rate are complex and have been the subject of significant analysis for more than a century.

In this appraisal the discount rate applied is the summation capitalization rate. The primary objective is for decision making positions for risk management. A discount rate represents the total expected rate of return that an investor would likely require from a potential investment. The discount rate is directly related to the level of risk; thus, increased risk will result in a higher discount rate.

In our market, it is rare, if ever, that you see an investor purchase an entire residential subdivision. Most often, the developer sells individual lots or blocks of lots. This creates an absence of market extracted discount rates that can be applied to the subject property.

Band of Investment method

To further reflect appropriate investor risk, the band of investment method will be used.

The band of investment method of determining a capitalization rate (also known as the mortgage equity technique) calculates a return to the mortgage as well as a return to the equity portion. This is a technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. In this capital investment, there is a mortgage component and an equity component. The mortgage component is based on typical loan to value ratios and typical market interest rates while the equity component uses an appropriate rate based on other available investments as well as the degree of risk of the investments. The technique is demonstrated as follows:

Analysis of Capitalization Rates (Equity rate)

Typically, multiple properties and property types were used in this portion of the appraisal due to various factors. One factor is the absence of identical property types as the subject. This is true in the case of the subject property due to the changing market dynamics such as interest rates and rates of inflation.

The equity rate utilized in this appraisal is a safe rate of 5.5%. This rate will be the equity rate.

Rate to the mortgage

The rate to the mortgage is determined by typical loan rates as of the effective date of this appraisal (7-22-2024) which were 7.5% to 8.0%. For this type of property (speculation subdivision), there is a 10-year amortization and a 65% LTV. Two analyses will be conducted using the 7.5% and then the 8.0% rate.

```

HP 12c keystrokes
1 CHS PV
7.5i                    8.0i
10n
PMT (result is .1457)  (result is .1490)
  
```

	I (income)	R (rate)	V (value)	R (rate)	V (value)
M (mortgage component)	.65	.1457	.0947	.1490	.0969
E (equity component)	.35	.055	.0193	.055	.0193
T (total)	1.00		.1140		.1162

Whereby, the income to the mortgage is .65, which represents a typical 65% loan to value ratio, and whereby the equity portion is .35, which represents 35% of the total, and whereas the rate to the mortgage is based on 7.5% and 8.0% interest and a 10-year amortization, and whereas the rate to the equity is 5.5% (safe rate). The overall rate is 11.4% and 11.6% rounded.

Discount rate is 11.5%

Future Value Analysis

The subject property, with a total of 163 lots, would have an absorption period of approximately 18 years or 9 lots per month.

\$7,261,000 (Lot value prior to discounting) / 163 lots (subject) = \$44,546 per lot

Discounted Cash Flow			
General Assumptions			
Number of Units:	163	Sale Price:	\$44,546
Sell Out Period (Years):	18	Other Costs/Unit/Period:	\$500
Absorption/Period:	9.05555556	Property Tax/Remaining Unit/Period:	\$350
Annual Price Appreciation Rate:	2.00%	Marketing & Sales:	5.00%
Discount Rate:	11.50%	General Admin. Expense:	3.00%

Period (Years)	1	2	3	4	5	6	7	8	9	10
Development Forecast										
Total Units	163.0	163.0	163.0	163.0	163.0	163.0	163.0	163.0	163.0	163.0
Total Units Sold	9.1	18.1	27.2	36.2	45.3	54.3	63.4	72.4	81.5	90.6
Units Improved & Unsold	153.9	144.9	135.8	126.8	117.7	108.7	99.6	90.6	81.5	72.4
% of Units Sold	6%	11%	17%	22%	28%	33%	39%	44%	50%	56%
Sales Revenue										
Sales per Period	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1
Sale Price	\$44,546	\$45,437	\$46,346	\$47,273	\$48,218	\$49,182	\$50,166	\$51,169	\$52,193	\$53,237
Total Sales Revenue Per Period	\$403,389	\$411,457	\$419,686	\$428,079	\$436,641	\$445,374	\$454,281	\$463,367	\$472,634	\$482,087
Holding Expense										
Other Costs/Unit/Period	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Total Other Costs/Unit/Period	\$76,972	\$72,444	\$67,917	\$63,389	\$58,861	\$54,333	\$49,806	\$45,278	\$40,750	\$36,222
Property Tax/Remaining Unit/Period	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350
Total Property Tax/Remaining Unit/Period	\$53,881	\$50,711	\$47,542	\$44,372	\$41,203	\$38,033	\$34,864	\$31,694	\$28,525	\$25,356
Holding Expense Per Period	(\$130,853)	(\$123,156)	(\$115,458)	(\$107,761)	(\$100,064)	(\$92,367)	(\$84,669)	(\$76,972)	(\$69,275)	(\$61,578)
Sales Expense										
Marketing & Sales	\$20,169	\$20,573	\$20,984	\$21,404	\$21,832	\$22,269	\$22,714	\$23,168	\$23,632	\$24,104
General Admin. Expense	\$12,102	\$12,344	\$12,591	\$12,842	\$13,099	\$13,361	\$13,628	\$13,901	\$14,179	\$14,463
Sales Expense Per Period	(\$32,271)	(\$32,917)	(\$33,575)	(\$34,246)	(\$34,931)	(\$35,630)	(\$36,343)	(\$37,069)	(\$37,811)	(\$38,567)
Net Revenue	\$240,265	\$255,384	\$270,652	\$286,072	\$301,646	\$317,377	\$333,269	\$349,325	\$365,549	\$381,942
Discount Factor	0.8969	0.8044	0.7214	0.6470	0.5803	0.5204	0.4667	0.4186	0.3754	0.3367
Present Value	\$215,484	\$205,421	\$195,248	\$185,087	\$175,034	\$165,168	\$155,550	\$146,228	\$137,237	\$128,602

11	12	13	14	15	16	17	18	Total
163.0	163.0	163.0	163.0	163.0	163.0	163.0	163.0	
99.6	108.7	117.7	126.8	135.8	144.9	153.9	163.0	
63.4	54.3	45.3	36.2	27.2	18.1	9.1	0.0	
61%	67%	72%	78%	83%	89%	94%	100%	
9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	163.0
\$54,301	\$55,387	\$56,495	\$57,625	\$58,778	\$59,953	\$61,152	\$62,375	
\$491,729	\$501,563	\$511,595	\$521,826	\$532,263	\$542,908	\$553,766	\$564,842	\$8,637,487
\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	
\$31,694	\$27,167	\$22,639	\$18,111	\$13,583	\$9,056	\$4,528	\$0	\$679,167
\$350	\$350	\$350	\$350	\$350	\$0	\$0	\$0	
\$22,186	\$19,017	\$15,847	\$12,678	\$9,508	\$6,339	\$3,169	\$0	\$475,417
(\$53,881)	(\$46,183)	(\$38,486)	(\$30,789)	(\$23,092)	(\$15,394)	(\$7,697)	\$0	(\$1,154,583)
\$24,586	\$25,078	\$25,580	\$26,091	\$26,613	\$27,145	\$27,688	\$28,242	\$348,799
\$14,752	\$15,047	\$15,348	\$15,655	\$15,968	\$16,287	\$16,613	\$16,945	\$209,279
(\$39,338)	(\$40,125)	(\$40,928)	(\$41,746)	(\$42,581)	(\$43,433)	(\$44,301)	(\$45,187)	(\$558,078)
\$398,510	\$415,255	\$432,181	\$449,291	\$466,590	\$484,081	\$501,768	\$519,654	\$6,924,826
0.3020	0.2708	0.2429	0.2178	0.1954	0.1752	0.1572	0.1409	
\$120,342	\$112,465	\$104,977	\$97,877	\$91,162	\$84,824	\$78,855	\$73,243	

Indicated Market (Present) Value: **\$2,472,805**

Rounded: **\$2,473,000**

Value per Unit: **\$15,172**

The opinion of value arrived at for the subject from the sales comparison approach (prior to discount) is \$7,261,000.

The opinion of value arrived at for the subject from the sales comparison approach (after discount) is \$2,473,000

INCOME APPROACH TO VALUE

The Income Approach to an opinion of value is concerned with present value of future benefits of property ownership.

Sales are analyzed and assigned income and expense estimates and from these numbers, a capitalization rate is extracted based on the sale price of the property. Actual and accurate income/expense figures are not always readily available for each property and are therefore assigned numbers based on market data that is obtained from different sources.

The subject property is of a type and nature whereby it is typically not purchased for its ability to generate an ongoing income stream. Therefore, this approach to value was not utilized in this appraisal. While it is admitted that the owners are receiving rental income from the leasing of some lots, that income is offset by other costs associated with the resort such as property manager and maintenance of the subdivision community lodge.

CORRELATION AND FINAL OPINION OF VALUE

Opinion of value prior to discounting

Based on the data contained in this report, the following opinions of value have been made:

OPINION OF VALUE BY THE SALES COMPARISON APPROACH:	\$7,261,000
OPINION OF VALUE BY COST APPROACH:	N/A
OPINION OF VALUE BY INCOME APPROACH:	N/A

Opinion of value after discounting and holding costs

OPINION OF VALE BY THE SALES COMPARISON APPROACH:	\$2,473,000
OPINION OF VALUE BY COST APPROACH:	N/A
OPINION OF VALUE BY INCOME APPROACH:	N/A

Correlation involves analyzing and interpreting the information gathered and arriving at a final opinion of value. Three basic approaches to value were utilized in this report and the adequacy and reliability of the information in each of these approaches determine to a large extent the importance given to each approach at arriving at a final opinion of value.

The Sales Comparison Approach to an opinion of value is a process of comparing market data; that is, prices paid for similar properties, prices asked by owners and offers made by prospective purchasers or tenants willing to buy or lease. The Sales Comparison Approach is also based on the principle of substitution, which in this approach implies that a prudent person will not pay more to buy or rent a property than it will cost to buy or rent a comparable substitute property. The Sales Comparison Approach to value is direct and easily understood. Its application is difficult only for types of property for which comparable sales data is not available or where excessive adjustments are necessary.

The Cost Approach presumes replacing (or reproducing) the improvements at current cost on land at its present value and then allowing for depreciation based on age and condition of the improvements. Functional and economic obsolescence are also generally considered in this approach. The principle of substitution is basic to the Cost Approach in that no prudent person will pay more for a property than the amount for which a property can be obtained by purchase of a site, and construction of similar improvements, without undue delay, such property being of

equal desirability and utility. Consequently, the replacement cost new and/or reproduction cost new, prior to any deduction for depreciation, plus land value tends to set the upper limit of value for a subject property.

The Income Approach to an opinion of value is concerned with present value of future benefits of property ownership. This is generally indicated by the net income which a fully informed person is warranted in assuming the property will produce during its remaining useful life or holding period. In this appraisal, the technique used was the direct capitalization method which is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. It is a capitalization technique that employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

In reviewing the information gathered and analyzed within the Sales Comparison Approach (Subdivision Analysis) to value would receive the primary consideration; the reason for this being that the information contained in this approach best reflects the current economic activity and conditions in this area.

FINAL OPINION OF VALUE (prior to discount):	\$7,261,000
FINAL OPINION OF VALUE (after discount)	\$2,473,000

QUALIFICATIONS
WADE M BACHMEIER
Real Estate Appraising

EDUCATION

2022	McKissock-The Cost Approach	7 hrs
2022	McKissock-That's a Violation	4 hrs
2022	McKissock: Introduction to Expert Witness Testimony for Appraisers	4 hrs
2022	McKissock-Complex Properties: The Odd Side of Appraisal	7 hrs
2022	McKissock-Appraisal of Fast-Food Facilities	7 hrs
2022	Native Homeownership: Appraising Residential Property on Tribal Lands	7 hrs
2022-2023	McKissock: USPAP Update	7 hrs
2020	McKissock: USPAP Update	7 hrs
2017	ND Appraisal Board: USPAP Update	7 hrs
2015	ND Appraisal Board USPAP Update	7 hrs
2015	ND Appraisal Board Most Common USPAP Violations, Part II	3 hrs
2013	ND Appraisal Board USPAP Update	7 hrs
2013	Kaplan Professional Schools: Statistics, Modeling and Finance	15 hrs
2012	APPRAISAL INSTITUTE Condemnation Appraising: Principles and Applications	15 hrs
2011	The Appraisal Foundation Fair Value Measures Including Mark to Market (A Focus on Financial Reporting Under IFRS, March 16, 2011)	1.5 hrs
2010	Trans-American Institute of Professional Studies, Inc Enhancing Professionalism In Appraisal Practice	8 hrs
2010	USFMRA Cost Approach to Value	8 hrs
2010	USFMRA USPAP Update	7 hrs
2007	APPRAISAL INSTITUTE General Applications	40 hrs.
2006	APPRAISAL INSTITUTE Income Capitalization	40 hrs
2006	APPRAISAL INSTITUTE Apartment Appraisals	15 hrs
2006	PROSOURCE APPRAISAL 100: Introduction To Construction Principles	15 hrs
2006	PROSOURCE APPRAISAL 101: Introduction To Appraisal Principles I	15 hrs
2006	PROSOURCE APPRAISAL 102: Introduction To Appraisal Principles II	15 hrs
2006	PROSOURCE APPRAISAL 103: Introduction To Appraisal Practices I	15 hrs
2006	PROSOURCE APPRAISAL 104: Introduction To Appraisal Practices II	15 hrs
2006	UNIFORM APPRAISAL STANDARDS FOR FEDERAL LAND ACQUISITIONS: Practical Applications for Fee Appraisers	15 hrs
2004	ASFMRA Ranch Appraisal	8 hrs.
2003	ND APPRAISAL BOARD Scope of Work	7 hrs
DESIGNATIONS	ND CERTIFIED GENERAL APPRAISER PERMIT #CG-2902 ND REAL ESTATE BROKER-NORTH DAKOTA #8318 SD CERTIFIED GENERAL APPRAISER PERMIT #1288CG SD REAL ESTATE BROKER-SOUTH DAKOTA #11666	

WORK EXPERIENCE

2009 TO PRESENT	Certified General Appraiser
2003 TO 2009	Apprentice Real Estate Appraiser
1990 TO PRESENT	Real Estate Sales and Brokerage



ADDENDUM