

Summary
APPRAISAL REPORT

Of Certain Potential Land Banking Sale Parcels

Sale ID #'s 120, 259, and 121
Beaverhead County, Montana

Prepared for:

**Montana Department of Natural Resources and Conservation
&
Montana Board of Land Commissioners**

As of:

September 17, 2008

Prepared by:

Kevin T. Pearce, ARA
Certified General Appraiser, MT #63 & WY #436
&
Tracey S. Pearce
Appraiser Trainee, MT #926



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September 26, 2008

Tom Konency, Appraiser
MT Department of Natural Resources and Conservation
PO Box 201601
Helena, MT 59620 - 1601

Re: Beaverhead County Parcels #120, #259 & #121 Appraisal - Land Banking Program

Dear Mr. Konency:

In accordance with your instructions, we have conducted and prepared an appraisal of those certain properties identified herein as Beaverhead County Parcels #120, #259, and #121 that are being considered for sale through the Montana DNRC Land Banking program. Parcel #120 and #259 are located about eight miles northwest of Wisdom and Parcel #121 is located about seven miles east of Dillon. All parcels are vacant, structurally unimproved tracts of native rangeland and dry pasture land.

The appraisal prepared for you is deemed to be a complete appraisal that is presented herein as a narrative Summary Appraisal Report. The objective of this analysis was to estimate the Market Value of the real property for your use in consideration of the potential sale of said subject properties. The effective date of value shall be September 17, 2008, the date of our property inspection. As you requested, each of the three parcels are appraised separately and with the hypothetical condition that all tracts possess legal access. Our market research did not reveal any current market data of similar landlocked parcels from the defined market area, and therefore, the "as is" value of the property without legal access could not be determined. The resulting appraised values with the assumed legal access are shown below.

Sale ID #120:	640.00 acres	\$320,000.00
Sale ID #259:	40.00 acres	\$20,000.00
Sale ID #121:	640.00 acres	\$384,000.00

We herewith deliver to you one original written report complete with addenda and one electronic PDF document on CD that does not contain the addenda sale information. Each report contains 44 numbered pages plus maps, exhibits, and the addenda. We hereby certify that we have no interest, present or prospective, in the herein described property and that our employment is in no way contingent upon the amount of appraised valuation. We certify that our opinion is based on a study and analysis of the data obtained, and our appraisal education, experience, and knowledge of local real estate values.

Respectfully submitted,

Tracey S. Pearce
Appraiser Trainee, MT #926

Kevin T. Pearce, ARA
Accredited Rural Appraiser, #1081
Certified General Appraiser, MT #63 & WY #436

I. INTRODUCTION

A. Summary, Salient Points, and Conclusion

<u>Property Owner:</u>	State of Montana State Trust Land
<u>Property Location:</u>	Sale ID #120 and #259 are located approximately eight air miles northwest of Wisdom, MT and Sale ID #121 is located seven air miles east of Dillon, MT.
<u>Client and Intended User:</u>	The clients and intended users for this assignment shall be the State of Montana, the Montana Board of Land Commissioners and the Montana Department of Natural Resources and Conservation (DNRC).
<u>Appraisers:</u>	<p>Tracey S. Pearce, Appraiser Trainee NEW FRONTIER RANCHES, INC. 111 N. Main Street - PO Box 469 Twin Bridges, MT 59754 (406) 684-5850</p> <p>Kevin T. Pearce, ARA NEW FRONTIER RANCHES, INC. 111 N. Main Street - PO Box 469 Twin Bridges, MT 59754 (406) 684-5850</p>
<u>Purpose of the Appraisal:</u>	To estimate the current fair market value of the real property for use in the clients' decision making process concerning the potential sale of the subject properties.
<u>Estate Appraised:</u>	The surface fee ownership reduced by any easements, etc. of record and excepting specific valuation of mineral, water, and timber rights, (if any) free and clear of encumbrances and liens.
<u>Effective Date of Appraisal:</u>	September 17, 2008

Property Description:

Sale ID #120 consists of 640 acres of native rangeland pasture located eight miles northwest of Wisdom in the Big Hole Valley. Sale ID #259 is located adjacent to Sale ID #120 and consists of 40 acres of native rangeland. Sale ID #121 is located seven miles east of Dillon in Beaverhead County and consists of 640 acres of native rangeland pasture. Each of the individual parcels are identified and appraised separately herein.

Highest and Best Use:

Recreational Agriculture

Valuation Conclusion:

Sales Comparison Approach:

Sale ID #121:	640.00 acres	\$384,000.00
Sale ID #120:	640.00 acres	\$320,000.00
Sale ID #259:	40.00 acres	\$20,000.00

B. Authorization and Scope of Work Outline

The appraisers were authorized and instructed to prepare an appraisal of the subject property by Mr. Tom Konency, Appraiser, Montana DNRC via written contract signed June 30, 2008.

The current Uniform Standards of Professional Appraisal Practice (USPAP) Scope of Work Rule requires that for each appraisal assignment, an appraiser must:

1. identify the problem to be solved;
2. determine and perform the scope of work necessary to develop credible assignment results; and
3. disclose the scope of work in the report.

The appraiser must properly identify the problem to be solved in order to determine the appropriate Scope of Work. Scope of Work includes but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal problem to be solved. In an appraisal assignment identification of the problem to be solved requires the appraiser to identify the following assignment elements:

- client and any other intended users;
- intended use of the appraiser's opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics; and
- assignment conditions.

The Scope of Work must include the research and analyses that are necessary to develop credible assignment results. The Scope of Work is acceptable when it meets or exceeds:

- the expectations of parties who are regularly intended users for similar assignments; and
- what an appraiser's peers' actions would be in performing the same or a similar assignment.

The following pages of this report are intended to contain sufficient information to allow the intended user(s) to understand the Scope of Work performed and the subsequent appraisal process.

C. Client(s) and Intended User(s) of the Report

The clients and intended users are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).

D. Purpose and Intended Use of the Appraisal

The purpose of this appraisal is to provide the clients with a credible opinion of current fair market value of the appraised subject property and is intended for use in the clients' decision making process concerning the potential sale of said subject properties.

For the purpose of this assignment, the definition of market value shall be that as defined in 70-30-313 Montana Code Annotated:

"Current fair market value is the price that would be agreed to by a willing and informed seller and buyer, taking into consideration, but not limited to, the following factors:

- 1.) the highest and best reasonably available use and its value for such use, provided current use may not be presumed to be the highest and best use;
- 2.) the machinery, equipment, and fixtures forming part of the real estate taken; and
- 3.) any other relevant factors as to which evidence is offered."

E. Competency Provision

The Uniform Standards of Professional Appraisal Practice requires that prior to accepting an appraisal assignment the appraiser must properly identify the appraisal problem to be addressed and have the knowledge and experience necessary 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 appraisal presented herein is developed and conducted by Tracey S. Pearce, Appraiser Trainee and Kevin T. Pearce, Mentor. Tracey S. Pearce possesses Montana Real Estate Trainee License #926 and has been involved in the real estate sales and appraisal fields for ten years. Kevin T. Pearce has been appraising ranch and rural properties for more than 23 years and holds General Appraisal Certificates for the States of Montana (#63) and Wyoming (#436). Mr. Pearce is one of only twenty active Accredited Rural Appraisers (ARAs) in Montana and has worked extensively in southwestern Montana with emphasis on appraising farm, ranch, recreational, and rural residential properties.

The appraisers signing this appraisal report certify that they have the knowledge and experience to complete this assignment competently in accordance with the Competency Provision of USPAP. Please refer to the complete Appraisers' Qualifications that are placed in the addenda of this report. No one else has provided significant assistance to the appraisers unless noted in this report.

F. Effective Date of the Appraisal

The property was inspected and photographed on September 17, 2008 by Tracey S. Pearce and Kevin T. Pearce. The effective date of this appraisal shall be September 17, 2008, the date of the property inspection.

G. Date of the Report

This appraisal was conducted and prepared during the month of September 2008. The appraisal report was completed and signed on September 26, 2008.

H. Property Interest Appraised

The property interest being appraised herein is the real property's surface fee estate reduced by any easements, etc., of record and excepting specific valuation of mineral, water, and timber rights, (if any) free and clear of encumbrances and liens. The sub-surface mineral rights are not appraised herein.

I. Ownership and Sales History

As of the specific date of valuation, the three parcels are owned by the State of Montana as State Trust Lands.

J. Subject of the Appraisal

The properties being appraised herein consist of three parcels located in Beaverhead County. Two of the parcels are located in the Big Hole Valley approximately eight miles northwest of Wisdom and the other parcel is located approximately seven miles east of Dillon. The appraised property consists of the real property only; no personal property, trade fixtures, furniture, or equipment is included in this report unless specifically noted. The real property appraised herein shall not include any structural improvements, buildings, utilities, and/or site improvements existing on the property as of the date of valuation as these are considered the property of the current Lessee.

The properties are identified below.

Beaverhead County, Montana

Sale Parcel ID	Legal	Location	Acres
#120	All of Section 16	T2S-R16W-Section 16	640
259	NW1/4NW1/4	T2S-R16W-Section 15	40
121	All of Section 16	T7S-R7W-Section 16	640

K. Exposure Time

Current appraisal standards require an appraiser to estimate the reasonable exposure time and the normal marketing period for the property being appraised. According to USPAP SMT-6, ***Exposure Time*** can be defined 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."

Exposure time can be different for various types of property and under various market conditions. The overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable effort. Exposure time is always presumed to occur prior to the effective date of the appraisal but is not intended to be a prediction of a date of sale. Instead it is an integral part of the analyses conducted during the appraisal process and can be based on one or more of the following: statistical information about days on the market; information gathered through sales verification; and interview of market participants. It is a function of price, time, and use, not an isolated opinion of time alone.

USPAP AO-7 states that a reasonable **Marketing Period** is “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.” Like exposure time, the estimated marketing period can be expressed as a range and can be based on one or more of the following: statistical information about days on the market; information gathered through sales verification; interviews of market participants, and anticipated changes in market conditions. The reasonable marketing period is a function of price, time, use, and anticipated market conditions, such as changes in the cost and availability of funds, and is not an isolated opinion of time alone.

This report and the concluded market value of the subject property is based on an exposure time of approximately six to eighteen months which is also considered to be appropriate as a reasonable marketing period on the open market for similar properties. This is based on an analysis of current sales and listings of similar properties in the local and surrounding market area.

L. Hypothetical Conditions

The subject properties are all owned by the State of Montana and are currently leased to the neighboring ranches owned by Erb Livestock or Jay Lyndes for livestock grazing use. For the purpose of this appraisal, the client has instructed us to appraise them under the Hypothetical Condition that they are in private ownership and thus could be sold on the open market for their Fee Simple value and with the Hypothetical Condition that they are not under any current lease agreements.

All of the individual parcels are landlocked by the neighboring ranches, Erb Livestock or Jay Lyndes, and lack legal public access. The client has instructed us to appraise the properties under the Hypothetical Condition that they do possess unrestricted legal access.

M. Scope of Work Performed

In preparing the appraisal presented herein, we visually inspected and photographed the subject property on September 17, 2008. Cal Erb directed us to Sale ID #120 and #259 and John Erb showed us to Sale ID #121. Background information on the subject property was subsequently gathered from several sources that include the state lands managers, and personnel associated with governmental agencies including the County Assessor, the County Clerk and Recorder, the USDA Farm Service Agency, the Department of Natural Resources, plus a personal knowledge of the local and surrounding area.

The immediate and surrounding area was researched and analyzed to determine sales activity, emerging and historic trends, and any market factors that may be specific to the subject property and the surrounding market area. Information on comparable vacant land and improved property sales and rents was gathered, confirmed, and analyzed. This data was gathered and confirmed

with sources familiar to the transaction (such as buyers, sellers, brokers, appraisers, attorneys, and/or closing agents) to the best of our ability. Montana is a non-disclosure state where the sale prices and terms of these transactions are not public information.

The sales comparison, cost, and income approaches to value were considered. To develop our opinion of value, we performed a complete appraisal process where we used all applicable approaches to value and the value conclusion reflects all known information about the subject property, the market conditions, and all pertinent available data.

The ***Summary Appraisal Report*** presented herein is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP) for a Summary Appraisal Report. As such, it presents a summary discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in our work file. The depth of discussion contained in this report is specific to the need of the client and to the intended use and intended users stated herein. We are not responsible for unauthorized use of this report.

II. SITE ANALYSIS

A. General Location

Sale ID #120 and #259 are located in Beaverhead County approximately eight air miles northwest of Wisdom, MT in the Big Hole Valley and approximately two miles south and east of the North Fork of the Big Hole River. Sale ID #121 is located about seven air miles east of the town of Dillon, MT just north of the Sweetwater Road in the foothills of the Ruby Mountain Range.

This southwestern portion of Montana is served by a relatively good system of primary and secondary roads. Dillon (population 4,106) serves as the immediate trade center for the area and is situated along Interstate 15, a primary north-south route through the western United States. Butte, 31,937 residents, is approximately 65 miles north of Dillon via I-15 and Bozeman, Montana's fourth largest city with 37,981, the home of Montana State University, is approximately 125 miles north east of Dillon via Highway 41 and I-90. Idaho Falls, located about 130 miles south of Dillon via I-15, is the third largest city in Idaho with 52,786 residents.

Dillon has a community airport, railroad and passenger bus service. The nearest commercial air service is available in Butte, Bozeman, or Idaho Falls.

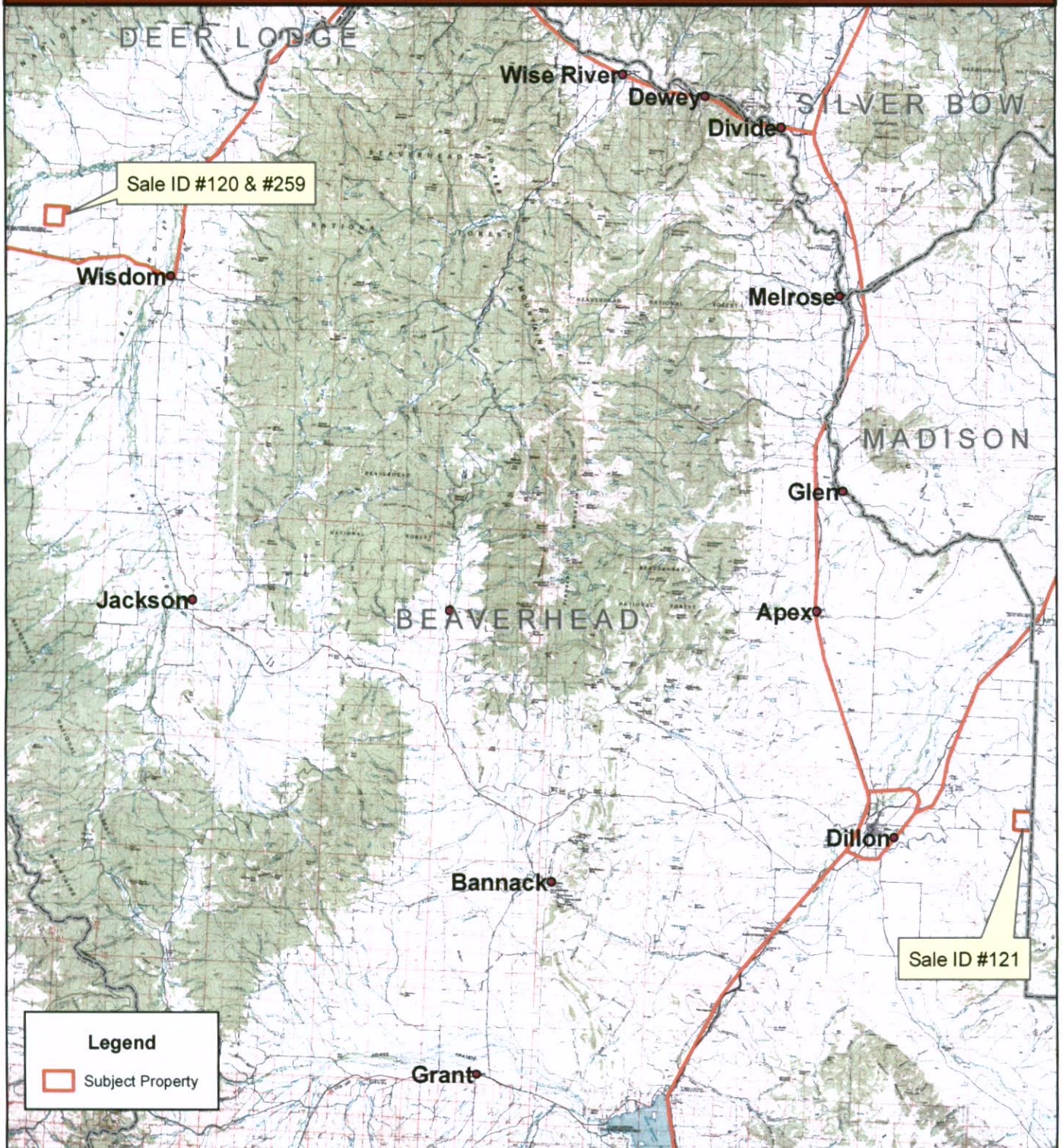
B. Area and Community Data

Montana is one of the most sparsely populated states in the U.S. The state's population of 957,861 residents is spread across 145,388 square miles which projects an average of approximately 6.6 residents per square mile.

Wisdom, a small town with about 100 residents, is situated at the junction of MT Hwy 278 and MT Hwy 43 which provides a connecting route between the Bitterroot and Big Hole River valleys. Wisdom provides basic services consisting of a post office, restaurant, café, service station, church, and grade school. Dillon, the county seat of Beaverhead County, serves as the community center for the southwestern portion of Montana and the surrounding area.

Dillon is located along Interstate 15, a primary north-south route through the western United States. According to the 2007 U.S. Census Estimate, Beaverhead County has a population of 8,804 residents and Dillon, the largest city in Beaverhead County, has a population of 4,106. Dillon is the primary trade center in the area and provides all necessary services such as public schools, medical facilities, professional and technical services, churches, governmental entities, and complete shopping outlets for nearly all consumer goods. Dillon is also home to the University of Montana - Western. Expanded services, extensive shopping facilities, commercial air service, and numerous cultural events can be found in Butte, Bozeman or Idaho Falls.

DNRC State Trust Lands - Proposed Sales ID #120, #121, #259 Area Map



SCALE:
1:485,888

1 inch equals 7.668684 miles

0 2.5 5 10
Miles

New Frontier Ranches, Inc 2008 - For visual reference only; accuracy not warranted.



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C. Site Access

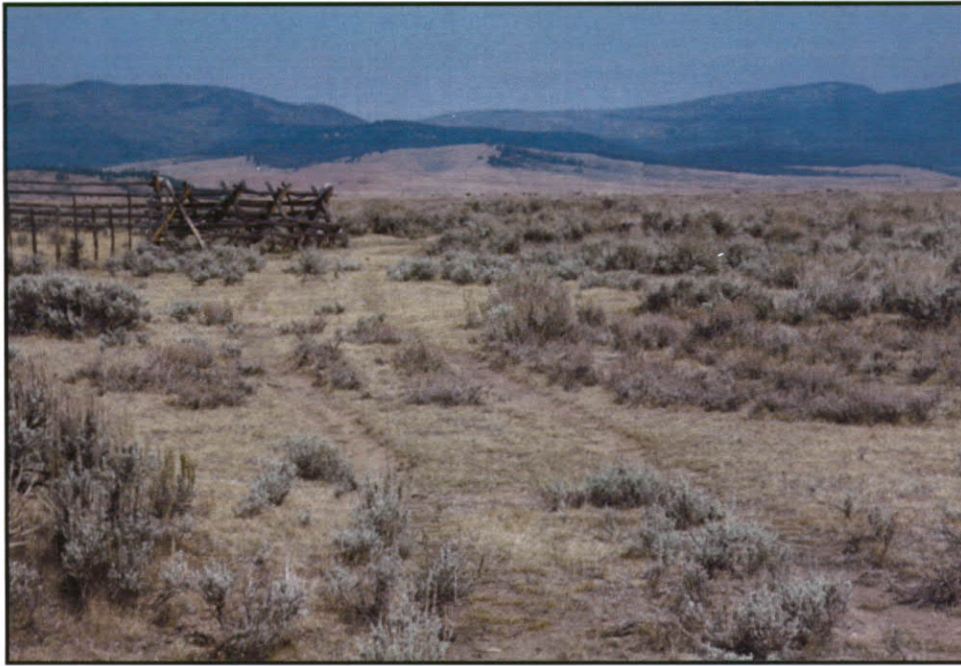
Sale ID #120 and #259 are located approximately eight air miles northwest of Wisdom. From Wisdom, Montana Highway 43 travels west to the Montana-Idaho border. Access from Wisdom to these parcels is gained by traveling west for three miles along Highway 43 and then heading north on the Upper North Fork Road for approximately two and half miles. The subject properties are then located two miles west of the Upper North Fork Road. There are no public access roads; travel was across the private land of Erb Livestock, one of the current Lessees.

Sale ID #121 is located seven miles east of Dillon off of the Sweetwater Road, a Beaverhead County road. From the Sweetwater Road, Sale ID #121 is located approximately one half mile north and access was gained by crossing the private land of John and Phyllis Erb, the current Lessee. There are no legal public access roads to the subject properties, and at the direction of the client, the properties are being appraised herein under the Hypothetical Condition that they possess legal access. The physical access for each property will be discussed within the description of each individual parcel.

D. Subject Property Features

As indicated, the subject properties consist of three parcels located west and east of Dillon, MT. At the direction of the client each of the individual parcels will be identified, described, and appraised separately in the following pages of this report.

Overall, the properties being appraised consist of dry native rangeland at an elevation of approximately 5,500 feet above sea level for Sale ID #121 and 6,200 feet above sea level for the Sale ID #120 and #259. The vegetation consists of several species of native grasses and some sagebrush. The parcels are surrounded by privately owned ranch lands and have historically been leased for their grazing rights by the surrounding ranch land owners.



Two-track trail leading into Sale ID #120 near the southwest corner

1.) *Sale ID #120* *T2S-R16W; Sect 16; All - 640 acres*

Sale ID #120 is located northwest of Wisdom in the Big Hole Valley about two miles west of the Upper North Fork Road. From the Upper North Fork Road, physical access was via an unimproved two-track trail across the private land of Erb Livestock for nearly three miles. The subject property is bordered to east and south by Erb Livestock and to the north and west by Jay Lyndes. The parcel's topography is open, rolling native rangeland with small draws and coulees that course easterly across the property. The vegetation consists of native grasses and scattered sagebrush with no tree cover. There are no structural improvements other than the cross fencing that divides the property in half for the two Lessees. Snow melt and excess irrigation water from the Lyndes property in the spring and natural springs located on the subject property fill potholes and provide year-round stock water. According to the DNRC Environmental Assessment, there is a stock water right No. 41D 137201 filed for the subject property. The subject has good views of the Beaverhead Mountains to the west, the Pintlar Mountains to the north, and Pioneer Mountains to the east.



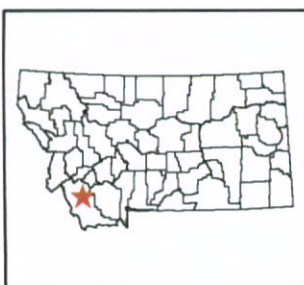
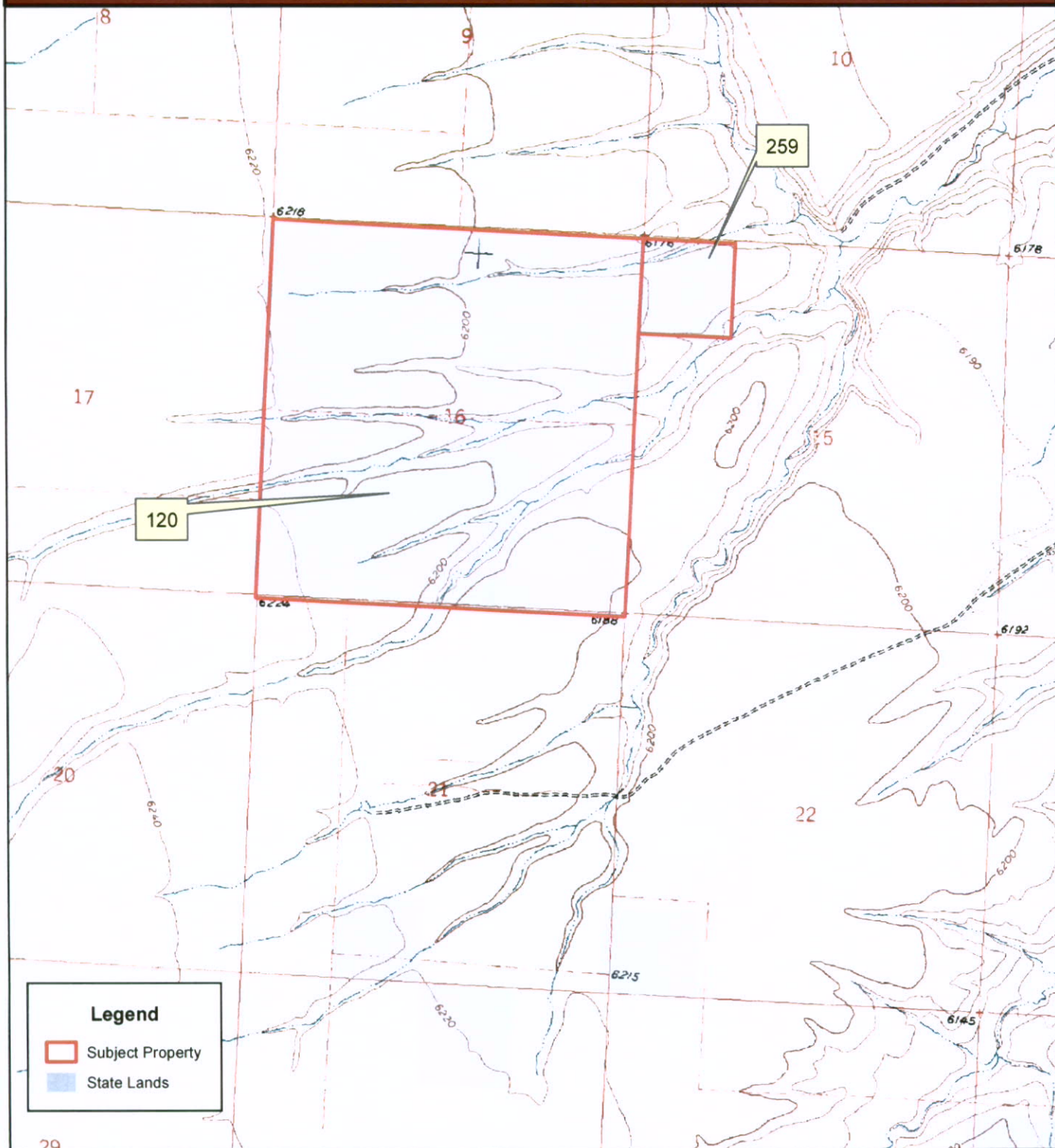
Spring fed pothole located on Sale ID #120



Looking north across a draw on Sale ID #120 with the Pintlar Mtns in background

DNRC State Trust Lands - Sale ID #120 & #259

Beaverhead County, Montana



SCALE:
1:24,000

1 inch equals 0.378788 miles

0 0.25 0.5 1 Miles

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Looking north across Sale ID #259

2.) *Sale ID #259* *T2S-R16W; Sect 15; NW1/4NW1/4 - 40 acres*

Sale ID #259 is located adjacent to the northeast boundary of Sale ID #120 and is bordered on all other sides by Erb Livestock. There are no physical access roads to the property; access was gained by driving “cross country” across Sale ID #120. The overall terrain is similar to Sale ID #120 with mostly level rangeland and a couple small draws with vegetation of native grasses and some scattered sagebrush. There is some fencing on the property but no other structural improvements were observed. Sale ID #259 appears to have no significant live water on it. It has the same similar views of the Beaverhead, Pintlar, and Pioneer Mountain Ranges as Sale ID #120.



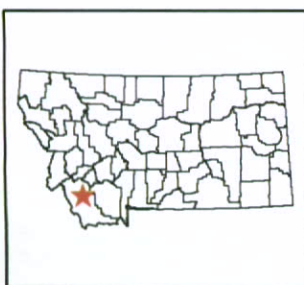
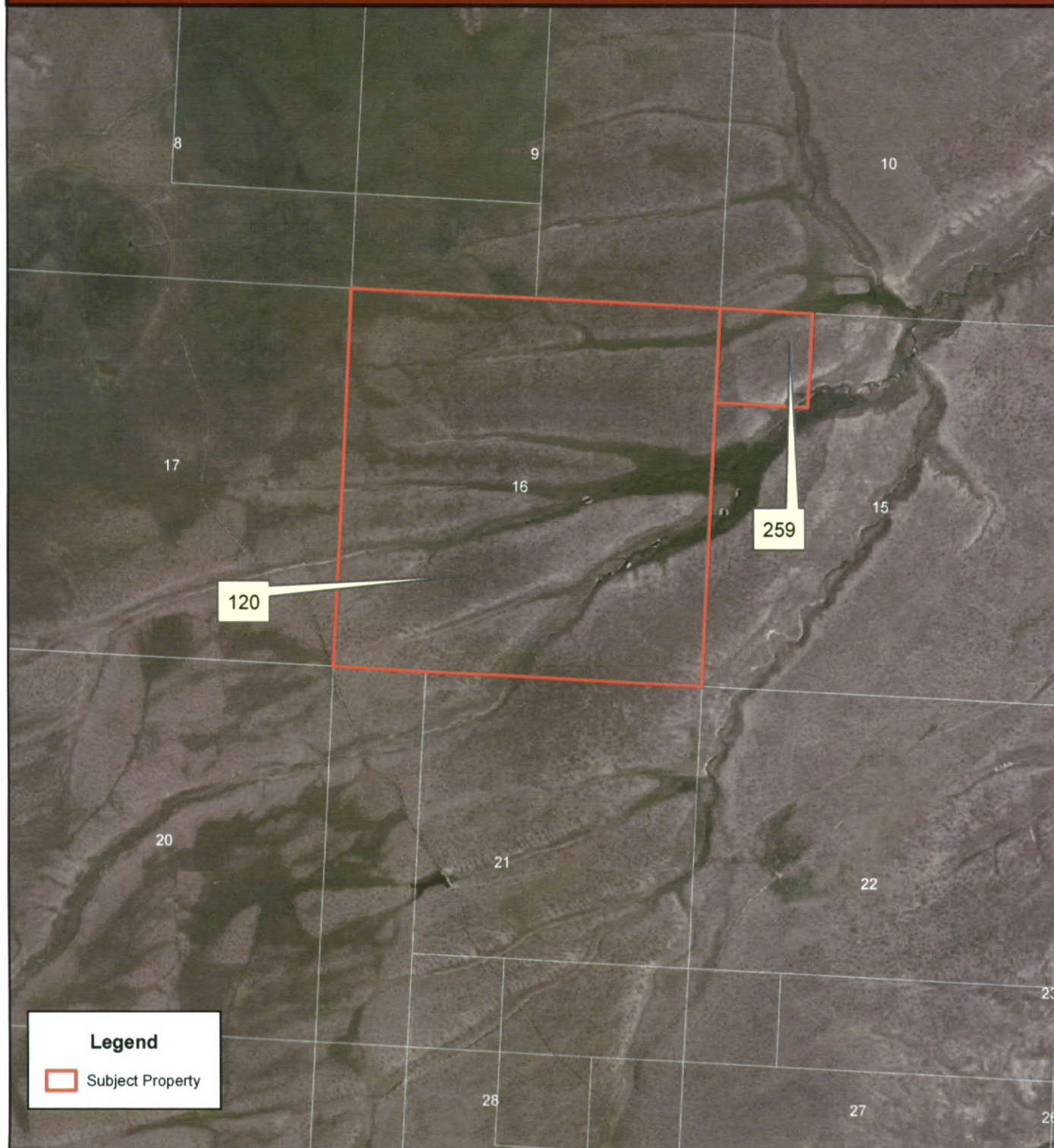
Looking towards the southeast corner of Sale ID #259



Looking northeast along a cross fence on Sale ID #259

DNRC State Trust Lands - Sale ID #120 & #259

Beaverhead County, Montana



SCALE:
1:24,000

1 inch equals 0.378788 miles

0 0.25 0.5 1 Miles

New Frontier Ranches, Inc 2008 - For visual reference only; accuracy not warranted.



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Two track trail leading into Sale ID #121 at the southwest corner

3.) *Sale ID #121 T7S-R7W; Sect 16; All - 640 acres*

Sale ID #121 is located approximately seven air miles east of Dillon at the Beaverhead and Madison County boundary along the Sweetwater Road. Physical access was gained by traveling from the Sweetwater Road for about a half mile north along a two-track trail over the private land of John and Phyllis Erb, the current Lessee. The property is bordered to the north and west by Erb, to the south by Ruby Dell Ranch, and across the Beaverhead/Madison County line to the east by Helle Livestock.

The parcel consists of entirely open, gently rolling and undulating, dry native rangeland. Vegetation consists of native grasses and some scattered sagebrush but no tree cover. Structural improvements include some fencing and cross fencing and buried water lines and rubber stock tanks that were installed by the Lessee. The stockwater system is fed by a drilled well located on the adjoining private land owned by Erb. There are good views of the surrounding agricultural lands and the Ruby Range to the east and Pioneer Mountain Range to the west. There does not appear to be any significant live water on this property.



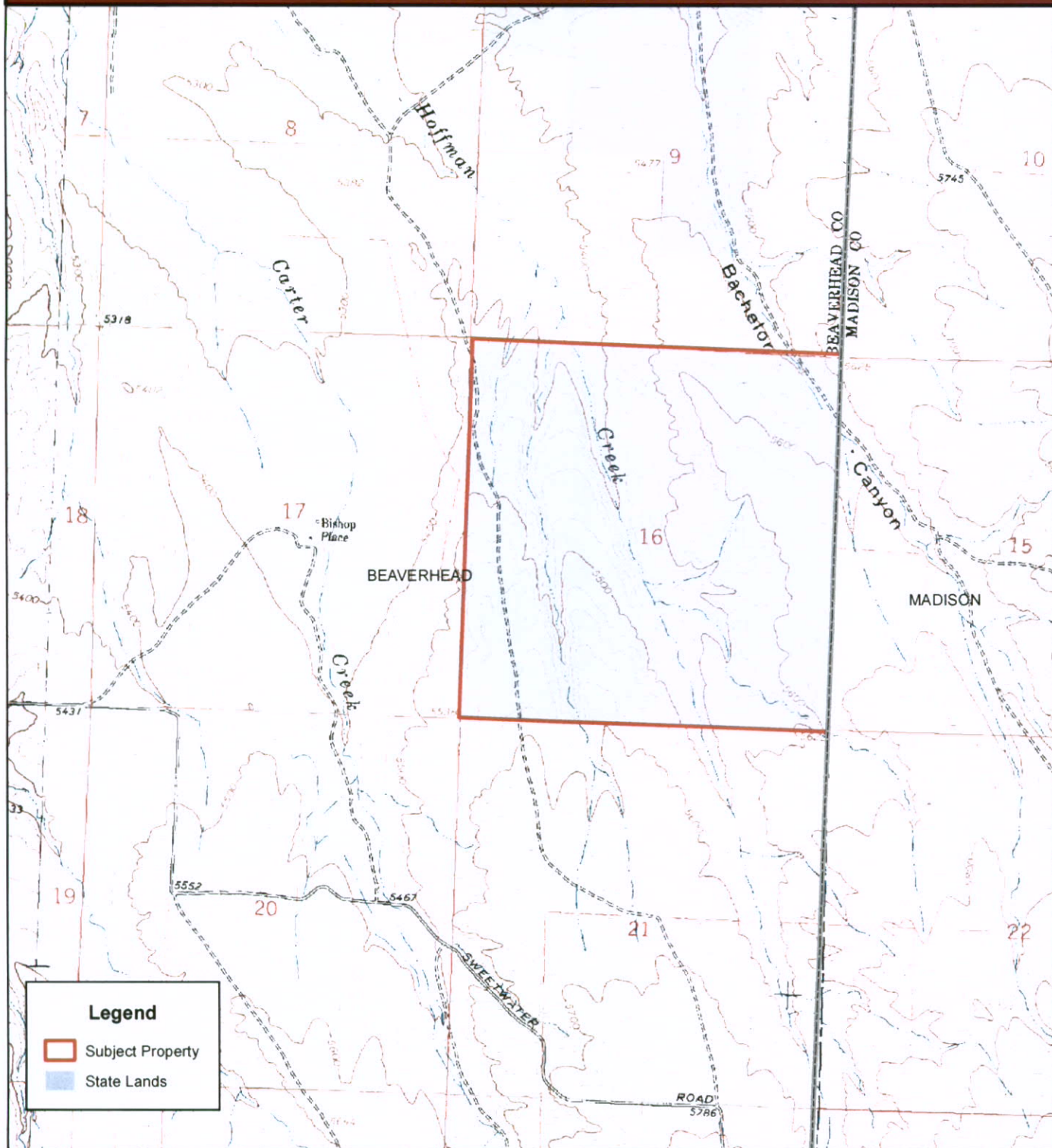
Looking east across Sale ID #121 with one of the Lessee's water tanks in foreground



Northward view down the draw of Sale ID #121

DNRC State Trust Lands - Sale ID #121

Beaverhead County, Montana



SCALE:
1:24,000

1 inch equals 383.297807 miles

0 0.25 0.5 1 Miles

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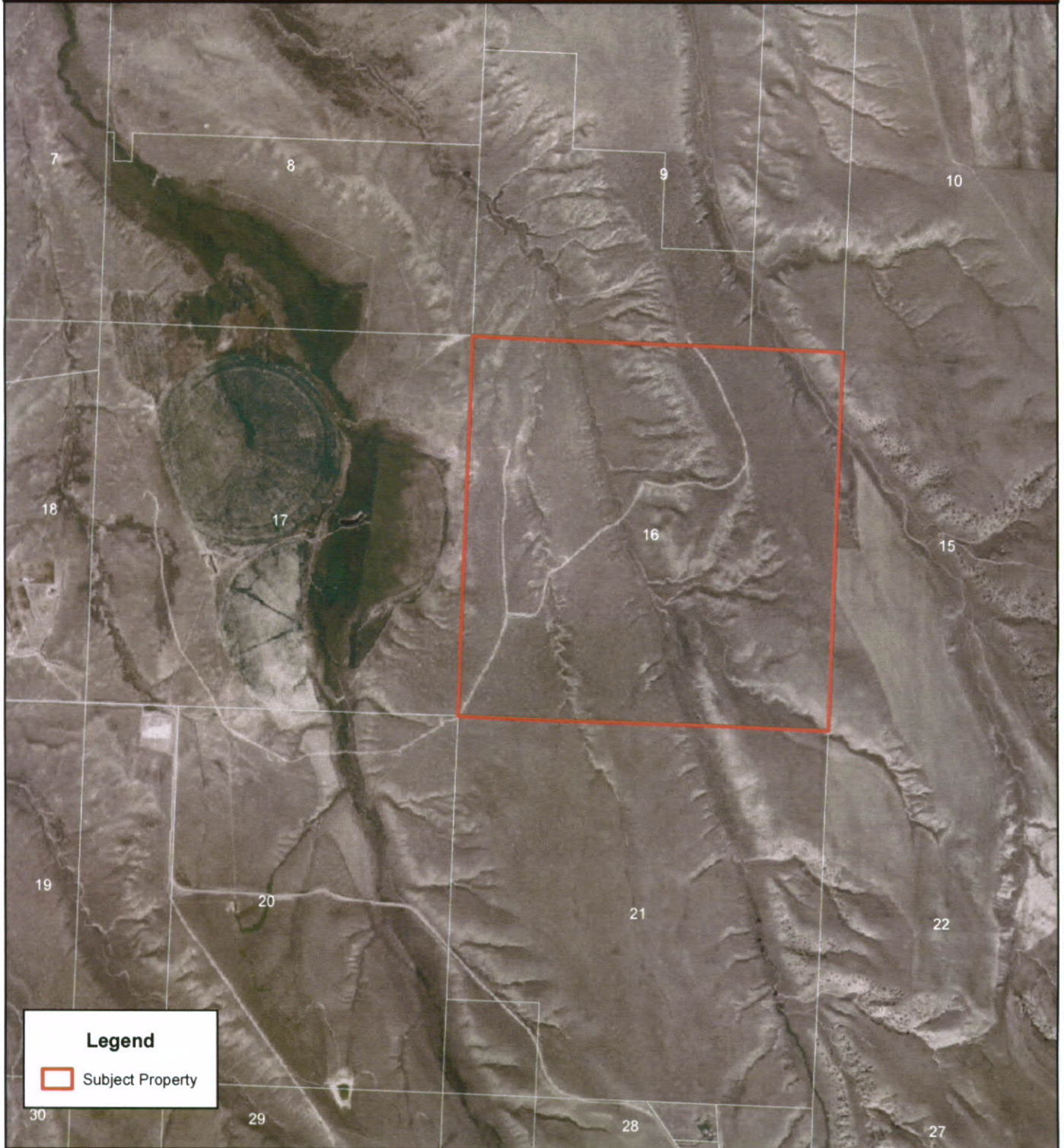


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DNRC State Trust Lands - Sale ID #121

Beaverhead County, Montana



Legend

 Subject Property



SCALE:
1:24,000

1 inch equals 383.297807 miles

0 0.25 0.5 1 Miles

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E. Recreational Resources

The general surrounding area of southwestern Montana provides a wide variety of recreational features useable on a year-round basis. They include all activities related to wildlife, from hunting and fishing to natural observation and photography, as well as outdoor activities such as hiking, horseback riding, camping, rock climbing, hang gliding, cross country skiing, and wilderness experiences. Motorized activities such as boating, motorcycling, snowmobiling, and four-wheeling are also popular.

All of the subject properties are located within a few miles of various popular fishing streams including the Big Hole, Beaverhead, and Ruby Rivers and are near the Beaverhead-Deerlodge National Forests. The properties are also located within close proximity to the Lewis & Clark trail and other historical landmarks such as the Big Hole Battlefield. In and of themselves, the recreational features of the properties being appraised offer only some limited big game and upland bird hunting.

F. Water Resources

The visible onsite water resources of each property are discussed within the description of each individual property and consist of seasonal drainages and a few ground water springs. There were two reported water rights in the DNRC Environmental Assessments; Water Right No. 41D 137201 is a stock water right associated with Sale ID #120 and Water Right No. 41B 137165 is a stock water right associated with Sale ID #121.

G. Utilities

The properties do not have well, septic, telephone or electrical service installed to them.

H. Mineral Rights

As stated in the assumptions and limiting conditions of this report, no separate value has been assigned for mineral rights. For this assignment, it is reported that the State of Montana owns the sub-surface mineral rights and that the mineral rights are not presently leased out for any exploration or development. In sales of similar properties in this market area, generally a portion of the existing mineral rights are transferred; however, no specific value is usually assigned. Furthermore, in this specific market area, land sales consummated without the sub-surface minerals often reflect no measurable difference in value that can be attributed to the mineral rights. For purposes of this report, mineral rights are considered to be a part of the overall real property and no contributive value has been assigned for mineral rights over and above the associated land values.

I. Timber Rights

The appraised properties have no timber cover on them. Like with the mineral and water rights, the trees found on the property are considered to be a part of the overall real property and no contributive value has been assigned for timber rights over and above the associated land value.

J. Zoning & Taxes

There is no rural zoning in Beaverhead County and the subject properties are tax exempt being State Trust Lands.

K. Easements and Encroachments

There were no adverse easements or encroachments observed during our property inspection. A full title search that may reveal additional recorded easements was not conducted by or provided to the appraisers.

L. Hazards and Detriments

There did not appear to be any visible hazards associated with the appraised property that are not common or typical with similar properties in the surrounding area. The immediate and surrounding area is known to be home to many noxious weeds but none of any significance was observed on the subjects.

The lack of physical access roads to the properties makes traveling to them somewhat difficult and could be considered a detriment.

M. Environmental Audit

We are not experts in either the detection of hazardous or toxic substances or structural engineering and did not conduct an environmental audit of the subject property. During our routine property inspection, no visible environmental hazards were evident at the time of the inspection. The property is being appraised assuming there are no toxic or hazardous substances present or associated with the subject property that would render the property more or less valuable. Should it be discovered that there are toxic or hazardous substances located on the subject property, we reserve the right to re-assess the situation and adjust values if deemed necessary.

III. VALUATION PROCESS

A. Introduction and Outline

The appraisal process is an orderly program whereby the appraisal problem and purpose is defined, the work necessary to solve the problem is outlined, and the pertinent data is acquired, classified, analyzed, and interpreted into an estimate of value.

Generally accepted appraisal procedures follow a typical sequence to estimate market value of any subject property. The sequence is outlined below:

- 1.) Research and analyze the subject property and its corresponding market;
- 2.) Determine Highest and Best Use of the subject property;
- 3.) Select appropriate appraisal method(s) to estimate property value;
- 4.) Apply selected method(s) to the subject property;
- 5.) Correlate and/or reconcile values indicated by the selected method(s) into a final estimate of value;
- 6.) Analyze extraordinary circumstances, if any, of the subject property that may have an effect on the final conclusion of value.

As discussed, the properties being appraised herein are currently subject to agricultural lease agreements and they do not possess legal access. Under the Scope of the Appraisal and Assignment Conditions prepared by the client, the properties are to be appraised with the hypothetical condition that the leases do not exist and the landlocked parcels (parcels with no legal access) are to be appraised with the hypothetical condition of having legal access. If market data is available to provide a credible estimate of the property's "as is" value without access, then the appraisal will demonstrate the value of the subject property "as is" without legal access.

For this assignment, the appraisal will estimate the value of the subject properties with the hypothetical condition that no leases exist and that the subject parcels possess legal access. Our market research did not reveal any current market data of similar landlocked parcels from the defined market area, thus, the "as is" value of the property without legal access could not be determined.

At the direction of the client, each of the individual parcels of the subject property will be appraised independently in the following pages of this report after the general market discussion and analysis.

B. Highest and Best Use

The market value of a property is estimated according to its Highest and Best Use. In determining highest and best use, a complete analysis of the area surrounding an appraised property should be made to ascertain market trends and demands. Consideration of established uses in the area and the features of the subject must also be analyzed.

Highest and Best Use is defined with The Dictionary of Real Estate Appraisal, Third Edition 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 analysis of highest and best use begins with the discovery of what uses are *legally permissible*. Are there laws, covenants or zoning that prevent certain uses of the subject property? Of those legally permissible uses, which uses are *physically possible*? Of those legally permissible and physically possible uses, which uses are *financially feasible*? Do the anticipated returns outweigh the anticipated costs? Finally, of the uses shown to be legally permissible, physically possible and financially feasible, which use will generate the greatest net return or prove to be *maximally productive*? That use which satisfies these four criteria is considered to be the appraised property's Highest and Best Use.

In determining highest and best use, proper appraisal theory states that one must also consider the property under two separate scenarios; the highest and best use of the property as though it were vacant and the highest and best use of the property as if structurally improved.

HIGHEST AND BEST USE --- As is Vacant and Unimproved

As discussed earlier, the subject parcels are vacant and structurally unimproved. They are located in rural areas with the historical land use being for agricultural livestock grazing purposes. Rural residential development in Madison and Beaverhead Counties has been occurring for several years and has been expanding to the more rural and outlying areas. These developments vary from seasonal and year-round rural residential homesites and hobby ranchettes (5 to 40- acre tracts) to executive homesites and recreational ranches ranging from 40 to 100 acres in size to upwards of several thousand acres. The local market has been active and a good demand exists for all types of property.

Legally Permissive Uses: As discussed earlier, there is no rural zoning in Beaverhead County and it is specifically assumed that the subject property are not, and will not be, subject to any deed restrictions, covenants, or other land use restrictions. Thus, many differing and varied uses are legally permissive for the subject properties. These potential uses would include agriculture, wildlife habitat, recreation, investment, open space and conservation, and countless variations of residential, commercial, and/or industrial development. However, subdivision of any property creating parcels less than 160 acres in size requires a state-mandated subdivision review process.

The properties being appraised herein vary in size from 40 to 640 acres and, therefore, Sale ID #259 could not be further subdivided without going through the county subdivision process or some type of family conveyance or boundary adjustment procedure. Research of the surrounding area and competing areas revealed that the primary uses of similar properties are for rural agriculture, recreational, investment, and some limited rural residential uses. Typical buyers can be long-term local residents, wealthy neighboring landowners, or out-of-state investor types.

Physically Possible Uses: All of the legally permissive uses are generally physically possible on portions of the appraised property as there are no physical limitations to certain areas of the properties that would prohibit the legally possible uses. Therefore, the legally permissive and physically possible uses of the appraised property would be the industrial, commercial, and residential development along with the agricultural, recreational, open space, and investment uses discussed above.

Financially Feasible Uses: Of the legally permissible and physically possible uses outlined above, the industrial and commercial uses would not be financially feasible due to the properties' limited physical access and rural and rather remote location from any major economic Montana hub. Strictly agricultural uses would be eliminated due to financial feasibility. Our research of the surrounding market area revealed that values paid for similar properties and lands in the immediate area far exceed the value that could be sustained solely by agriculture. Historically, ranch properties were marketed on a \$/animal unit basis. Now that transition is taking place and agriculture has limited economic return, most properties are sold on a \$/acre basis. Extensive studies of many areas of Montana reveal value indications of \$4,000 to \$15,000 per animal unit on these transitional properties where we used to see agriculturally based sales indicating \$1,000 to \$2,000 per animal unit. The subject properties' small size does not represent an economical agricultural unit and the viability of small properties like the subject for strictly agricultural uses is limited in this area. Values being paid for similar sized properties in the immediate area far exceed the value that could be sustained solely by agricultural income. Solely agricultural uses therefore would be eliminated under the financial feasibility test.

The financial feasibility of owning a rural and recreational/investment property over a certain holding period, in order to realize appreciation and return on investment, is good. In actuality, in an appreciating investment such as that found in the area of the subject, a single specific highest and best use for a property aside from investment and anticipation of future use may not be

apparent based on the sales price paid for the property. Often, any of the physical uses capable on the property at the time of purchase, such as subdivision, development, and agricultural uses, do not in and of themselves warrant the required economic investment to purchase and hold the property on an individual basis. This is a common trend in rural recreational land markets throughout the west, and is explained by the fact that participants in these markets are buying properties with a strong anticipation of appreciation and value growth. As will be discussed later, the immediate and surrounding market areas reflect annual appreciation rates ranging from about 5% to 10% per year with high-amenity properties reflecting appreciation upwards of 10% to 15% or more, per year over the past five to ten years which exceeds many alternative investments. In addition, these buyers place a high degree of value on the personal amenities and uses the property allows them during this ownership. These may be as simple as the fulfillment of landownership and enjoying the aesthetic quality and features of the property on a part time or full time basis.

Rural residential development of the property for personal residential uses in accordance with the state and local regulations is deemed to be feasible in conjunction with the remaining recreational and investment uses. The subject properties have fair to average amenities and some potential building sites. However, small-tract, high-density subdivision and residential development would not be financially feasible due to the property's rural location, difficult physical access, and distance to any sizable town. The Big Hole valley is widely known for its extreme winter weather conditions which commonly bring deep snow and extremely cold temperatures.

Maximally Productive Use: The uses remaining to this point are now reduced to recreational and investment uses together with the supplementing agricultural and limited residential development uses.

As described earlier, the subject properties are primarily rural rangeland properties with good mountain views that historically have been used for livestock grazing. It is important to note that in order to assign a highest and best use to the subject properties, the Appraisers have considered four primary screens that revolve around economic, legal, physical and productive use of the property. As described, a conclusion that any single use is considered the most productive use of the property is generally not supported in an analysis of the market and of the sales used for comparison purposes. The sale properties analyzed and cited herein reflect values influenced by numerous active physical uses such as agriculture, residential, and recreational development, as well as numerous intrinsic and anticipated uses relative to speculation and future benefits to be derived from these properties. The maximally productive use, or that use which generates the greatest overall return, appears to be a combination of the above uses that is termed a ***Recreational Agricultural Use*** with investment overtones. Thus, the Highest and Best Use of the subject property, as is vacant, is deemed to be a Recreational Agricultural Use.

C. Approaches to Value – Definitions

There are three traditional approaches to value: the income or earnings approach, the cost approach and the sales comparison approach. A brief discussion of the approaches is followed by an analysis of the appropriateness of the approaches for the subject property.

The Sales Comparison Approach indicates the value of a property from a direct comparison of the subject property to sales of similar properties on a single, overall unit of measure. In applying this approach, the appraiser employs the principle of substitution: a prudent buyer is assumed to not be willing to pay more for a property than it would cost him or her to buy another property with equally desirable characteristics. Conversely, a seller will sell his property for no less than what similar properties are selling for. Several “units of measure” such as square footage, acres, and animal units emerge when using this method depending on the type of property being appraised.

The Cost Approach employs the principle of contribution and is an estimation of the value of the property as if vacant, and then adding the current costs of reproducing the improvements, less all forms of current depreciation. Vacant land sales are the most persuasive indicators of land value and individual, component values are assigned to each type and class of land as derived from the current market. Building residual values reflect the rates of contribution and depreciation applicable to improvements in a given market. Reproduction cost values used in this analysis are derived from the Marshall and Swift Valuation Service. These published costs are periodically checked against actual local construction costs for accuracy. Physical depreciation of the improvements is based on the age-life method for incurable items. Depreciation for curable items is based on estimates of the cost to cure such curable items. Land valuation is derived from a component analysis of the selected market data where individual component values are assigned to each type and class of land as derived from the market. Values assigned are based on market data of pure, one-component sales and suggested trends and ratios between the land classes.

The Income Approach in rural appraisals is based on the principle of anticipation and is a value indication of a property based on its anticipated ability to generate income. This method is employed by processing the anticipated net income of the subject property with a capitalization rate determined from the market. The division of the comparable sale property’s net income by its sale price will yield a capitalization rate that is reflective of the overall rate of return for that specific property. This analysis of the comparable sales will provide a range of value of the rates of return that are occurring in the present market. From this range, a probable rate of return can then be applied to the subject property’s estimated net income to predict a probable market value. The reader should realize that these cap rates and rates of return may appear to be low as compared to alternative investments; however, it appears to be acceptable due to the anticipated appreciation in land values and tax advantages from depreciation of improvements. It also indicates that buyers are investing in agricultural lands without expecting them to cash flow.

D. Valuation Approach Selection

The three traditional approaches to value were considered to estimate the market value of the subject property. A review and study of the appropriate market suggests that the residential, recreational, and aesthetic values and the relatively limited supply of available properties in this area are influencing value more than the agricultural income potential of the property.

The income approach is typically employed when estimating market value of income producing properties such as larger agricultural units and/or commercial properties. When researching this market and interviewing market participants, it is apparent that the income resource of similar properties is a secondary (at best) consideration and the land is commonly viewed as a second residence or an investment for appreciation rather than its income potential since many times these ranch properties are operated at reduced levels of carrying capacity in order to enhance the wildlife and recreational features of the property. These factors complicate the application of the income approach and led us to conclude it is of limited use in this assignment and thus is not incorporated herein.

The cost approach is typically utilized when appraising properties with new and/or significant structural improvements and/or differing land classes that demonstrate independent values among the land classes. The State Land Trust parcels are vacant and structurally unimproved and the land consists primarily of one land class. Therefore the cost approach will not be prepared in this assignment.

Our research and analysis of the subject property and its corresponding market area indicated that the most accurate and reliable method of estimating the subject property's market value is by employing the sales comparison approach. The sales comparison approach is a method of estimating value by comparing the appraised property to sale properties on a single, overall unit of value. This approach utilizes the analysis of arm's-length transactions of lands in the vicinity of and comparable to the land under appraisal. These transactions are typically referred to as "comparable sales" and the method of forming an opinion of a property's market value through comparison of these sales to the appraised property is known as the sales comparison approach. In applying this approach, the appraiser employs the principle of substitution: a prudent buyer is assumed to not be willing to pay more for a property than it would cost him or her to buy another property with equally desirable characteristics. Conversely, a seller will sell his property for no less than what similar properties are selling for. Several "units of measure" such as square footage, acres, and animal units emerge when using this method depending on the type of property being appraised. The sales comparison approach will be utilized and presented in the following pages of this report.

E. Market Observations

For this assignment, we completed a wide review of the market area surrounding the appraised property in order to ascertain activity and value under market conditions for similar-sized rural properties as of September 17, 2008.

Southwestern Montana is an area strongly influenced in value and use by its locational, aesthetic, and recreational amenities, and has experienced substantial rural property development. This local area market is exhibiting tendencies reflected throughout the western United States, particularly in Colorado, Wyoming, Idaho, and Montana. These mountainous states have excellent recreational features and have been heavily influenced by land development and outside investment. Throughout this broad region, increased demand has depleted supplies of unimproved land. The market is out of equilibrium; prices have risen, and continue to rise, as demand increases and supply decreases. The surrounding market area of the subject property is experiencing increasing population growth and rural development, especially for rural residential and/or seasonal and second home properties. Developments ranging from planned unit and small-tract lot subdivisions to unregulated larger acreage subdivisions are occurring.

The market area initially investigated in this assignment was Southwestern Montana for the sale of recreational and rural agricultural properties most like the subject property. Historically, southwest Montana has been a relatively strong market area because of its rivers, mountains, and productive agricultural lands, but in the past 5 to 10 years it has strengthened due to the investors high demand placed on recreational properties. Even with the present economic "slowdown" of the U. S. economy and stagnant or falling residential real estate markets of the east and west coasts and in the larger metropolitan areas, there continues to be a demand for agricultural, recreational, and rural residential properties like the subjects in southwest Montana.

The researched market area is defined herein as being Beaverhead and Madison Counties with most emphasis placed on those sales with the most similar features to nearest the subject parcels. As discussed, the local area market has been strong and values have been trending upwards over the past 5 to 10 years or more. Sales and re-sales from the immediate neighborhood and outlying market areas with similar competing market forces in Montana, indicate that values have been trending upwards at rates varying from approximately 4% to 16% per year. This is evidenced by the sale pairings shown in the addenda. Of these fourteen sale pairing indicators, those sales with the physical features and characteristics most similar to the appraised property with a recreational / rural agriculture highest and best use show appreciation rates of 7% to 13%. The most similar property pairings reflect appreciation rates of approximately 10%. For this assignment, an appreciation rate from the middle of the suggested range of values is deemed to be appropriate in order to be conservative and an annual appreciation rate of 10% will be applied to those sales that occurred more than one year prior to the date of valuation. Those sales that occurred within one year of the date of valuation are deemed to be accurate indicators of current market value and no time adjustments were made. The sale and re-sale pairing for time and market appreciation is presented in the addenda of this report.

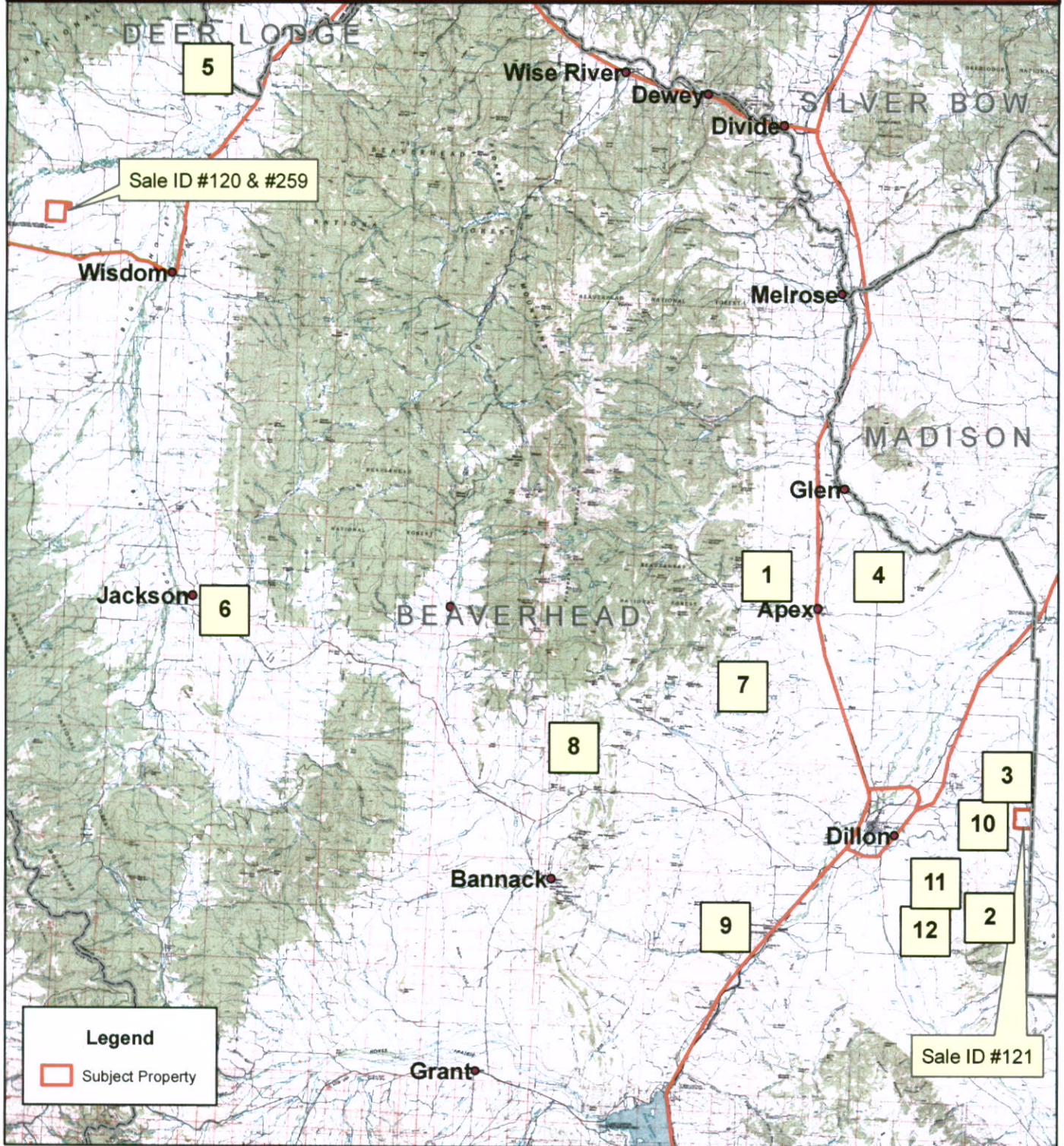
F. Market Data Presentation

Our market research initially revealed over 75 sales from within the immediate and surrounding area. A review and analysis of these sales narrowed the number of sales to 19. These 19 property sales are those that occurred within the defined market area within the past five years that have the overall size and physical features generally similar to those of the subject properties. These sales are shown in tabular form on the facing page. From these 19 sales, 14 were selected for analysis and valuation of the appraised properties and are presented in summary form on the following pages and will be followed by the application of the sales comparison approach to value for each of the separate parcels being considered for sale by the DNRC. Further sales data is placed in the addenda of this report.

The primary reasons for selecting the specific sales used in this report as indicators of current value are:

- All are considered comparable in locational and market demands;
- All possess a highest and best use similar to the appraised property;
- All are located within the immediate market or a competing market area;
- All had adequate access and marketable title, and none were affected by any unusual sale conditions.
- All possessed physical features and use characteristics most similar to those of the appraised property.

DNRC State Trust Lands - Proposed Sales ID #120, #121, #259 Area Map



SCALE:
1:485,888

1 inch equals 7.668684 miles

0 2.5 5 10
Miles

New Frontier Ranches, Inc 2008 - For visual reference only; accuracy not warranted.



NEW FRONTIER
RANCHES

Brokerage - Appraisals - Management
Twin Bridges, Montana

G. Sales Comparison Approach

1.) Introduction

The sales comparison approach estimates the value of a property by a direct comparison of the subject property to sales of similar properties on a single, overall unit of measure. In applying this approach, the appraiser employs the principle of substitution: a prudent buyer is assumed to not be willing to pay more for a property than it would cost him or her to buy another property with equally desirable characteristics. Conversely, a seller will sell his property for no less than what similar properties are selling for. Several "units of measure" such as square footage, acres, and animal units emerge when using this method depending on the type of property being appraised.

For this assignment, our market research suggests that the most applicable comparative measure of value is the overall unimproved sale price per deeded acre of native rangeland pasture. For the Sales Comparison Approach, only the sales with the most similar overall size, location, physical features, and/or similar land classification like that of the subject properties were considered to be similar enough to the appraised property for a direct comparison on a per-acre basis. The primary sales data selected for analysis for each of the independent parcels is presented within the valuation discussion and analysis of each parcel.

2.) **Sale ID #121** **T7S-R7W; Sect 16; All - 640 acres**

Sale ID #121 is 640 acres that is located approximately eight air miles east of Dillon. Its overall topography and vegetation is rolling native rangeland with a couple of draws and a few rock outcroppings. Those sale properties with the location, physical features, and amenities most similar to the property being appraised were selected from the overall data set and are illustrated in the chart below.

MARKET DATA – Time Adjusted

Sale	Sale Date	Seller	# of Native Rangeland acres	Sale price per NR acre
#2	5/07	Circle 3	5,803	\$825
3	3/07	RS Ranch, Inc	1,207	600
10	7/04	McCollum	1,897	548
11	4/04	Smith	3,880	815
12	4/04	Taylor	480	1,170
13	1/04	East Bench	776	756

The sales illustrated above reflect a range in value of from \$548 to \$1,170 per acre for unimproved native rangeland and dry pasture. This range in value can be attributed to many different and independent factors such as location, size, water resources, productivity, and aesthetics and amenities like views and overall site appeal. This range in suggested sale values will be narrowed through an analysis of each of these factors.

For those properties with features that are inferior to those of the subject property, a positive adjustment for this feature would be necessary to make the sale property like the subject property. Conversely, for those properties with features or factors that are superior to those of the subject property, a negative adjustment to the sale property would be required to make the sale property like the subject property.

In this assignment, the only adjustments that could be measured on a distinct dollar-per-acre basis were for time / market appreciation which was made earlier herein. As discussed earlier the time adjustment was determined to be 10% annual appreciation from the Sale / Re-sale pairing analysis, and those sales that occurred prior to September 2007 were adjusted upward for time and market appreciation.

Pairing and analyzing the above sales data for factors and features such as location, size, access, water, and amenities did not reveal any specific dollar-per-acre differences that could be attributed to any single factor or feature. This analysis and pairing did however; reveal that a

general comparative analysis could be made on an overall basis of comparison with ratings being: similar or equal, superior, and inferior.

When considering the above factors and features of each sale property in relation to those of the subject property, it revealed an overall comparability of the sales to the appraised property as shown below.

Sale	Indicated Value	Overall Comparability
Sale #2	\$825 / acre	Superior
Sale #3	\$600 / acre	Equal or Similar
Sale #10	\$548 / acre	Equal or Similar
Sale #11	\$815 / acre	Equal or Similar
Sale #12	\$1,170 / acre	Superior
Sale #13	\$756 / acre	Equal

A ranking or bracketing of the sales data shows the following:

<u>Inferior Sales</u>	<u>Similar Sales</u>	<u>Superior Sales</u>
	\$548	\$825
	\$600	\$1,170
	\$756	
	\$815	

After the appropriate adjustments were applied and the comparability factors considered, bracketing the sales data indicates that the value of the subject property should fall between \$548 per acre and \$815 per acre. Of the sales considered to be "Similar" to the subject, Sales #3 and #10 (at \$548 and \$600 per native rangeland acre) are the most persuasive indicators of value. Sale #3 is located a half mile northeast of the subject, and Sale #10 is located adjacent to the subject property making them the most similar in terms of location and physical features. In the final analysis when considering all of the sale indicators with most weight given to Sales #3 and #10, a final value conclusion of \$600 per acre was drawn for Sale ID #121. This results in a market value of \$384,000 for Sale ID #121 as shown below.

$$640 \text{ acres } @ \$600 / \text{acre} = \$384,000$$

3.) Sale ID #120***T2S-R16W; Sect 16; All - 640 acres***

Sale ID #120 consists of 640 acres and is located seven air miles northwest of Wisdom, MT. It is an open, mostly level section of sagebrush and native rangeland with a couple of springs and potholes located in the draws. The sale properties with the physical features and amenities most similar to the property being appraised were selected from the overall data set and are illustrated in the chart below.

MARKET DATA – Time Adjusted

Sale	Sale Date	Seller	# of Native Rangeland acres	Sale price per NR acre
#1	10/07	Hale	320	\$1,200
4	11/06	Bryan	160	1,663
5	9/06	Bucher	1,702	1,270
6	7/06	Furnandiz	1225	1,375
7	3/06	Schlender	775	900
8	8/05	Brooks	800	461
9	3/05	Grasshopper	1,720	596
14	7/03	Zimdars	932	537

The sales illustrated above reflect a range in value of from \$461 to \$1,663 per acre for unimproved dry pasture and native rangeland. This range in value can be attributed to many different and independent factors such as location, size, water resources, productivity, and aesthetics and amenities like views and overall site appeal. This range in suggested sale values will be narrowed through an analysis of each of these factors.

When considering the comparability factors and features of each sale property in relation to those of the subject property as in the previous property valuation, it revealed an overall comparability of the sales to the appraised property as shown below.

Sale	Indicated Value	Overall Comparability
Sale #1	\$1,200 / acre	Superior
Sale #4	\$1,663 / acre	Superior
Sale #5	\$1,270 / acre	Superior
Sale #6	\$1,375 / acre	Superior
Sale #7	\$900 / acre	Superior
Sale #8	\$461 / acre	Equal or Similar
Sale #9	\$596 / acre	Equal or Similar
Sale #14	\$537 / acre	Equal or Similar

A ranking or bracketing of the sales data shows the following:

<u>Inferior Sales</u>	<u>Similar Sales</u>	<u>Superior Sales</u>
	\$461	\$900
	\$537	\$1,200
	\$596	\$1,270
		\$1,375
		\$1,663

After the appropriate adjustments were applied and the comparability factors considered, bracketing the sales data indicates that the value of the subject property should fall between \$461 per acre and \$596 per acre. Of those Similar sales, Sale #8 and #14 (at \$461 and \$537 per acre respectively) are considered to be the most similar in terms of location, size, physical characteristics, and overall appeal. Therefore, a final value conclusion of \$500 per acre was drawn for Sale ID #121. This results in a market value of \$320,000 for Sale ID #121 as shown below.

$$640 \text{ acres } @ \$500 / \text{acre} = \$320,000$$

4.) Sale ID #259 T2S-R16W; Sect 15; NW1/4NW1/4 - 40 acres

Sale ID #259 contains 40 acres of dry native rangeland located adjacent to Sale ID #120. The subject property has good views of the Beaverhead, Pintlar, and Pioneer Mountain ranges.

Sale ID #259 is located in a rather remote, rural area of Beaverhead County and our market research of the immediate and surrounding market area did not reveal any recent sales of similar-sized (40+/- acres) tracts of native rangeland pasture like the subject in the immediate or surrounding area of the Big Hole Valley.

Therefore, the comparable sales cited and used for Sale ID #120 are deemed to be the most accurate and appropriate indicators of value for Sale ID #259. Those sale properties with the location, physical features, and amenities most similar to the property being appraised were selected from the overall data set and are illustrated in the chart below.

MARKET DATA – Time Adjusted

Sale	Sale Date	Seller	# of Native Rangeland acres	Sale price per NR acre
#1	10/07	Hale	320	\$1,200
4	11/06	Bryan	160	1,663
5	9/06	Bucher	1,702	1,270
6	7/06	Furnandiz	1225	1,375
7	3/06	Schlender	775	900
8	8/05	Brooks	800	461
9	3/05	Grasshopper	1,720	596
14	7/03	Zimdar	932	537

The sales illustrated above reflect a range in value of from \$461 to \$1,663 per acre on an unimproved native rangeland sales price per deeded acre basis. This range in value can be attributed to many different and independent factors such as location, size, water resources, land classifications, productivity, and aesthetics and amenities like views and overall site appeal. This range in suggested sale values will be narrowed through an analysis of each of these factors.

When considering the comparability factors and features of each sale property in relation to those of the subject property as in the previous property valuation, it revealed an overall comparability of the sales to the appraised property as shown below.

Sale	Indicated Value	Overall Comparability
Sale #1	\$1,200 / acre	Superior
Sale #4	\$1,663 / acre	Superior
Sale #5	\$1,270 / acre	Superior
Sale #6	\$1,375 / acre	Superior
Sale #7	\$900 / acre	Superior
Sale #8	\$461 / acre	Equal or Similar
Sale #9	\$596 / acre	Equal or Similar
Sale #14	\$537 / acre	Equal or Similar

A ranking or bracketing of the sales data shows the following:

<u>Inferior Sales</u>	<u>Similar Sales</u>	<u>Superior Sales</u>
	\$461	\$900
	\$537	\$1,200
	\$596	\$1,270
		\$1,375
		\$1,663

After the appropriate adjustments were applied and the comparability factors considered, bracketing the sales data indicates that the value of the subject property should fall between \$461 per acre and \$596 per acre.

Again, Sales #8 and #14 are considered to be most similar to the subject in terms of location, physical characteristics, and overall appeal. Therefore, a final value conclusion of \$500 per acre was drawn for Sale ID #259. This results in a market value of \$20,000 for Sale ID #259 as shown below.

$$40 \text{ acres } @ \$500 / \text{acre} = \$20,000$$

H. Valuation Summary and Reconciliation

We considered the three traditional methods of estimating the market value of the subject properties and it was determined that the sales comparison approach was the most applicable measure of value in this assignment. The income approach is typically employed when estimating market value of income producing properties such as larger agricultural units and/or commercial properties. When researching this market and interviewing market participants, it became apparent that the income resource of similar properties is a secondary (at best) consideration and the land is commonly viewed as a second residence or an investment for appreciation rather than its income potential since many times these ranch properties are operated at reduced levels of carrying capacity in order to enhance the wildlife and recreational features of the property. These factors complicated the application of the income approach and led us to conclude it was of limited use in this assignment and thus was not incorporated herein.

The cost approach is typically utilized when appraising properties with new and/or significant structural improvements and/or differing land classes that demonstrate independent values among the land classes. The Stand Land Trust parcels are vacant and structurally unimproved and the land consists primarily of one land class. Therefore the cost approach was not conducted in this assignment.

There was a good amount of quality sales data available in this assignment as the sales cited herein were located in the immediate market area and possessed features and characteristics generally similar to those of the appraised property. These sales were utilized within the sales comparison approach and are deemed to be accurate and reliable indicators of market value for the appraised property. Thus, we conclude that as of September 17, 2008, the market value of the individual parcels of the State Land Trust as identified previously are those shown below.

Sale ID #121:	640 acres	\$384,000.00
Sale ID #120:	640 acres	\$320,000.00
Sale ID #259:	40 acres	\$20,000.00

The above-concluded values consider the surface fee ownership rights of the real property and are in terms of cash. The appraised values are based on an exposure time of six to eighteen months and the hypothetical condition that current leases do not exist and each parcel possesses legal access.

Our market research did not reveal any current market data of similar landlocked parcels from the defined market area, and thus, the "as is" value of the property without legal access could not be determined.

LIMITING CONDITIONS

CONTINGENT AND LIMITING CONDITIONS: The certification of the Appraisers appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraisers in the report.

1. The Appraisers assumes no responsibility for matters of legal nature affecting the property appraised or the title thereto, nor do the Appraisers render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Any sketch or map displayed in the report may show approximate property boundaries and dimensions and is included to assist the reader in visualizing the property. The Appraisers have made no survey of the property.
3. The contract for appraisal, consultation, or analytical services is fulfilled upon completion of the report and the total fee is due and payable upon completion and delivery of the report. The Appraisers are not required to give testimony or appear in court, nor engage in post appraisal consultation with third parties because of having made the appraisal except under separate arrangement and at an additional fee. If testimony or deposition is required because of subpoena, the client shall be responsible for any additional time, fees, and charges regardless of the issuing party.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
5. The Appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraisers assume no responsibility for such conditions, or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the Appraisers, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished to the Appraisers can be assumed by the Appraisers.
7. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the Appraisers are affiliated. The appraisers will not divulge the material contents of this report, the analytical findings or conclusions, or provide copies to anyone other than the client or his designees. This report may be subject to confidential peer review for Standards and Ethics compliance.
8. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the Appraisers, professional designations, reference to any professional appraisal organizations, or the firm with which the Appraisers are connected), shall be used for any purposes by anyone but the client specified in the report, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the Appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or the other media, without the written consent and approval of the Appraisers.
9. On all appraisals, subject to satisfactory completion, repairs or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.

10. The Appraisers do not in any way warrant or represent that the property may or may not be insurable and assume no responsibility for determining such conditions.

11. This appraisal conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of The Appraisal Foundation. The appraisal conducted herein is deemed to be a complete appraisal and is presented herein as a Summary Appraisal Report.

12. The appraisers' compensation is not contingent upon the reporting of a pre-determined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

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

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 appraisers are not experts in the identification of hazardous substances or detrimental 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 environmental conditions that would affect the property negatively unless otherwise stated in this report. It is possible that tests and inspections by a qualified hazardous substance and environmental expert would affect the property negatively. It is possible that tests and inspections made by a qualified expert would reveal the existence of hazardous substances or detrimental environmental conditions on or around the subject property that would negatively affect its value.

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

APPRAISAL CERTIFICATION

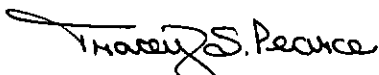
The Appraisers certify, to the best of his/her knowledge and belief, that:

- the statements of fact contained in this report are true and correct;
- the reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
- 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;
- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- our engagement in this assignment was not contingent upon developing or reporting predetermined results;
- our compensation for completing this assignment was not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
- the Appraisers signing this report have made a personal inspection of the property that is the subject of this report;
- this appraisal was developed and prepared by the undersigned appraisers and no one else provided significant professional assistance to the persons signing this report;
- there are 44 numbered pages in this report which does not include maps, charts, or exhibits in the Addenda.

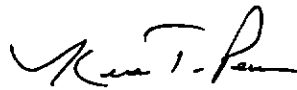
Having conducted a complete appraisal presented herein as a **Summary Appraisal Report**, the appraisers conclude that the Market Value of the Montana State Trust Land as of September 17, 2008, was:

Sale ID #121:	640 acres	\$384,000.00
Sale ID #120:	640 acres	\$320,000.00
Sale ID #259:	40 acres	\$20,000.00

September 26, 2008



Tracey S. Pearce, Trainee
Real Estate Appraiser Trainee, MT #926



Kevin T. Pearce, ARA
Accredited Rural Appraiser, #1081
Certified General Appraiser, MT #63 & WY #436