

**Summary
APPRAISAL REPORT**

Of Certain Potential Land Banking Sale Parcels

Sale ID #'s 302, 303, 336, 304 & 337
Broadwater County, Montana

Prepared for:

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

As of:

August 14, 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 10, 2008

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

Re: Broadwater County Parcels 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 the Broadwater County parcels that are being considered for sale through the DNRC Land Banking program. The properties appraised herein consist of five parcels of land that are located about 3 to 11 air miles north of Three Forks, Montana. The parcels vary in size from 160 acres to 638 acres and consist primarily of vacant, structurally unimproved native rangeland and dry pasture.

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 August 14, 2008, the date of our property inspection. As you requested, each of the five parcels are appraised separately with the resulting values shown below.

Sale ID #302:	161.63 acres	\$307,000.00
Sale ID #303:	160.00 acres	\$304,000.00
Sale ID #336:	637.84 acres	\$478,000.00
Sale ID #304:	196.00 acres	\$196,000.00
Sale ID #337:	280.00 acres	\$448,000.00

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 55 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

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I. INTRODUCTION

A. Summary, Salient Points, and Conclusion

<u>Property Owner:</u>	State of Montana State Trust Land
<u>Property Location:</u>	Approximately 3 to 11 air miles north of Three Forks, MT east of MT Hwy 287.
<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>	Tracey S. Pearce, Appraiser Trainee NEW FRONTIER RANCHES, INC. 111 N. Main Street - PO Box 469 Twin Bridges, MT 59754 (406) 684-5850 Kevin T. Pearce, ARA NEW FRONTIER RANCHES, INC. 111 N. Main Street - PO Box 469 Twin Bridges, MT 59754 (406) 684-5850
<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>	August 14, 2008
<u>Property Description:</u>	The subject property consists of five parcels with acreages of 161.63, 160, 637.84, 280, and 196 acres. These parcels are located approximately 3 to 11 air miles north of Three Forks, MT and 18 to 26 miles south of Townsend, MT in Broadwater County. Each of the individual parcels are identified and appraised separately herein.

Highest and Best Use:

Rural Residential / Recreational

Valuation Conclusion:

Sales Comparison Approach:

Sale ID #302:	161.63 acres	\$307,000.00
Sale ID #303:	160.00 acres	\$304,000.00
Sale ID #336:	637.84 acres	\$478,000.00
Sale ID #304:	196.00 acres	\$196,000.00
Sale ID #337:	280.00 acres	\$448,000.00

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 August 14, 2008 by Tracey S. Pearce and Kevin T. Pearce in the company of Mr. D.J. Bakken, Helena Unit Manager for the DNRC. The effective date of this appraisal shall be August 14, 2008, the date of the property inspection.

G. Date of the Report

This appraisal was conducted and prepared during the months of August and September 2008. The appraisal report was completed and signed on September 10, 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 five parcels are owned by the State of Montana as State Trust Lands.

J. Subject of the Appraisal

The property being appraised herein consist of five parcels located in the southern portion of Broadwater County approximately 3 to 11 air miles north of Three Forks and 18 to 26 air miles south of Townsend, MT. 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 were constructed and considered the property of the current Lessee.

The properties are identified below.

Madison County, Montana

Sale Parcel ID	Legal	Location	Acres
#302	Lot 4; SW1/4NW1/4; W1/2SW1/4	T2N-R2E-Section 4	161.63
303	NE1/4	T2N-R2E-Section 8	160.00
336	Lots 1, 2, 3, 4; N1/2; N1/2S1/2	T3N-R2E-Section 16	637.84
304	That portion of Lots 5, 6, 7, 8 & NW1/4NW1/4, W1/2SW1/4 lying west of the old Rail Road strip	T4N-R2E-Section 36	196.00
337	NW1/4SW1/4; S1/2S1/2; NE1/4SE1/4; SE1/4NE1/4	T4N-R2E-Section 32	280.00

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 ranch owned by MCL Land & Livestock Enterprises. 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, MCL Land & Livestock, Gibbs Ranch, and Double F Ranch, 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 August 14, 2008 in the company of Mr. D.J. Bakken, DNRC Helena Unit manager. 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

The properties being appraised are located in southwest Montana in the southern portion of Broadwater County. The properties sit just north of the confluence of the Madison, Jefferson, and Gallatin Rivers which form the headwaters of the Missouri River. The properties lie west of the historic Lewis & Clark Trail and the Missouri River as it flows north with three of the parcels being located within a half mile or less of the river.

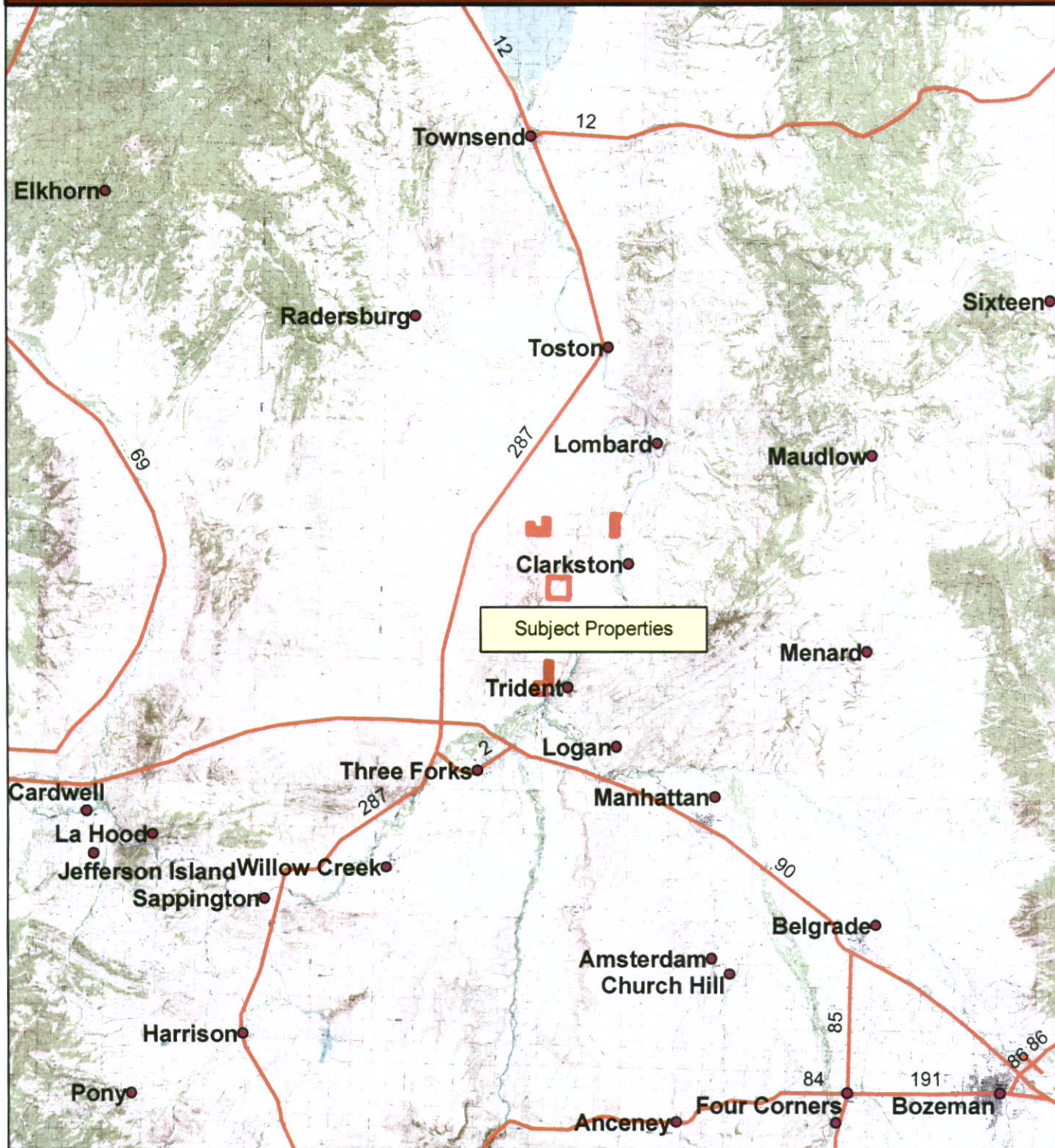
The southern portion of Broadwater County borders Jefferson and Gallatin Counties. The town of Three Forks, located in Gallatin County, is the closest town to the subject properties being about three to eleven air miles south of the subject properties along MT Hwy 287. Townsend, the county seat of Broadwater County, is located 18 to 25 miles north of the subject properties. Interstate 90, a primary east-west route through the northern United States, can be accessed off of MT Hwy 287 approximately three miles south of the most southern subject properties. Bozeman, Montana's fourth largest city is located approximately 28 miles east of the properties along Interstate 90. Commercial air service is located at Bozeman.

B. Area and Community Data

The appraised properties, while located in the southern portion of Broadwater County, are located closest to the town of Three Forks, MT, which is located in Gallatin County. The area surrounding the subject properties is comprised of mixed land use including agricultural and livestock operations, recreational and speculative/investment uses, and rural residential developments. Broadwater County has a 2007 estimated population of 4,590 residents while Gallatin County has an estimated population of 87,359. Townsend, the county seat and largest town in Broadwater County, has an estimated population of 1,981. Three Forks, located near the northwest boundary between Gallatin and Broadwater Counties, has an estimated population of 1,917. Townsend and Three Forks each offer basic services including K-12 public schools, banks, post office, hospital/clinics, professional and technical services, churches, and restaurants. Expanded shopping services and numerous cultural & social events can be found in Bozeman (est. pop. 37,981).

According to the U.S. Census Bureau, Gallatin County's population grew nearly 20% from 2000 to 2006; almost five times that of Broadwater County (4.3%) and Montana as a whole (4.7%). The growth of Gallatin County is centered on the city of Bozeman which grew more than 25% from 2000 to 2006. Residents flocked to the Bozeman area popular for its easy access to abundant recreational pursuits in the nearby mountains and rivers. The urban sprawl of Bozeman sent "locals" and those trying to escape the sky-rocketing land values west into the nearby communities of Belgrade, Manhattan, and Three Forks. As the sprawl continued into 2005-06, speculators and developers seeing this trend turned their attention to Broadwater County, which unlike Gallatin County, has no zoning ordinances.

DNRC State Trust Land - Proposed Sale Tracts Area Map



SCALE:
1:426,185

1 inch equals 6.726412 miles
0 5 10 20 Miles

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



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Large quantities of agricultural land in the area surrounding the subject properties were bought and subdivided for developments like that of the Rolling Glen Ranch and Wheatland Meadows. The economy of the area, which was historically built on its income from agricultural & farming production, has become tied to the economic developments in Belgrade and Bozeman with residents commuting by car or, in this age of advanced technology, by computer. Therefore, properties are moving from an agricultural use to a rural residential and recreational use.

In general, the local communities and surrounding area appears stable and prosperous. Agriculture continues to provide a good economic base in the area, however, recreation and development is ever increasing in the area and is certainly impacting land use and value.

C. Site Access

The subject properties are located about three to eleven air miles north of Three Forks, MT off of MT Hwy 287. From Hwy 287, Eustis Road, a Broadwater County road, travels east and northeast for approximately eight miles before ending on the private land of the MCL Ranch. The subject properties are located within approximately one half to three miles of where the county road ends. From the end of the county road, we traveled across the current lessee's surrounding land via unimproved roads and two-track trails to inspect the subject parcels. There are no legal public access roads to the subjects, and 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.

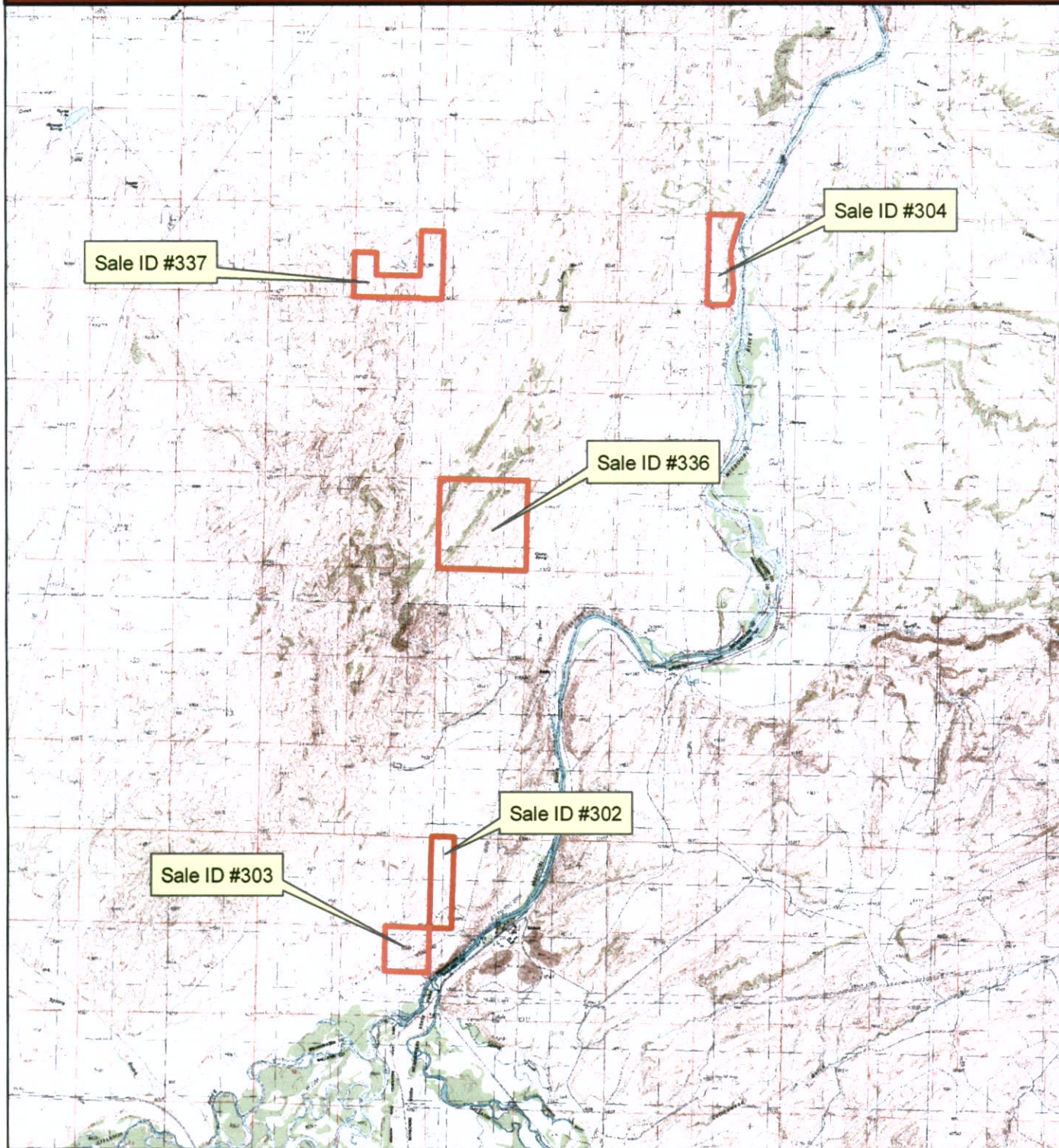
D. Subject Property Features

As indicated, the subject properties consist of five parcels for a total of 1,435.47 acres. 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 rolling foothills and upland rangeland with elevations ranging from 4,100 along the foothills to more than 6,000 feet above sea level at the tops of the ridge in Section 16. The parcels' overall topography is gently rolling native rangeland pasture and dry cropland with some very steep and rocky ridges in Section 16. The vegetation consists of several species of native rangeland grasses, sage, and scattered Juniper trees. Sale ID #337 has approximately 58.8 acres of dry cropland. The parcels are surrounded by privately owned ranch lands and have historically been leased for their grazing rights by the surrounding ranch land owners.

DNRC State Trust Land - Proposed Sale Tracts

Broadwater County, Montana



SCALE:
1:101,136

1 inch equals 1.596209 miles

0 0.5 1 2
Miles

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Two-track trail leading into Sale ID #302 along its western boundary

**1.) *Sale ID #302 T2N-R2E; Sect 4; Lot 4, SW1/4NW1/, W1/2SW1/4 -
161.63 acres***

Sale ID #302 is located about three miles north of Three Forks and approximately $\frac{3}{4}$ miles south of Eustis Road in Section 4. It's within a half mile of the Missouri River and physical access to the property from Eustis Road is via a two-track trail across the private lands of MCL Land & Livestock. The property is bordered to the north and south by MCL Land & Livestock, to the west by Gibbs Ranch, and to the east by Double F Ranch. The property is fenced except along the southern boundary.

The topography is mostly rolling rangeland with vegetation consisting of a healthy stand of native and introduced grasses. Mr. Bakken reported that the property was previously enrolled in the CRP program and MCL Land & Livestock has been using it for its hunting potential rather than livestock grazing. There are no structural improvements and no visible live water was seen on the property. Its gently rolling topography and good views of the surrounding mountains provide this property with good rural residential development potential.



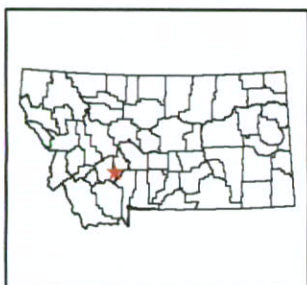
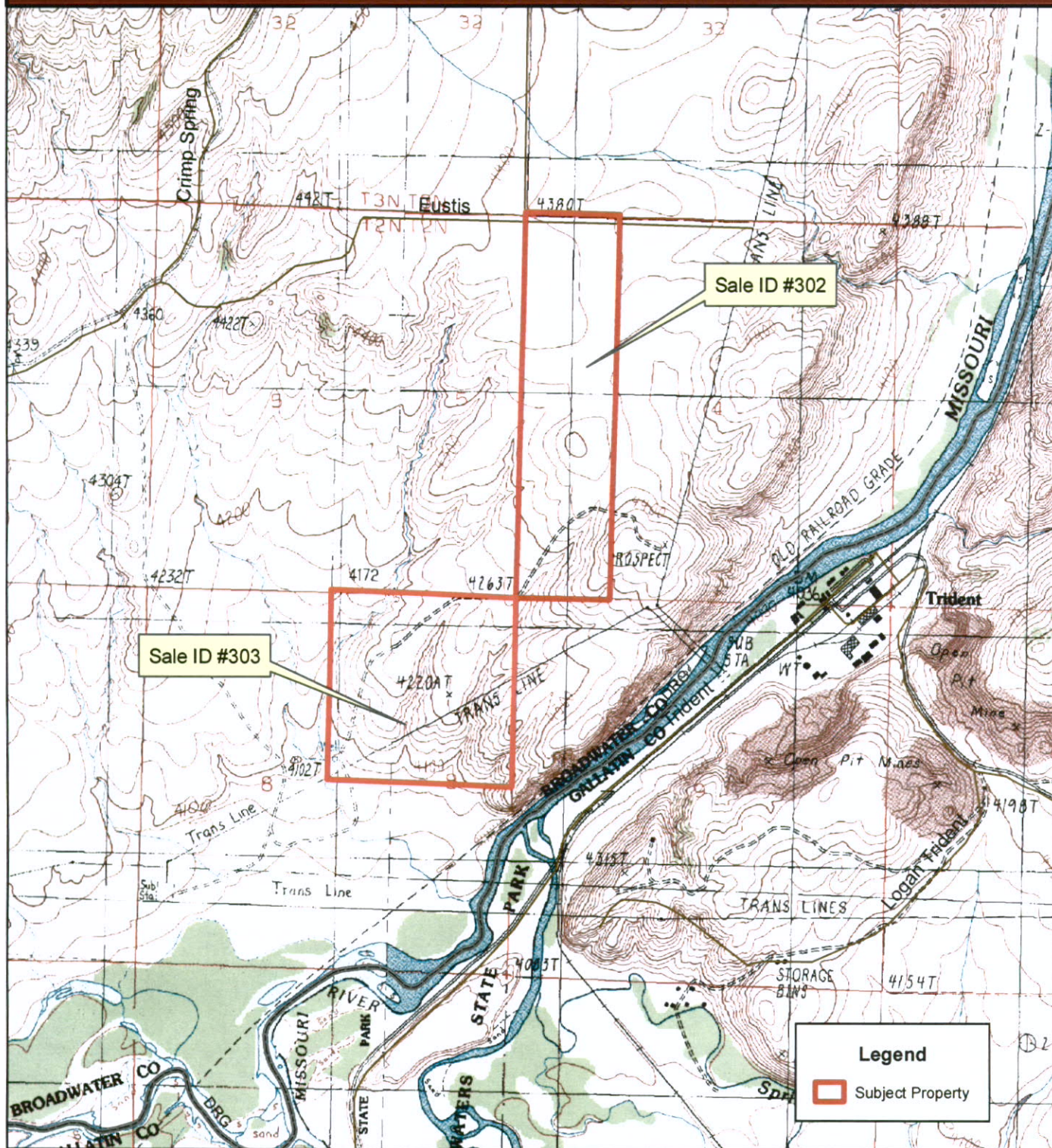
Looking east across Sale ID #302 with the Bridger Mtns in the background



Looking at the south facing slope of Sale ID #302

DNRC State Trust Land - Proposed Sale Tracts #302 & #303

Broadwater County, Montana



SCALE:
1:24,000

0 0.25 0.5 1
Miles

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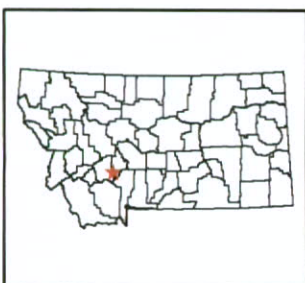
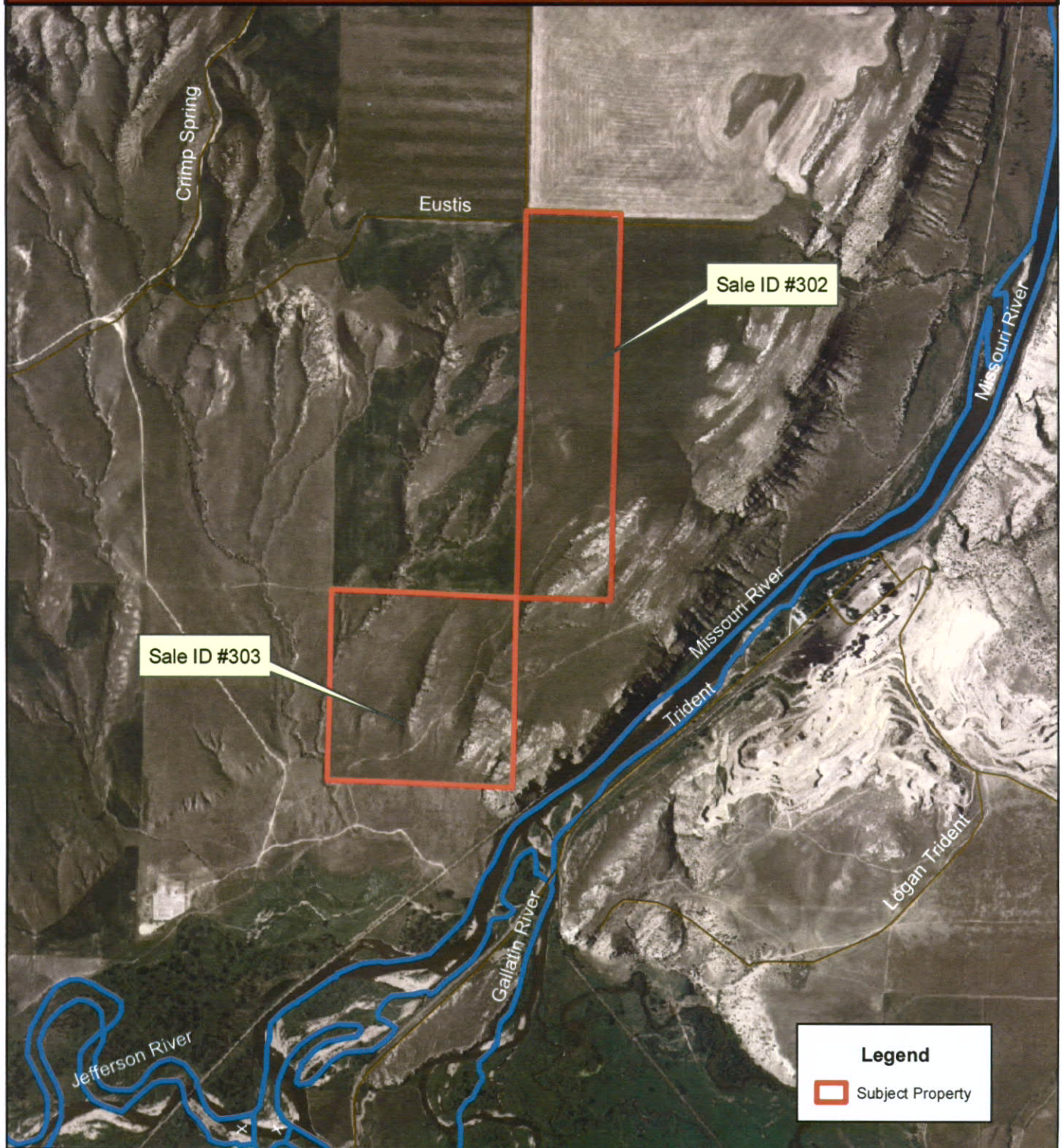


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DNRC State Trust Land - Proposed Sale Tracts #302 & #303

Broadwater County, Montana



SCALE:
1:24,000

0 0.25 0.5 1
Miles

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

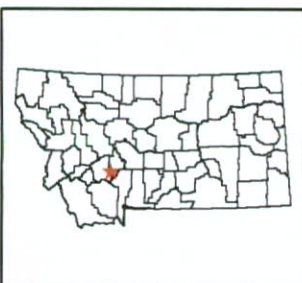
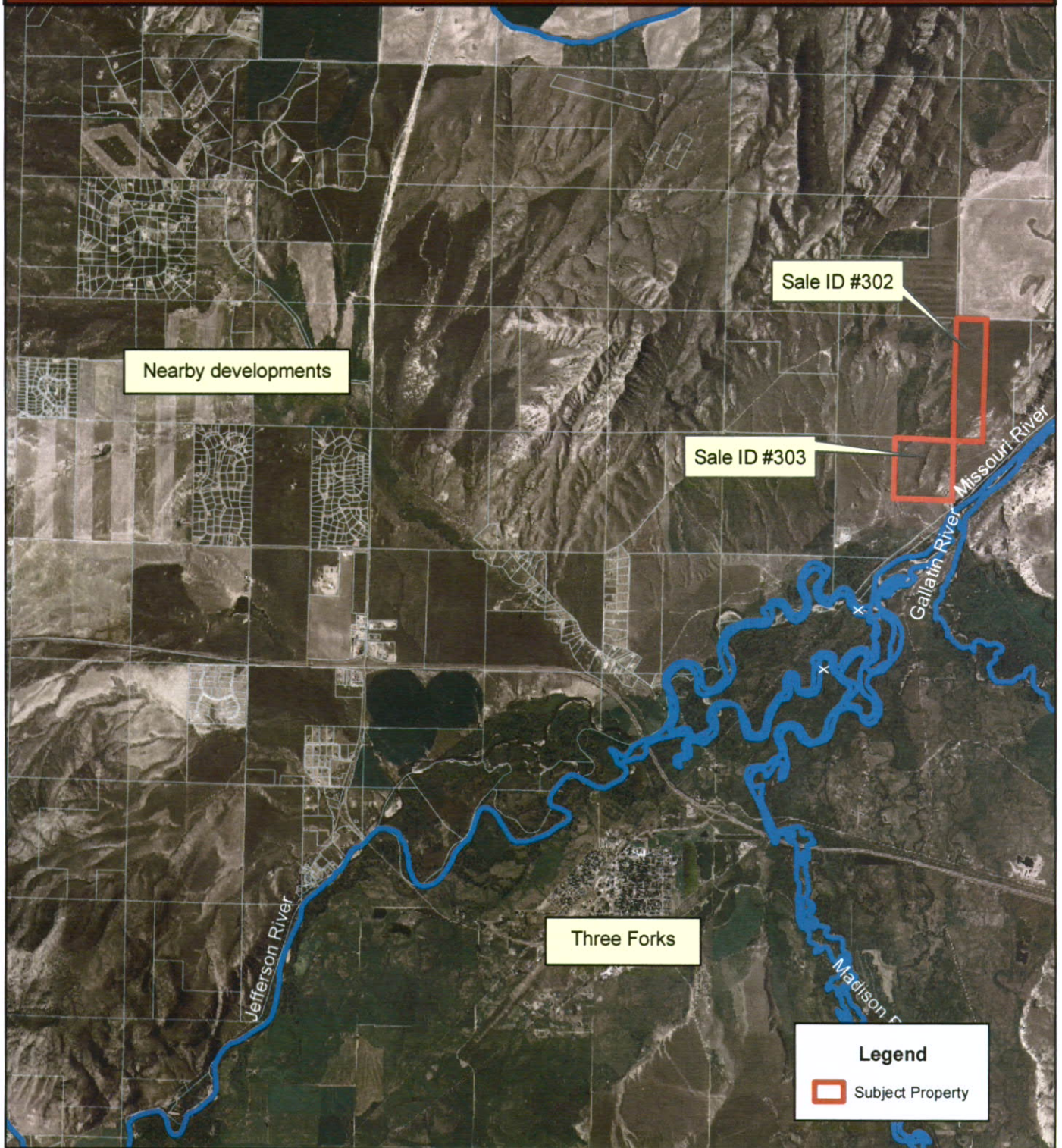


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DNRC State Trust Land - Proposed Sale Tracts #302 & #303

Broadwater County, Montana



SCALE:
1:75,852

0 0.5 1 2
1 inch equals 1.197157 miles
Miles

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Looking west across Sale ID #303 from its northeast corner

2.) *Sale ID #303* *T2N-R2E; Sect 8; NE1/4 - 160 acres*

Sale ID #303 is a quarter section located in Section 8 and corners at the northeast corner with Sale ID #302. The topography is gently rolling hills, a few coulees, and some rock outcroppings along the steeper hillside in the southeast corner. The property is bordered on its north, south, and west sides by the Gibbs Ranch and on its east side by MCL Land & Livestock. It is fenced except on the east boundary and a portion of the south line which runs over the rocky hillside. Access to this parcel is gained by traveling along the same two-track trail that accesses Sale ID #302 and then across Sale ID #302.

There is a well and stock tank located in the southwest corner which appears to have not been used in quite some time. Mr. Bakken reports that there is a water right for the well which will transfer to the new owner upon sale of the property. A high voltage power line runs diagonally through the southern half of the parcel, and a historic gravesite is located on the parcel. There are no other structural improvements or visible on site water resources.

The property is located within a half mile of the Missouri River with good views of the river and surrounding Bridger and Tobacco Root Mountain ranges from portions of the property.

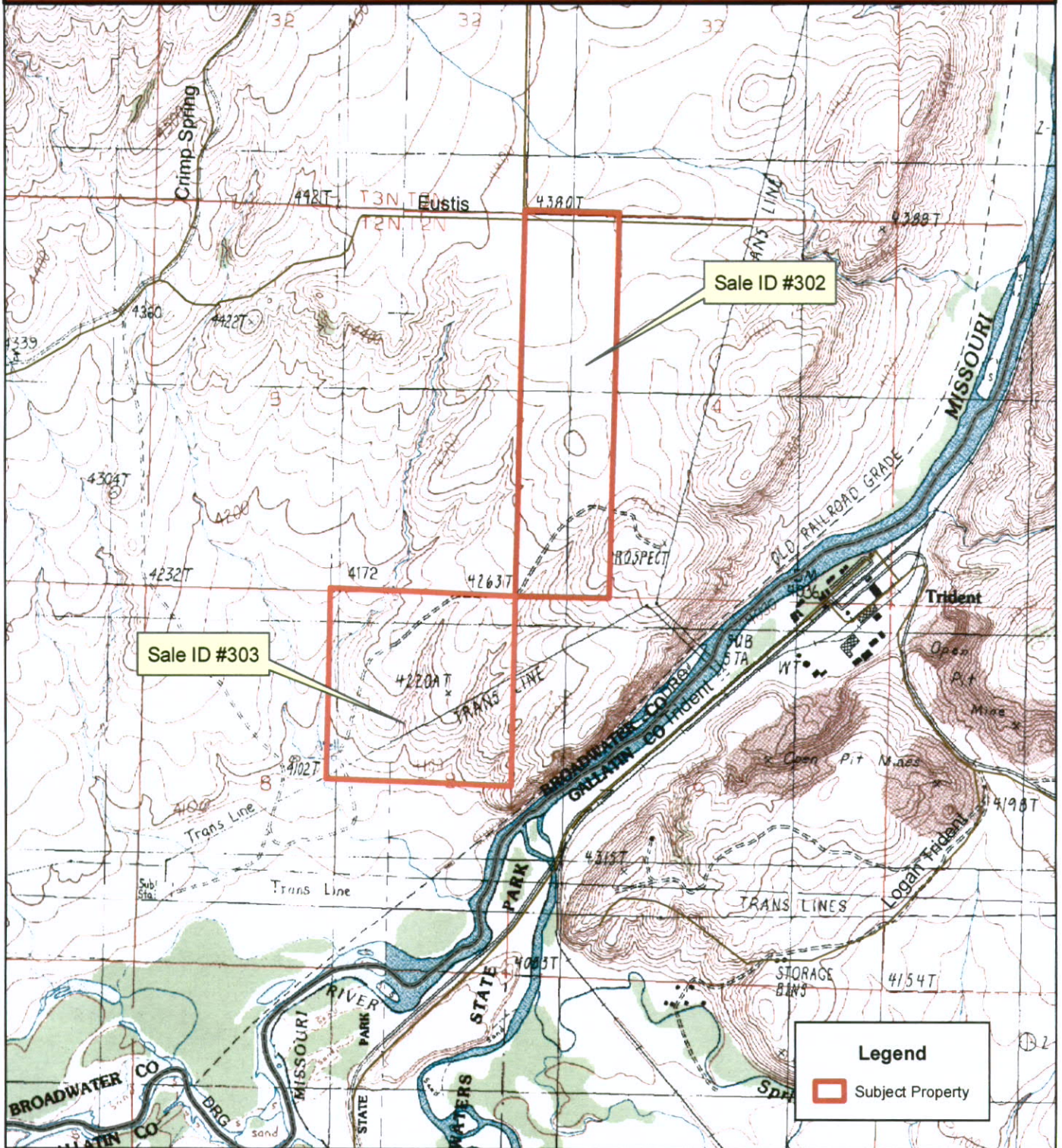


Old stock water tank and well located in the southwest corner of Sale ID #303



Looking east along the high voltage power line easement.

Broadwater County, Montana



SCALE:
1:24,000

1 inch equals 0.378788 miles

0 0.25 0.5 1 Miles

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Westward view of Sale ID #336 in Section 16

3.) ***Sale ID #336*** ***T3N-R2E; Sect 16; Lots 1, 2, 3, 4, N1/2, N1/2S1/2-
637.84 acres***

Sale ID #336 contains 637.84 acres comprising all of Section 16 and is located about three miles north of Sale ID #302. The eastern boundary is located within a quarter mile of the Eustis Road; however, physical access to the subject property from the county road was across the edges of the dry cropland fields of the surrounding ranch owner, MCL Land & Livestock, who completely surrounds this parcel.

Sale #336 is a very steep and rugged parcel with large rock outcroppings, very steep southeastern facing slopes, and a sharp and rugged ridge making up most of the land. There is native grass vegetation along with sage, cactus, and some scattered Junipers on the parcel. Along the eastern boundary, a small portion of the neighboring ranch's dry cropland has infringed onto the subject parcel, but has no measurable contributive value. The parcel is not fenced and there are no structural improvements or visible live water on the property. The parcel does have good views of the Bridger Mountains to the east.



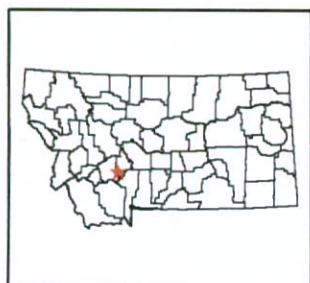
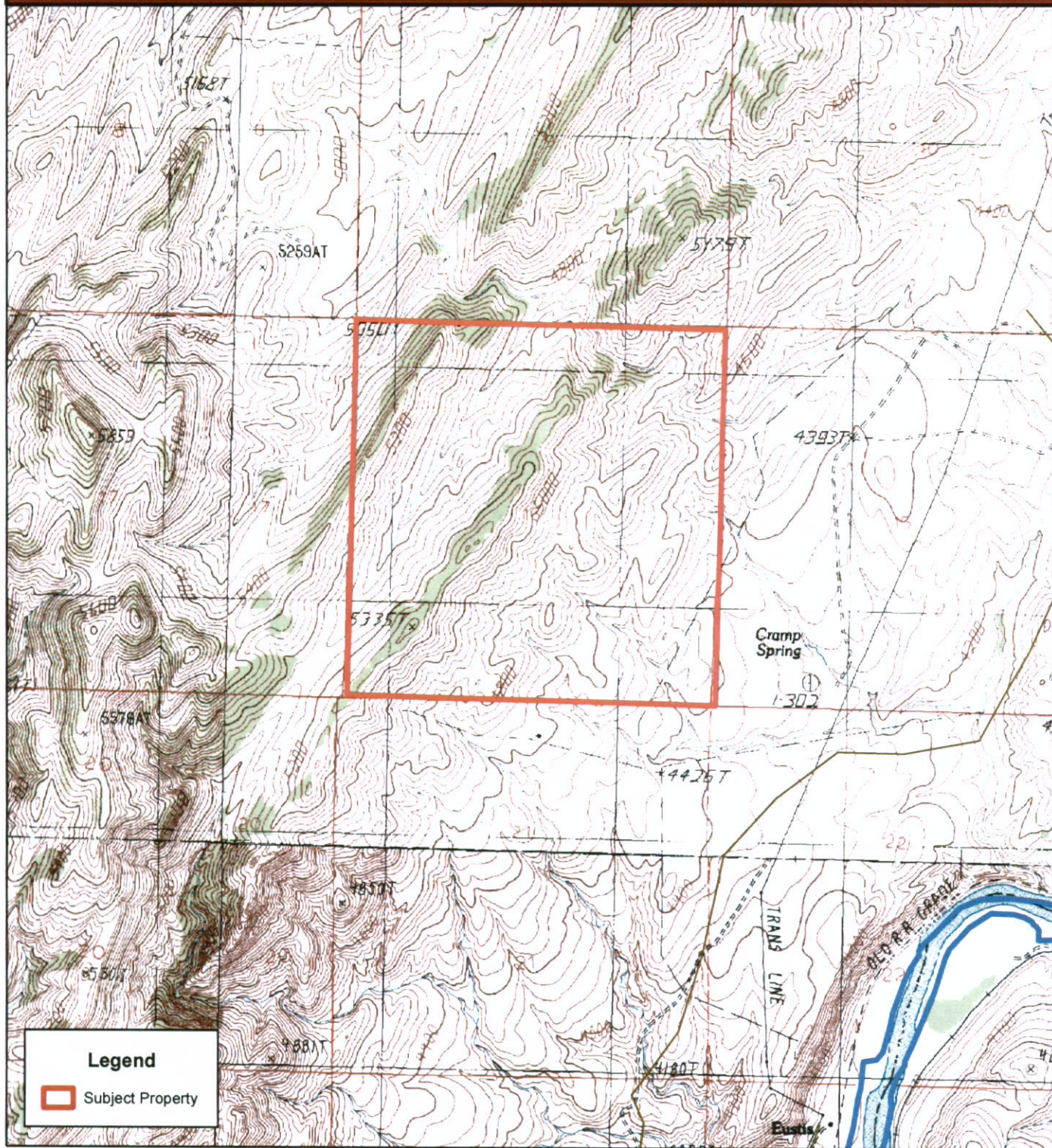
Looking north across Sale ID #336 with the encroaching wheat fields



Looking south to the ridge top of Sale ID #336

DNRC State Trust Land - Proposed Sale Tract #336

Broadwater 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.

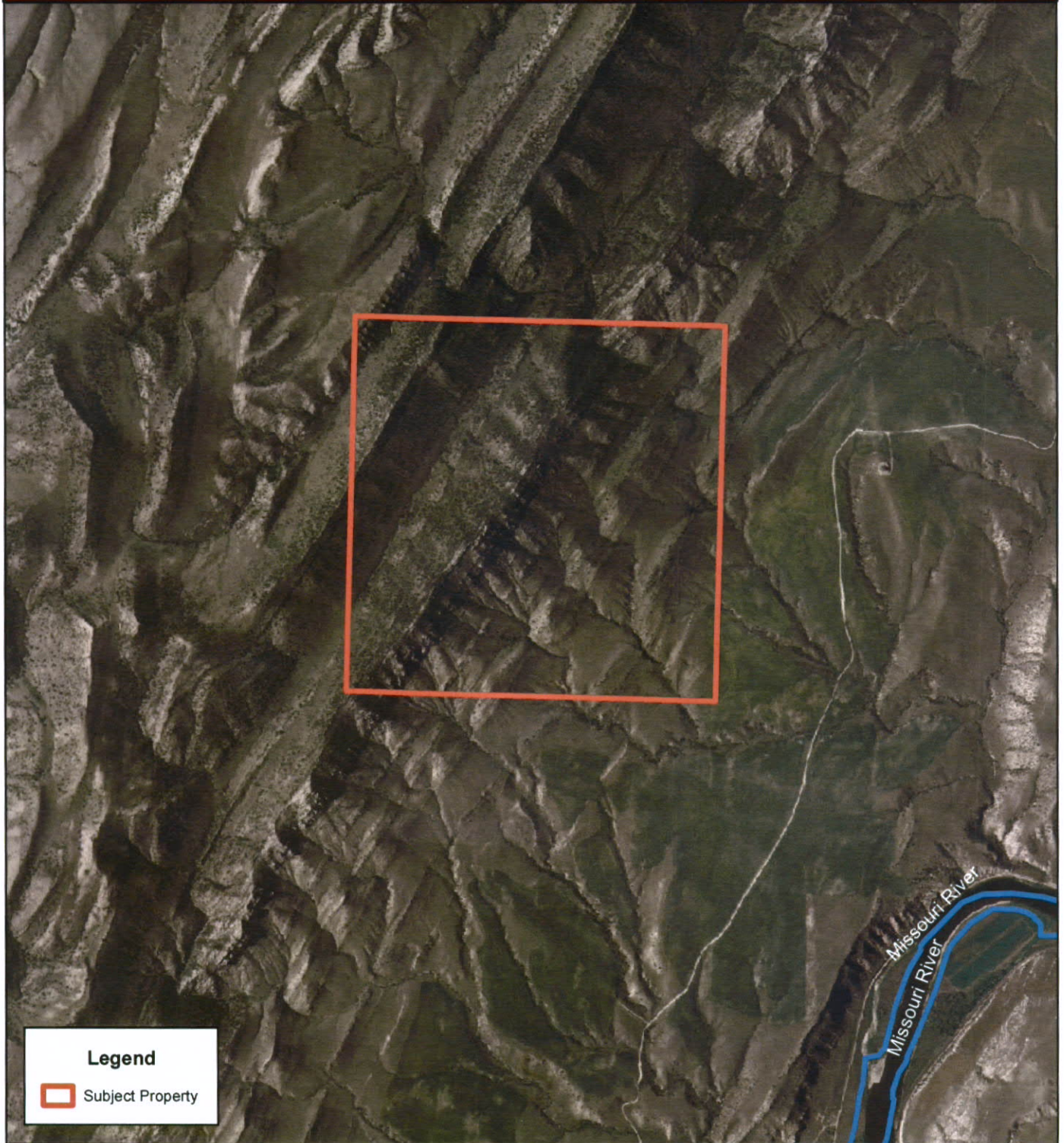


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DNRC State Trust Land - Proposed Sale Tract #336

Broadwater County, Montana



SCALE:
1:24,000

1 inch equals 0.378788 miles
0 0.25 0.5 1 Miles

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View of the old railroad bed and Missouri River along the eastern boundary of Sale ID #304

4.) *Sale ID #304 T4N-R2E; Sect 36; that portion of Lots 5, 6, 7, 8 & NW1/4NW1/4, W1/2SW1/4 lying west of the old Rail Road strip - 196 acres*

Sale ID #304 contains 196 acres and is located west of the Missouri River in Section 36. Section 36 is unique in that the Missouri River bisects it nearly in half and also serves as the division line between Broadwater County to the west and Gallatin County to the east. The old railroad bed sits to the west of the river and is now privately owned by Michael Huempfer (also owner of MCL Land & Livestock). This privately held land prevents Sale ID #304 from touching the Missouri River. The portion of land between the railroad bed and the Missouri River will continue to be owned by the State of Montana. Sale ID #304 is an upland bench consisting of native rangeland pasture and has several patches of scattered Juniper trees along its draws and coulees. The bench along the eastern boundary overlooks the Missouri River. The property is bordered on the south side by the Double F Ranch and on the west by MCL Land & Livestock.

There are no actual roads or trails to this parcel; we traveled along the old railroad bed to view its eastern side and a two-track trail across MCL Land & Livestock property to inspect the west side of the property. The east and south lines are fenced and there are some old remnants of fencing along the north line. According to the topographical maps, there is a pipeline easement that jogs into the west line for approximately a quarter mile. There are no structural improvements on the property, nor any visible live water.

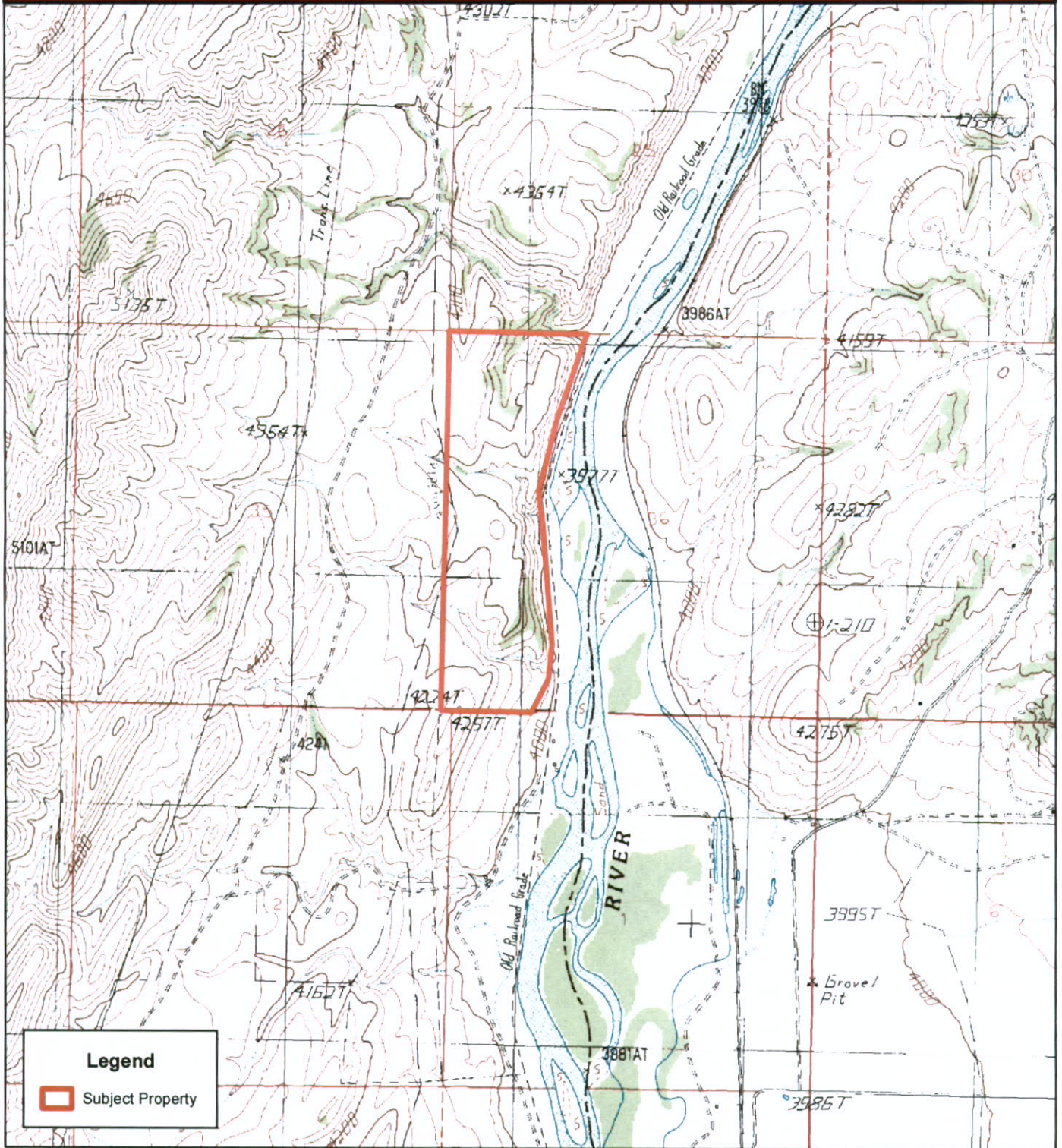


Northeast view across Sale ID #304



Southeast view from atop Sale ID #304 with Missouri River in the background

Broadwater 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.

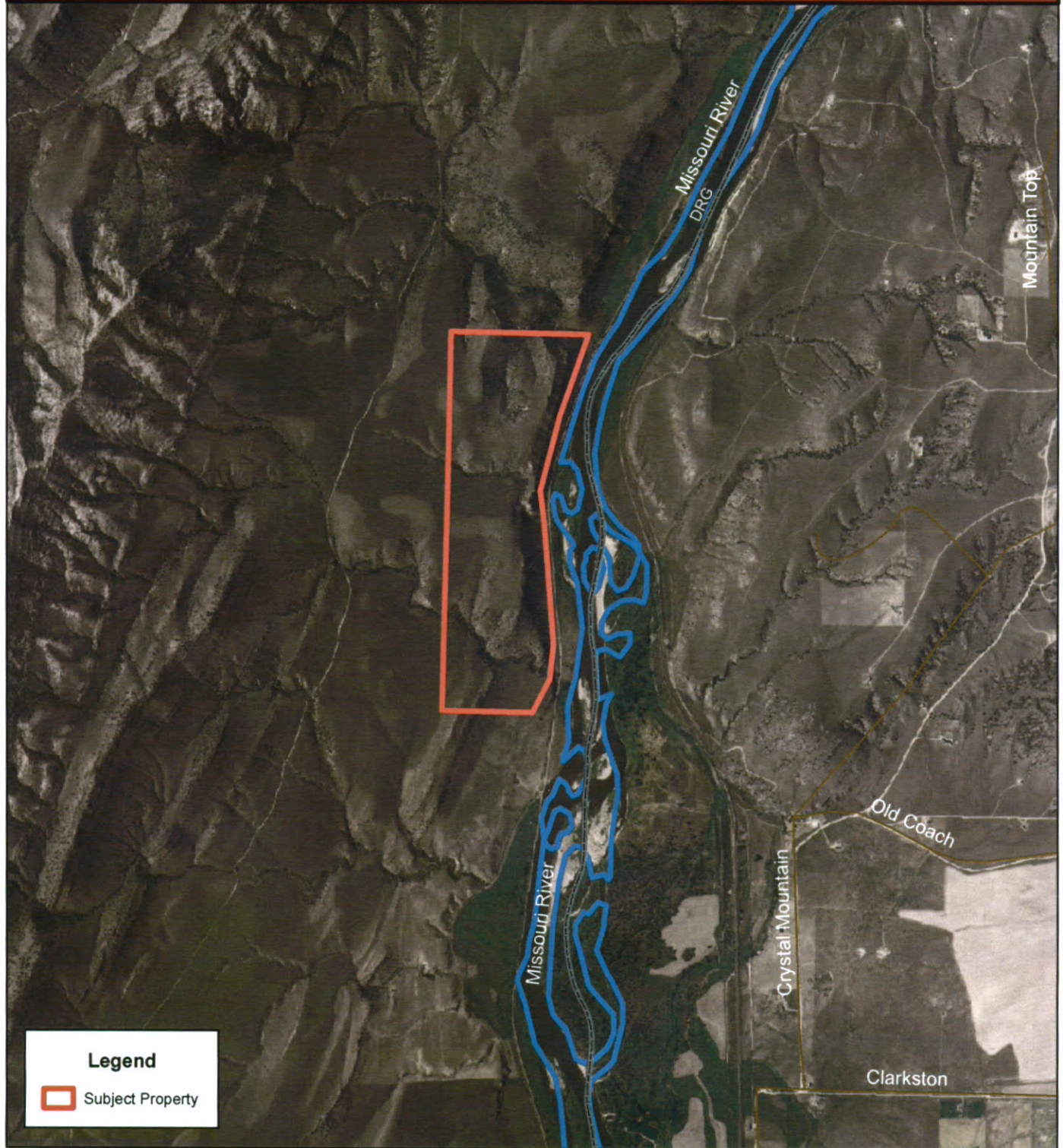


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DNRC State Trust Land - Proposed Sale Tract #304

Broadwater County, Montana



SCALE:
1:24,000

1 inch equals 0.378788 miles

0 0.25 0.5 1 Miles

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Two-track trail leading into Sale ID #337 across MCL Land & Livestock property

5.) *Sale ID #337* *T4N-R2E; Sect 32; NW1/4SW1/4, S1/2S1/2,
NE1/4SE1/4, SE1/4NE1/4 - 280 acres*

Sale ID #337 is located three air miles west of Sale #304 and contains 280 acres. According to the DNRC Environmental Assessment, 21% of the 280 acres is dry cropland fields and the remaining 79% is native rangeland with some sage and a few scattered Junipers. The subject property is completely landlocked by MCL Land & Livestock, the current lessee. The physical access was via a two-track trail across the MCL Land & Livestock property. The property is not fenced except some partial fencing along the south boundary. There are no structural improvements or visible live water on the property.

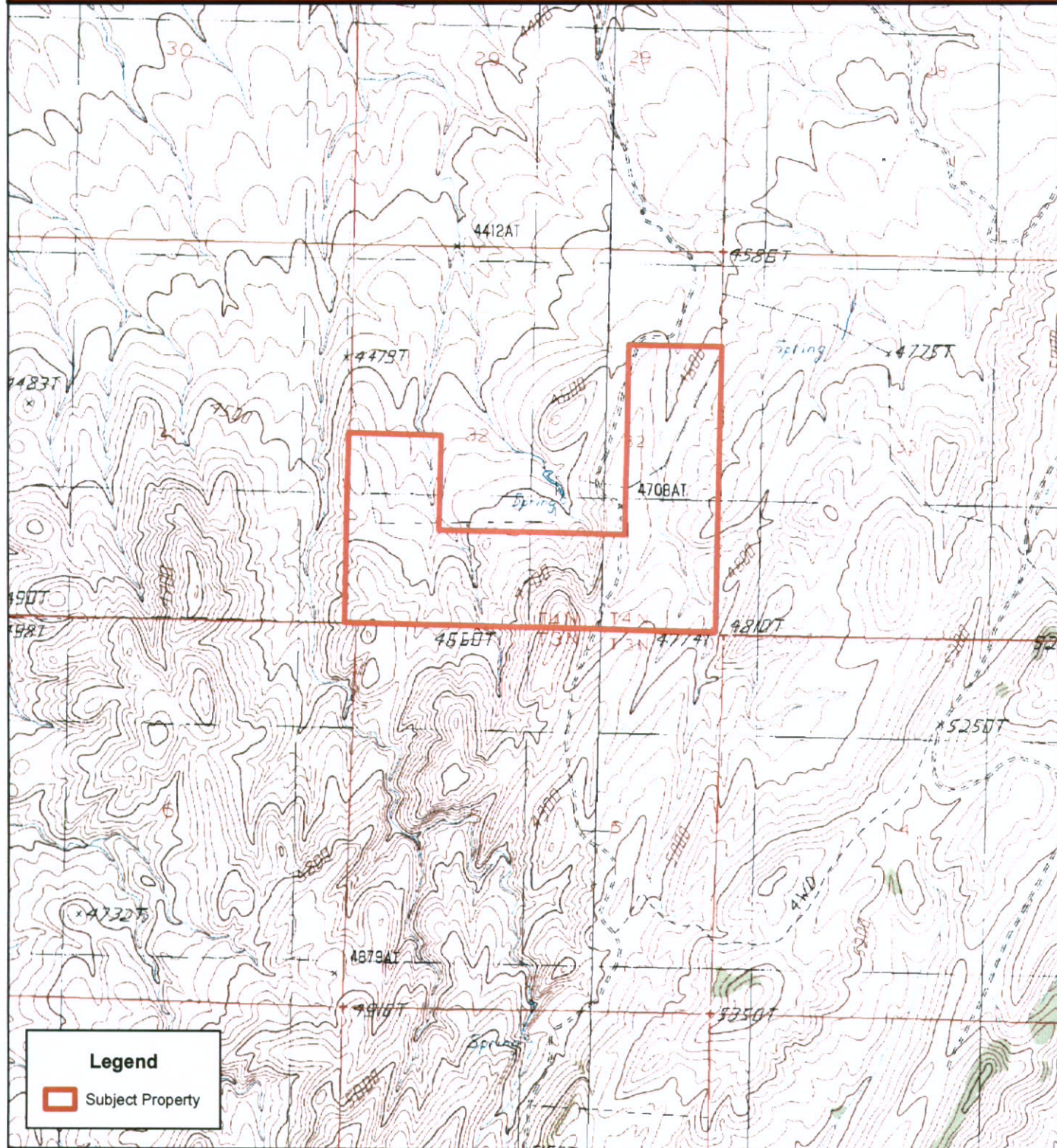


Looking southwesterly across the cropland of Sale ID #337



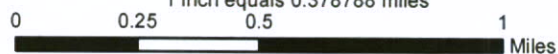
Easterly view from Sale ID #337

Broadwater County, Montana



SCALE:
1:24,000

1 inch equals 0.378788 miles



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

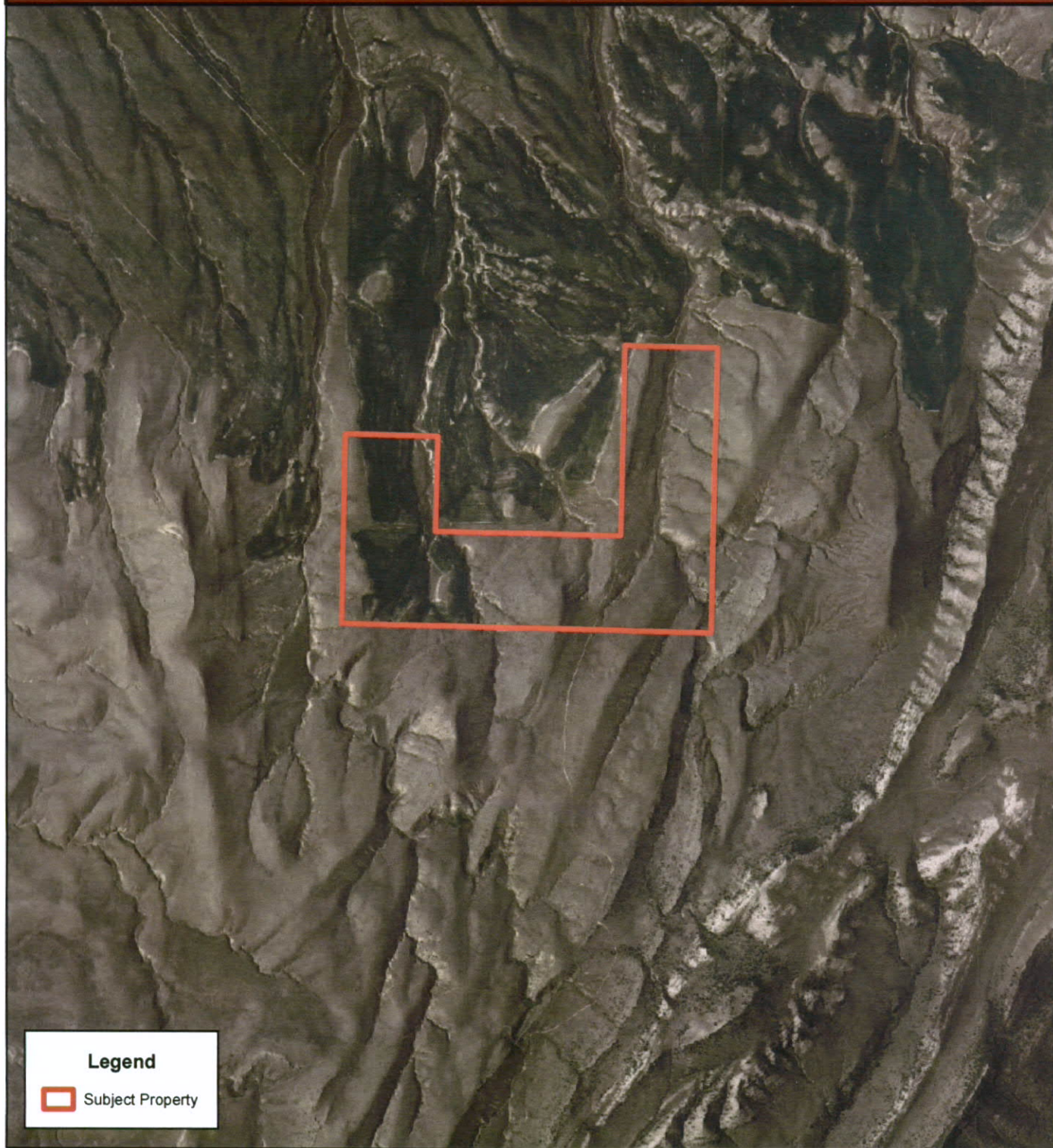


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DNRC State Trust Land - Proposed Sale Tract #337

Broadwater County, Montana



Legend

 Subject Property



SCALE:
1:24,000

1 inch equals 0.378788 miles
0 0.25 0.5 1 Miles

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E. Recreational Resources

As discussed earlier, the subject properties are located just north of the headwaters of the Missouri River. The famed "blue ribbon" trout stream waters of the Jefferson, Madison, and Gallatin Rivers that form the headwaters of the Missouri are within minutes of the subject properties and provide excellent wild trout fishing opportunities. These rivers combined with the abundant surrounding mountain recreational opportunities have been at the center of the population explosion to the surrounding areas.

The Bridger and Gallatin Mountain ranges sit to the east of the properties in the Gallatin National Forest and the Tobacco Root Mountains can be seen to the southwest in the Beaverhead-Deerlodge National Forest. Outdoor enthusiasts can enjoy endless activities in the combined five million acres of these two national forests. Abundant wildlife and waterfowl and numerous mountain streams and lakes are located within these forests and provide a variety of recreational pursuits including hunting and fishing, hiking, biking, camping, rock climbing, horseback riding, cross-country skiing, and wilderness experiences. The subject properties would have some limited on-site hunting opportunities for deer, antelope, and upland birds. Thirty miles north of the most southern subject property, Canyon Ferry Lake is popular for activities such as boating, ice fishing, water skiing, and jet skiing. There are numerous downhill skiing resorts in the area as well.

F. Water Resources

The subject properties possess no visible onsite water resources. There is one water right No. 41 I 135749 associated with Sale #303 for an old stock water well in its southwest corner.

G. Utilities

There is no electrical, telephone, water or septic sewer services presently installed to the appraised properties.

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 property has virtually no timber cover on it except for the Juniper trees found along the draws and coulees. 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 Broadwater 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. There are two easements granted to North Western Energy for their power line transmissions in Section 8 as discussed earlier. 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.

There are no physical access roads to the properties which make traveling to them somewhat difficult and could be considered a detriment. The high voltage power line easement running through the southern half of Sale ID #303 in Section 8 could be considered a detriment to the property due to its large size and visual impact.

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 a rural area with the historical land use being for agricultural livestock grazing and farming purposes. Rural residential development in Gallatin and Broadwater Counties have been occurring for several years and have been expanding to the more rural and outlying areas near the appraised properties. 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 Broadwater County and it is specifically assumed that the subject property is 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 160 to 637.84 acres; therefore, two of the subject parcels could not be further subdivided into smaller tracts without going through the county subdivision process or some type of family conveyance. Research of the surrounding area and competing areas revealed that the primary uses of similar properties are for rural residential development, recreational, investment, and agricultural 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. The topography and access characteristics of Sale ID #336 would be a challenge for intensive major construction and development but are not prohibitive. 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' 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. Strictly 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 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 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 enjoying the aesthetic quality and features of the property.

Rural residential development of the property for personal residential uses in accordance with the state and local regulations is deemed to be financially feasible in conjunction with the remaining recreational and investment uses. The subject properties have potential building sites located on all five parcels. The property's site amenities are good; it has an aesthetic setting and good access to recreational features. With residential use, the wildlife habitat is also viewed as positive. Financially feasible uses to this point are narrowed down to rural residential development, investment, and recreational uses.

Maximally Productive Use: The uses remaining to this point are now reduced to rural residential development, investment, and recreational uses. As described earlier, the subject properties are primarily rural rangeland properties with good mountain and river valley views.

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 reflect values influenced by numerous active physical uses such as 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 ***Rural Residential / Recreational Use*** with investment overtones. The current agricultural use is deemed to be an interim use. Thus, the Highest and Best Use of the subject property, as vacant, is deemed to be a Rural Residential and/or Recreational 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 with the exception being Sale #337 which has some dry cropland in addition to the native range land. In this area, market participants including buyers, sellers, realtors, and appraisers are not associating any \$/acre differences between native rangeland and dry cropland. 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 August 14, 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 residential properties most like the subject property. Historically, southwest Montana and Gallatin County, in particular, 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 economic "boom" in Bozeman which led to the "spillover" effect to Broadwater County. 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 recreational and rural residential properties like the subject in southwest Montana. However, it is noted that Broadwater County has experienced some slowdown evidenced by the lack of market data for comparable sales in 2008.

The researched market area is defined herein as being Broadwater, Jefferson, and Gallatin 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 17% per year. This is evidenced by the sale pairings shown in the addenda. Of these ten sale pairing indicators, those sales with the physical features and characteristics most similar to the appraised property with a rural residential / recreational highest and best use show appreciation rates of 4% to 10%. The most similar property pairings reflect appreciation rates of approximately 8%. For this assignment, an appreciation rate from the middle of the range of values is deemed to be appropriate in order to be conservative. Due to the fact that there is limited comparable sales data for Broadwater County in 2008, an annual appreciation rate of 8% will be applied to those

sales that occurred prior to January 2007. Those sales that occurred during 2007 and 2008 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

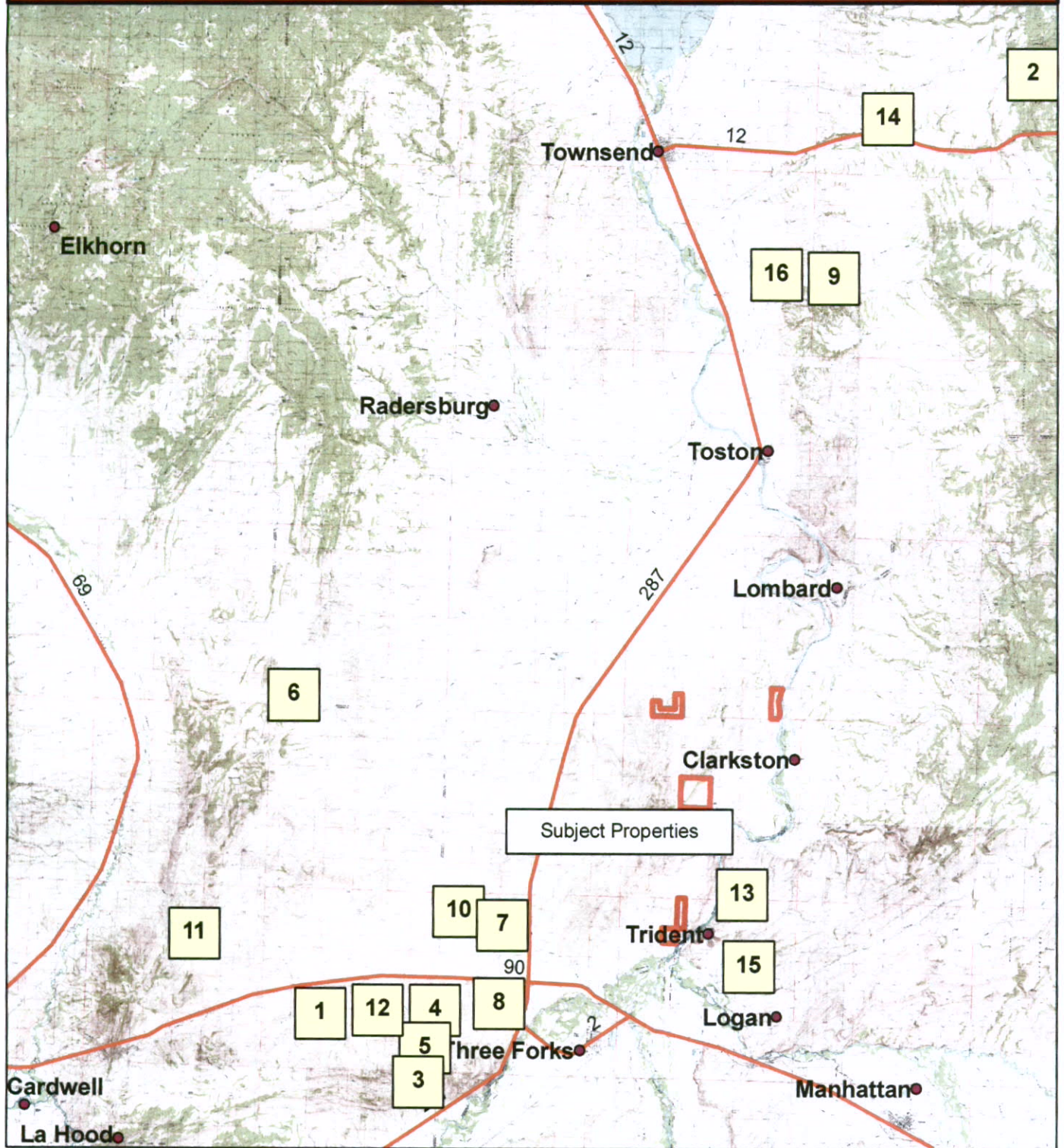
Our market research initially revealed over 40 sales from within the immediate and surrounding area. A review and analysis of these sales narrowed the number of sales to 20. These 20 property sales are those that occurred within the defined market area within the past four years that have the overall 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 20 sales, 17 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 Land - Proposed Sale Tracts

Comparable Sales Map



SCALE:
1:300,000

1 inch equals 4.734848 miles

0 2.5 5 10
Miles

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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. This unit of measure is derived at by dividing the total sale price (less any contributions from buildings) by the total number of deeded acres in the comparable sale property.

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 an overall 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 #302 – T2N-R2E; Sect 4; Lot 4,
SW1/4NW1/4, W1/2SW1/4 - 161.63 acres**

Sale ID #302 contains 161.63 acres that is located approximately one half mile northwest of the Missouri River and three miles north of Three Forks. It consists of a good stand of native grasses with some rolling foothill topography. 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	Deeded acres	Sale price per acre
#1	12/07	Nimmick	2,372	\$1,250
4	6/07	Kahrl	177	956 ⁹⁶⁰
5	6/07	Kahrl	181	990
7	9/06	Folkvord	162	1,957 ^{1,906}
8	6/06	Kahrl	3,247	1,499 ^{1,431}
10	4/06	Murphy	225	3,750 ^{3,533}
12	1/06	T Bar Ranch	4,522	1,137 ^{1,050}
15	8/05	Ford	163	1,847 ^{1,773}

The sales illustrated above reflect a range in value of from \$956 to \$3,750 per acre on an overall unimproved 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.

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 8% annual appreciation from the Sale / Re-sale pairing analysis, and those sales that occurred prior to January 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 #1	\$1,250 / acre	Inferior
Sale #4	\$956 / acre	Inferior
Sale #5	\$990 / acre	Inferior
Sale #7	\$1,957 / acre	Equal or Similar
Sale #8	\$1,499 / acre	Inferior
Sale #10	\$3,750 / acre	Superior
Sale #12	\$1,137 / acre	Inferior
Sale #15	\$1,847 / 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>
\$956	\$1,847	\$3,750
\$990	\$1,957	
\$1,137		
\$1,250		
\$1,499		

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 \$1,847 per acre and \$1,957 per acre. Sales #1, #8, and #12 are of similar land class and have physical features similar to the subject; however, they are significantly larger in size and considered inferior to the subject due to overall size. Sale #10 is located in an area of already established development making amenities such as roads and power closer and the property, therefore, superior. The sales considered to be "Similar" to the subject after adjustments are generally equal to, or not distinguishable from, the subject property and a mid-range conclusion is considered reasonable and appropriate. Therefore, a final value conclusion of \$1,900 per acre was drawn for Sale ID #302. This results in a market value of \$307,000 for Sale ID #302 as shown below.

$$161.63 \text{ acres } @ \$1,900 / \text{acre} = \$307,097$$

Rounded to: \$307,000

3.) **Sale ID #303 - T2N-R2E; Sect 8; NE1/4 - 160 acres**

Sale ID #303 consists of 160 acres and is adjacent to ID Sale #302. It is comprised of native rangeland with a few scattered Juniper trees along the draws and coulees. It does have a high voltage power line through the southern portion. There are good views overlooking the Missouri River and Tobacco Root Mountains from portions of the property as well. Its size, physical features, and location are very similar to those of Sale ID #302. 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	Deeded acres	Sale price per acre
#1	12/07	Nimmick	2,372	\$1,250
4	6/07	Kahrl	177	956
5	6/07	Kahrl	181	990
7	9/06	Folkvord	162	1,957
8	6/06	Kahrl	3,247	1,499
10	4/06	Murphy	225	3,750
12	1/06	T Bar Ranch	4,522	1,137
15	8/05	Ford	163	1,847

The sales illustrated above reflect a range in value of from \$956 to \$3,750 per acre on an overall unimproved 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	\$1,250 / acre	Inferior
Sale #4	\$956 / acre	Inferior
Sale #5	\$990 / acre	Inferior
Sale #7	\$1,957 / acre	Equal or Similar
Sale #8	\$1,499 / acre	Inferior
Sale #10	\$3,750 / acre	Superior
Sale #12	\$1,137 / acre	Inferior
Sale #15	\$1,847 / 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>
\$956	\$1,847	\$3,750
\$990	\$1,957	
\$1,137		
\$1,250		
\$1,499		

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 \$1,847 per acre and \$1,957 per acre. Again, Sale #1, #8, and #12 are much larger than the subject and are considered to be inferior to the subject property in terms of size.

The sales within the "Similar" category are overall equal to, or not distinguishable from, the subject property and a mid-range conclusion is considered reasonable and appropriate. Therefore, a final value conclusion of \$1,900 per acre was drawn for Sale ID #303. This results in a market value of \$304,000 for Sale ID #303 as shown below.

$$160 \text{ acres } @ \$1,900 / \text{acre} = \$304,000$$

4.) **Sale ID #336 – T2N-R2E; Sect 16; Lots 1, 2, 3, 4, N1/2, N1/2S1/2**
637.84 acres

Sale ID #336 contains 637.84 acres comprising Section 16. It consists of dry native rangeland with Juniper trees along the steep draws. A rocky and steep ridge runs diagonally through the property limiting the physical access. 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	Deeded acres	Sale price per acre
#3	11/07	Kahrl	558	\$672 672
9	6/06	Hickle	639	697 678 665
13	11/05	Barber	779	1,092 995
14	9/05	Clark	575	1140 1,640 1500
17	6/05	Thompson	439	1414 1,423 1255

Sale #336 has more rugged terrain than the previous parcels discussed. When considering the comparability 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 #3	\$672 / acre	Equal or Similar
Sale #9	\$678 / acre	Equal or Similar
Sale #13	\$1,092 / acre	Equal or Similar
Sale #14	\$1,640 / acre	Superior
Sale #17	\$1,423 / acre	Superior

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

<u>Inferior Sales</u>	<u>Similar Sales</u>	<u>Superior Sales</u>
	\$672	\$1,423
	\$678	\$1,640
	\$1,092	

As in the earlier valuations, 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 \$672 per acre and \$1,092 per acre. A further comparison of Sales #3, #9, and #13 revealed that most weight should be given to Sales #3 and #9 (\$672 and \$678 per acre respectively) because their overall physical features and size are most similar to the subject property. Therefore, a final mid-range value conclusion of \$750 per acre was drawn for Sale ID #336. This results in a market value of \$478,000 for Sale ID #336 as shown below.

$$637.84 \text{ acres } @ \$750 / \text{acre} = \$478,380$$

Rounded to: \$478,000

5.) ***Sale ID #304 – T4N-R2E; Sect 36; That portion of Lots 5, 6, 7, 8 & NW/4NW1/4, W1/2SW1/4 lying west of the old Rail Road strip - 196 acres***

Sale ID #304 consists of 196 acres that sits just to the west of the Missouri River, but does not have direct access to the river. It is dry native rangeland with some steep draws and ridges lined with Juniper trees. It has good views overlooking the river, but also takes in views of the highway and subdivision on the east side of the river. Like the parcels identified before, 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	Deeded acres	Sale price per acre
#2	11/07	Eckhart	160	\$1,031 ¹⁰³¹
4	6/07	Kahrl	177	956 ⁹⁶⁰
5	6/07	Kahrl	181	990 ⁹⁹⁰
6	11/06	Williams	1,750	760 ⁷⁵⁰
13	11/05	Barber	779	1,092
15	8/05	Ford	163	1,847
17	6/05	Thompson	439	1,423

When considering the comparability 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	\$1,031 / acre	Equal or Similar
Sale #4	\$956 / acre	Equal or Similar
Sale #5	\$990 / acre	Equal or Similar
Sale #6	\$760 / acre	Inferior
Sale #13	\$1,092 / acre	Equal or Similar
Sale #15	\$1,847 / acre	Superior
Sale #17	\$1,423 / acre	Superior

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

<u>Inferior Sales</u>	<u>Similar Sales</u>	<u>Superior Sales</u>
\$760	\$956	\$1,423
	\$990	\$1,847
	\$1,031	
	\$1,092	

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 \$956 per acre and \$1,092 per acre. A final value conclusion of \$1,000 per acre was drawn for Sale ID #304. This results in a market value of \$196,000 for Sale ID #304 as shown below.

$$196 \text{ acres } @ \$1,000 / \text{acre} = \$196,000$$

6.) **Sale ID #337 – T4N-R2E; Sect 32; NW1/4SW1/4, S1/2S1/2,
NE1/4SE1/4, SE1/4NE1/4 - 280 acres**

Sale ID #337 consists of 280 acres with approximately 58.8 acres being dry cropland and the remainder native rangeland. Market data in the surrounding area suggests that current market participants in this area including buyers, sellers, realtors and appraisers are not associating a \$/acre distinction between dry cropland and native rangeland. Those sale properties with the location, physical features, land mix classifications, 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	Deeded acres	Sale price per acre
#1	12/07	Nimmick	2,372	\$1,250
10	4/06	Murphy	225	3,750
12	1/06	T Bar	4,522	1,137
14	9/05	Clark	575	1,640
16	6/05	Whittenberg	550	1,547 ¹³⁶⁴

The sales illustrated above reflect a range in value of from \$1,137 to \$3,750 per acre on an overall unimproved 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 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 #1	\$1,250 / acre	Inferior
Sale #10	\$3,750 / acre	Superior
Sale #12	\$1,137 / acre	Inferior
Sale #14	\$1,640 / acre	Equal or Similar
Sale #16	\$1,547 / 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>
\$1,137	\$1,547	\$3,750
\$1,250	\$1,640	

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 \$1,547 per acre and \$1,640 per acre. The sales considered to be "Similar" to the subject after the appropriate adjustments were made are generally equal to, or not distinguishable from, the subject property and a mid-range conclusion of the "Similar" sales is considered reasonable and appropriate. Thus, a final value conclusion of \$1,600 per acre was drawn for Sale ID #337. This results in a market value of \$448,000 for Sale ID #337 as shown below.

$$280 \text{ acres } @ \$1,600 / \text{acre} = \$448,000$$

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 high quality sales data available in this assignment as the sales 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 August 14, 2008, the market value of the individual parcels of the State Land Trust as identified previously are those shown below.

Sale ID #302:	161.63 acres	\$307,000
Sale ID #303:	160.00 acres	\$304,000
Sale ID #336:	637.84 acres	\$478,000
Sale ID #304:	196.00 acres	\$196,000
Sale ID #337:	280.00 acres	\$448,000

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 55 numbered pages in this report which does not include maps, charts, or exhibits in the Addenda.

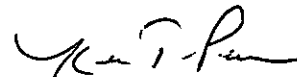
Having conducted a complete appraisal presented herein as a **Summary Appraisal Report**, the appraisers conclude that the Market Value of the Montana State Trust Land as of August 14, 2008, was:

Sale ID #302:	161.63 acres	\$307,000.00
Sale ID #303:	160.00 acres	\$304,000.00
Sale ID #336:	637.84 acres	\$478,000.00
Sale ID #304:	196.00 acres	\$196,000.00
Sale ID #337:	280.00 acres	\$448,000.00

September 10, 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