

**SUMMARY
APPRAISAL REPORT
of four
STATE LAND BANKING PARCELS
located in
Carter, Rosebud, and Dawson Counties,
Montana**

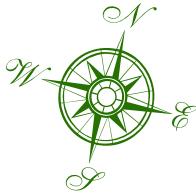
EFFECTIVE DATE: July 21, 2011

Prepared for:

**John Grimm
Real Estate Section Supervisor
Montana DNRC Trust Land Management Division
P.O. Box 201601
Helena, MT 59620-1601**

Prepared by:

**Andrew A. D. Rahn IV, ARA
Rahn Land, Inc.
Accredited Rural Appraiser
Montana Certified General Appraiser**



RAHN LAND, Inc.
Andrew A.D. Rahn IV, ARA
Accredited Rural Appraiser
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August 23, 2011

John Grimm
Real Estate Section Supervisor
Montana DNRC Trust Land Management Division
P.O. Box 201601
Helena, MT 59620-1601

RE: Real estate appraisal of four (4) State Land Banking Parcels located in Carter, Rosebud, and Dawson Counties, Montana.

Dear Mr. Grimm:

Pursuant to your request, I have personally inspected and prepared an appraisal of the real property assets associated with the four (4) State Land Banking Parcels located in Carter, Rosebud, and Dawson Counties, Montana. These parcels range in size from 311.6 to 640 deeded acres. The lands appraised are all located in eastern Montana.

It is my understanding that you are requesting this appraisal for use in the decision making process concerning the potential sale of said subject properties. The effective date of appraisal is July 21, 2011, which is the last date of inspection by the appraiser. The purpose of the appraisal is to provide the client with a credible opinion of current fair market value of the appraised subject properties.

I have concluded that a valuation analysis for the subject properties should be set forth in a narrative Summary Appraisal Report in compliance with current *Uniform Standards of Professional Appraisal Practice* (USPAP) guidelines. USPAP is the generally accepted standards for professional appraisal practice in the United States. No extraordinary assumptions were made in completing this appraisal. However, two hypothetical

conditions were employed as directed by the client. These hypothetical conditions are described in the Scope of Work, as well as throughout the report. This appraisal represents a current valuation as defined by USPAP. The objective of this analysis is to estimate the market value of the subject properties on an “as-is” basis including land and appurtenances.

The value determinations presented in this report represent the cash value of the fee simple ownership rights associated with the appraised properties, exclusive of reservations of record. These value conclusions are inclusive of the contributory value of mineral, timber, and water rights associated with the real property. The appraised values are based on an exposure time of less than twelve months and my value conclusions do not include personal property, fixtures, emblements, or intangible items.

Respectfully submitted,



Andrew A. D. Rahn, IV, ARA
Rahn Land, Inc.
Accredited Rural Appraiser
Montana Certified General Appraiser



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Addendum:

Exhibit 1 - Appraisal Contracts & Client Documents

Exhibit 2 - Appraiser Qualifications

I. INTRODUCTION

A. Authorization and Scope of Appraisal

The appraiser was authorized to prepare an appraisal of the subject properties by the Montana Department of Natural Resources & Conservation (DNRC) via contract #117810. The contract outlined the terms and conditions of the appraisal assignment, and is included in the Addendum of the report.

As will be identified within this report, the primary objective of this appraisal to provide the client with a credible opinion of current fair market value of the appraised subject properties, and is intended for use in the decision making process concerning the potential sale of said properties. A standard appraisal process will be employed to determine the market value of the real property, subject to any easements, reservations, conveyances, and encumbrances of record. This value includes mineral, water, and timber rights, as these items are considered inherent in the land value and no specific valuation of these rights will be performed. This process will include all available and current market data and information considered pertinent to the valuation of the subject properties.

In preparing the appraisal, the appraiser conducted research and analysis of the subject properties, the subject area, the general market, and specific sales. This included inspections of each of the subject properties between July 18 and 21, 2011. Where possible, sales were also personally inspected by the appraiser. However, some sales were not physically inspected due to lack of legal or physical access. All sales were analyzed using advanced GIS mapping technology.

Background property information was gathered from several sources that included the property lessees as well as personnel associated with governmental agencies including County Assessors, County Clerk and Recorders, the USDA Farm Services Agency, the Montana Department of Natural Resources, as well as a personal knowledge of the local and surrounding area. As described, the real property consists of four separate parcels that range in size from 311.6 to 640 deeded acres.

The appraiser has studied the market and conducted a highest and best use analysis for the subject properties. All of the available sales data has been evaluated for comparability to the subject properties. All three approaches to value; the cost, sales comparison, and income approaches were considered.

There are two hypothetical conditions that have been employed in this report, as directed by the client. The first hypothetical condition is that the properties are in a fee simple estate, when in fact they are currently leased and the lessees hold a leasehold interest in the properties. The client holds a leased fee interest in the subject properties. However, as directed by the client, the parcels are to be appraised in this assignment as fee simple estates. Secondly, none of the four subject properties have legal access and all are surrounded by private lands for which no public access easements are present. In

addition to appraising these subject properties in the “as is” condition which is without legal access, the client has directed the appraiser to value the properties under the hypothetical condition that the properties do have legal access. These parcels will be valued in an “as is” condition, without legal access, and also under the hypothetical condition of having legal access.

Montana is a non-disclosure state where land sale prices and the terms of rural real estate transactions are not public information. There are no centralized sources of sale data and no obligatory requirements for sale participants to release price data. Some sales are subject to confidentiality agreements. The appraiser acquires sales data from transaction participants (such as buyers, sellers, brokers, attorneys, and closing agents) as well as other real estate and valuation professionals such as appraisers and real estate agents. The willingness of these sources to share confidential sales data with the appraiser is based on the understanding that the appraiser will keep that data confidential and use with discretion. The appraiser’s professional practice is dependent on maintaining the confidentiality of sales data, and the appraiser has verbally assured all the providers of confidential sales data that the data will remain confidential.

Given that this report may be made available to the public, the confidential sales data will not be included in the report. A separate Sales Addendum will include the confidential sales data and this addendum is included by reference to the report, but will not be available to the public. The reviewers of the appraisal report will have access to the Sales Addendum, but once the appraisal is reviewed, the Sales Addendum will be returned to the appraiser to be kept in the appraiser’s files. The Sales Addendum is not considered to be public information.

The client is hereby notified that it is possible that there are sales of which the appraiser has no knowledge, or for which reliable data could not be confirmed. The appraiser is active and familiar with the area and is confident that based on the amount of data confirmed, and his historic knowledge of the area, an accurate appraisal valuation can be made. Sale and market data was gathered and confirmed with sources familiar to the transaction (such as buyers, sellers, brokers, attorneys, and/or closing agents) to the best of the appraiser’s abilities.

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 the appraiser’s files. The depth of discussion contained in this report is specific to the need of the client and to the intended use stated herein. The appraiser is not responsible for unauthorized use of this report.

B. Summary of Salient Facts and Conclusion

Property Owner of Record:	State of Montana DNRC Trust Land Management Division P.O. Box 201601 Helena, MT 59620		
Intended Users:	State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).		
Property Location:	Carter, Rosebud, and Dawson Counties, Montana.		
Purpose of the Appraisal:	The purpose of the appraisal is to provide the client with a credible opinion of current fair market value of the appraised subject properties, and is intended for use in the decision making process concerning the potential sale of said subject property.		
Estate Appraised:	The fee simple interest subject to any easements, reservations, conveyances, and encumbrances of record; under the hypothetical conditions of being fee simple estates and having legal access.		
Effective Date of Appraisal:	July 21, 2011		
Zoning:	County Agricultural		
Flood Zone:	The subject properties are not located in any federally designated flood zones.		
Highest and Best Use:	Agricultural with plottage value to existing holdings. Agriculture		
Without access:			
With Access:			
Property Description:	The subject properties are four separate, unimproved parcels of native rangeland located in Carter, Rosebud, and Dawson Counties, Montana. These parcels range in size from 311.6 to 640 deeded acres. None of the parcels have legal access, and the physical access is primitive and undeveloped.		
Valuation Conclusion:			
	Parcel #612	"as is" with no legal access	= \$76,000
		with hypothetical legal access	= \$127,000
	Parcel #609	"as is" with no legal access	= \$28,000
		with hypothetical legal access	= \$47,000
	Parcel #611	"as is" with no legal access	= \$58,000
		with hypothetical legal access	= \$96,000
	Parcel #616	"as is" with legal access	= \$58,000
		with hypothetical legal access	= \$96,000

C. Client and Intended Users 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 of the Appraisal

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

The following definition of current fair market value was provided to the appraiser by the client, and will be used in this report. (MCA 70-30-313)

“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 appraiser, Andrew A. D. Rahn IV, ARA, certifies that he has the knowledge and experience to complete this assignment competently in accordance with the Competency Provision of the *Uniform Standards of Professional Appraisal Practice* (USPAP). He has processed an active Certified General Appraisal license in Montana since 2006. He holds an Accredited Rural Appraiser (ARA) designation and is an active member with the American Society of Farm Managers and Rural Appraisers (ASFMRA).

Please refer to the complete Appraiser’s Qualifications in the Addendum for a more complete listing of qualifications and experience.

F. Effective Date of the Appraisal

The appraised value as presented in this report is a current valuation of the subject properties as of the effective date of the appraisal. The effective date is July 21, 2011, which represents the last day of inspection by the appraiser.

G. Property Interest Appraised

The property interest being appraised herein is the real property estate, subject to any easements, reservations, conveyances, and easements of record. This excludes any specific valuation of mineral, timber, or water rights, as these interests are considered inclusive in overall real property market value. Many properties in this market sell with all or partial mineral rights. To date, the buyers in the market have not consistently discounted a property's value for partial mineral rights.

The subject lands are to be appraised under the hypothetical condition that they are a fee simple interest, when in fact the owner holds a leased fee interest. The subject properties have lease contracts in place, but for analysis purposes are to be appraised with the hypothetical condition the leases/licenses do not exist. Also, the subject properties are to be appraised under the hypothetical condition that they have legal access when in fact they do not. The prosperities will be appraised both with and without legal access.

H. Ownership and Sales History

As of the specific date of valuation, title to the subject properties was held by:

State of Montana
DNRC Trust Land Management Division
P.O. Box 201601
Helena, MT 59620

There has been no recent sales history of these parcels.

I. Legal Description

The properties being appraised consist of the real property only; no personal property, trade fixtures, or equipment is included in this report unless specifically noted. The subject properties are legally described as follows:

Parcel #612 – Carter County

<u>Township 8 South, Range 60 East</u>	<u>Acres</u>
Section 36: All	540.07

Parcel #609 – Rosebud County

<u>Township 10 North, Range 36 East</u>	<u>Acres</u>
Section 6: LOTS 1-5, SE4NW4, S2NE4	311.6

Parcel #611 – Rosebud County

<u>Township 10 North, Range 35 East</u>	<u>Acres</u>
Section 36: ALL	640

Parcel #616 – Dawson County

<u>Township 15 North, Range 56 East</u>	<u>Acres</u>
Section 36: ALL	640

The deeded acres for these lands have been provided by the client and have been checked against county assessed acres. This acreage is subject to any existing liens and easements upon, over, or across the properties.

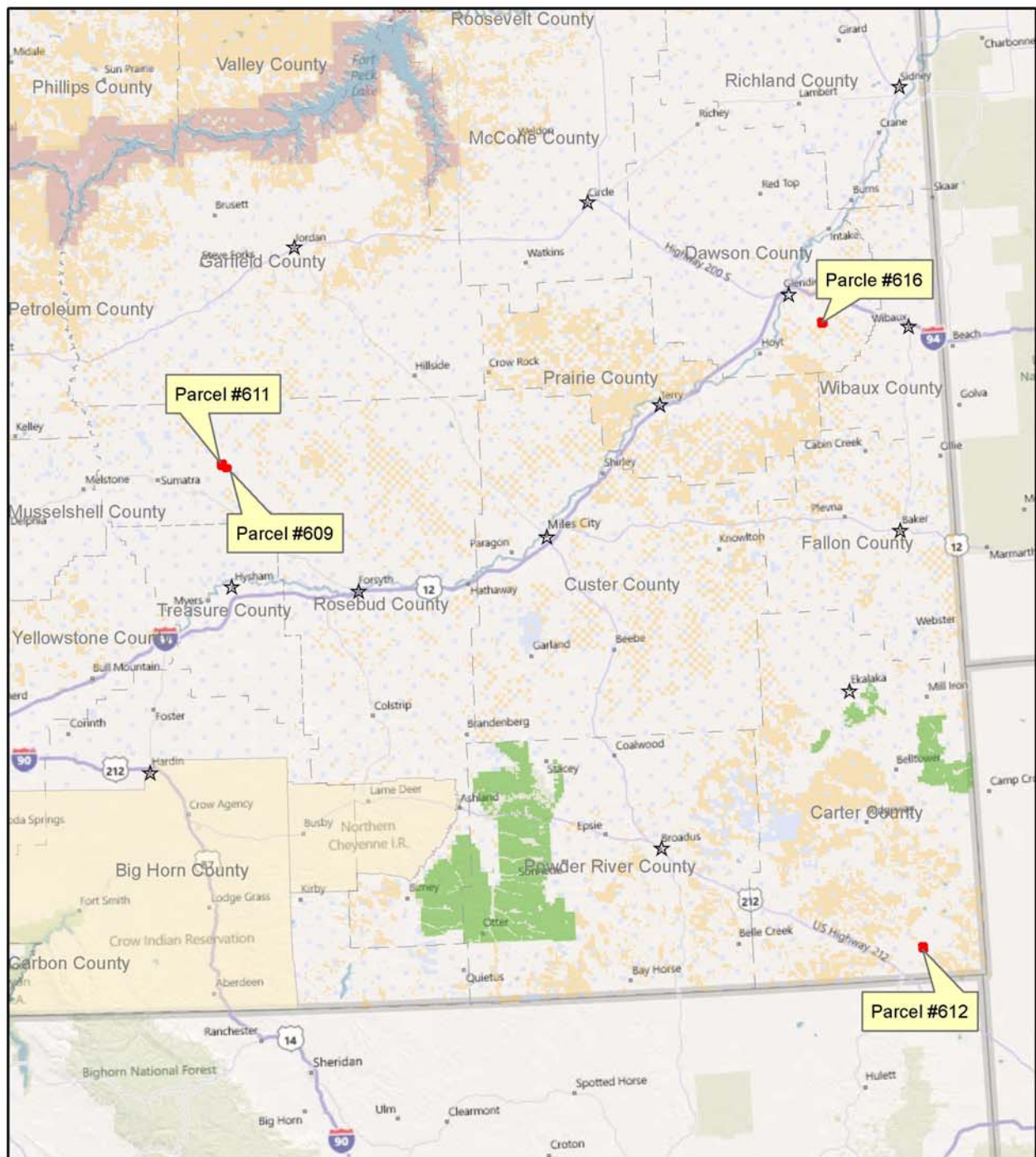
J. Exposure Time

The 2010-2011 revision of USPAP 1-2 (c) requires that an opinion of reasonable exposure time be developed for appraisal assignments whose purpose is to assign market value. Requisite to satisfying the definition of market value is an exposure to a competitive marketplace.

Exposure time is the estimated length of time the property interest being appraised would have been offered in the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; exposure time is always presumed to precede the effective date of the appraisal. Alternatively, “marketing time” is a consulting term which relates to the amount of time that would be required to sell the property interest at the estimated market value during the period after the effective date of

the appraisal. An estimate of marketing time is not intended to be a prediction of date of sale. It may not be appropriate to assume that the value as of the effective date of the appraisal remains stable during a marketing period.

In analyzing the overall market, it is apparent that lands have varying marketing times, depending upon pricing structures, which have run from as little as 20 to 30 days, to as long as two to three years. In consideration of this data and information which will be reported herein, the appraiser has concluded that a reasonable exposure time for properties such as the subject parcels, based on the values set forth herein, would be less than 12 months. This analysis is based on the assumption that properties such as the subject would be placed on the market at appraised value and not at a speculative value. The longer marketing periods evidenced in the market are typically associated with properties which have been priced in a speculative manner. The data does not suggest that properties such as the subject would suffer extended exposure or marketing times as a result of the overall value or price associated with the properties if properly priced and marketed in a professional manner.



Legend

- | | |
|---|--|
| Subject Properties | Public Ownership |
| ☆ County Seats | Montana State Trust Lands |
| County Line | US Bureau of Land Management |
| Indian Reservations | US Fish and Wildlife Service |
| | US Forest Service |



0 12.5 25 50 Miles

Map produced by Rahn Land, Inc.
This map is for visual reference purposes only,
and its accuracy is not guaranteed.



II. AREA AND COMMUNITY FEATURES AND DESCRIPTION

A. Location

As delineated on the facing map, the subject properties are located in a wide geographic range across eastern Montana. The parcels are located in Carter, Rosebud, and Dawson Counties. Each of these counties are predominantly rural counties.

B. Site Access

Access to the individual sites varies substantially, and will be described in the individual parcel descriptions. None of the four tracts have legal access. Three of these four units have primitive, undeveloped physical access, while the fourth unit has physically improved access. Accessibility within these parcels is seasonal with unimproved dirt roads which can be impassible in winter due to drifts or in wet conditions due to the heavy clay soils.

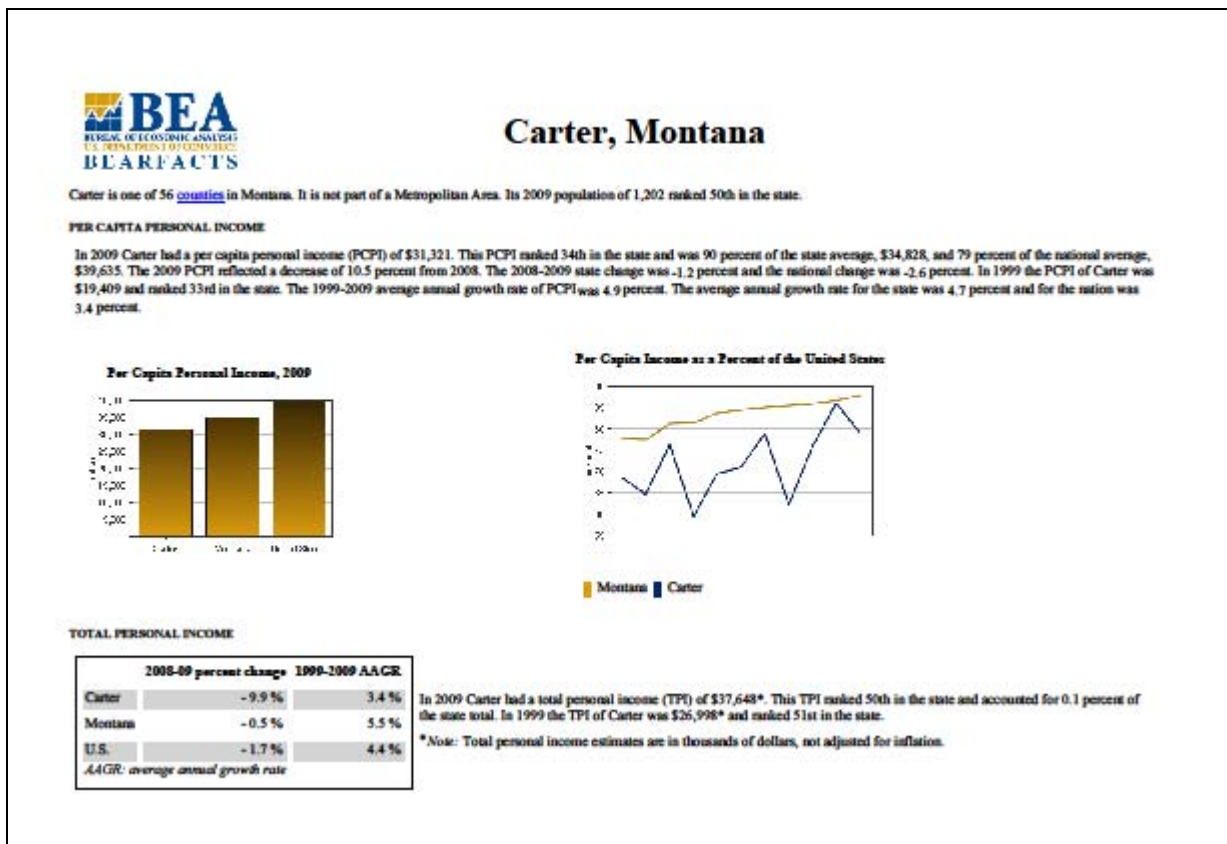
As stated, none of the four parcels have legal access. The current lessees, whose lands generally surround each of the subject parcels, have access through their own deeded lands. Some of the subject parcels adjoin other ownerships by a corner. However, in Montana adjoining corners does not constitute legal access. These parcels are considered to have primitive, undeveloped physical access.

C. Community

1. Carter County

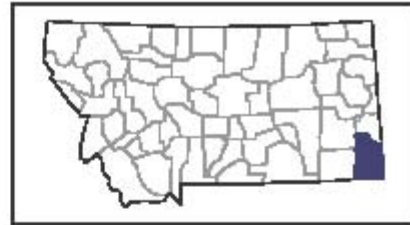
Carter County is situated in the extreme southeastern corner of the state, bordered on the east by South Dakota and to the south by Wyoming. The landscape is characterized largely by rolling prairie with the exception of some areas in the northwest and north central that are occupied by sections of the Custer National Forest. The Little Missouri River meanders through the southeastern corner of the county.

Ekalaka is the county seat, with a population of approximately 399 people. The county has an area of 3,313 square miles. Farming and ranching are the principal industries with beef production number one on the list. Carter County is the largest sheep and wool producing county in the state. Industries providing employment: Agriculture, forestry, fishing and hunting, and mining (56.7%), Educational, health and social services (13.2%).



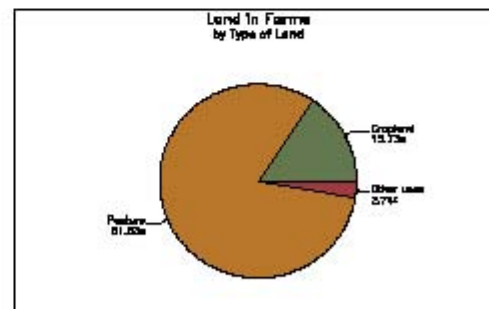
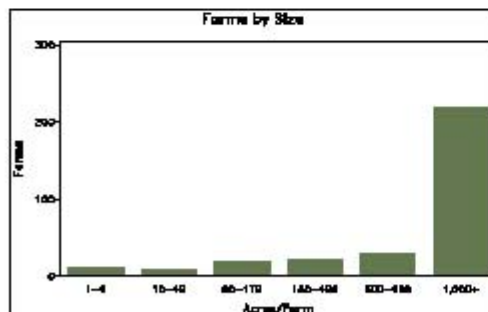
2007 CENSUS OF AGRICULTURE

County Profile



Carter County Montana

	2007	2002	% change
Number of Farms	308	289	+ 7
Land in Farms	1,698,363 acres	1,666,922 acres	+ 2
Average Size of Farm	5,514 acres	5,768 acres	- 4
Market Value of Products Sold	\$42,812,000	\$30,432,000	+ 41
Crop Sales \$8,497,000 (20 percent)			
Livestock Sales \$34,315,000 (80 percent)			
Average Per Farm	\$139,001	\$105,302	+ 32
Government Payments	\$1,766,000	\$1,954,000	- 10
Average Per Farm Receiving Payments	\$9,599	\$12,292	- 22

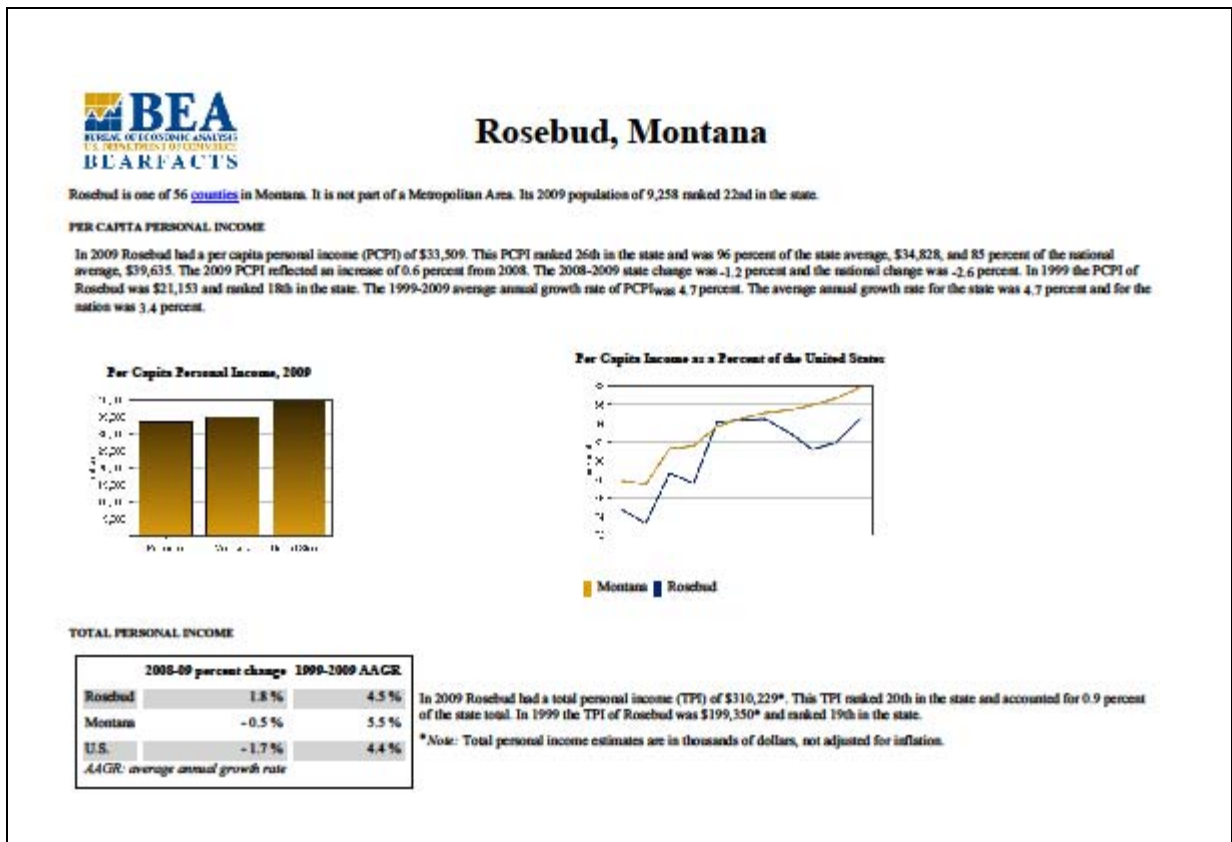


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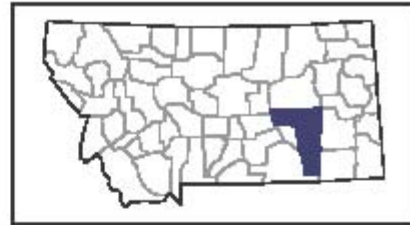
2. Rosebud County

Rosebud County is in southeastern Montana near the Wyoming border. The county's leading source of income is the electric, gas, and sanitary services industry. Rosebud County is Montana's largest jurisdiction as well as one of the least populated with less than 1 person per square mile. The County is located adjacent to Custer National Forest, and includes 15,097 square miles of land area. The topography is rolling with small hills. Forsyth, county seat of Rosebud County, is nestled below a rim of rough badlands along the banks of the Yellowstone River.



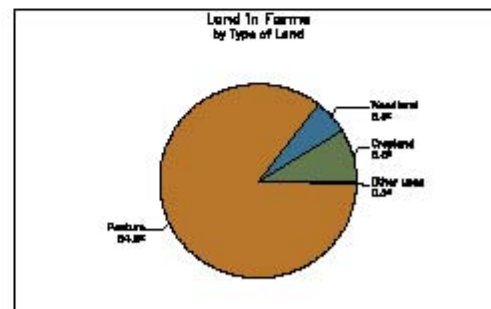
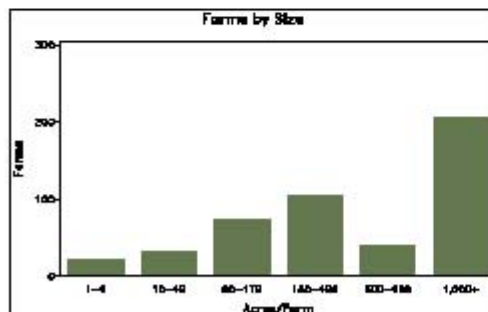
2007 CENSUS OF AGRICULTURE

County Profile



Rosebud County Montana

	2007	2002	% change
Number of Farms	478	412	+ 16
Land in Farms	2,714,024 acres	2,540,898 acres	+ 7
Average Size of Farm	5,678 acres	6,167 acres	- 8
Market Value of Products Sold	\$56,823,000	\$42,264,000	+ 34
Crop Sales \$13,851,000 (24 percent)			
Livestock Sales \$42,972,000 (76 percent)			
Average Per Farm	\$118,877	\$102,583	+ 16
Government Payments	\$2,688,000	\$2,677,000	0
Average Per Farm Receiving Payments	\$17,341	\$15,039	+ 15



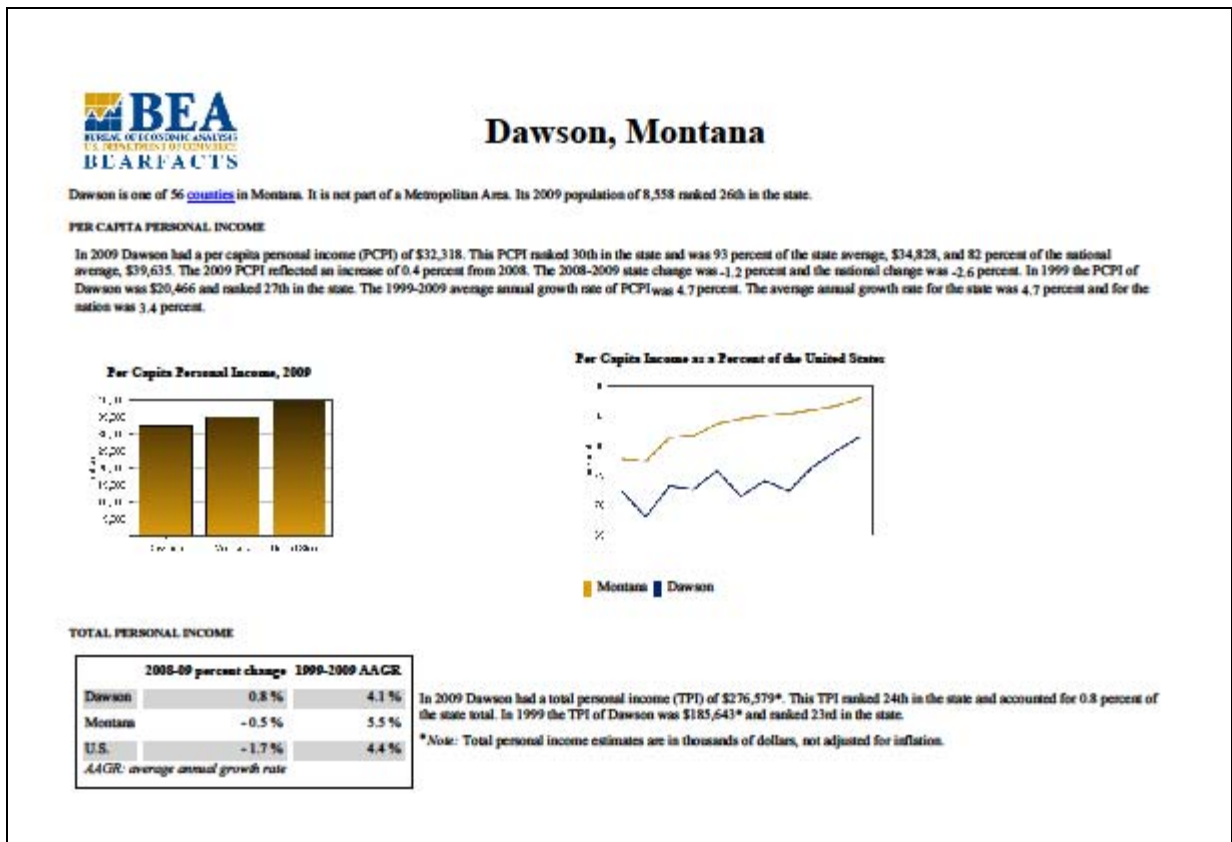
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National Agricultural Statistics Service

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3. Dawson County

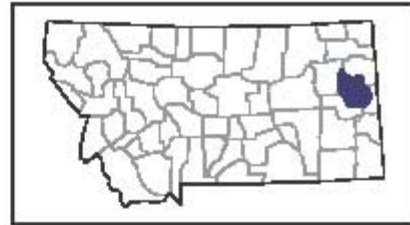
Dawson County occupies land in east central Montana. The Yellowstone River flows through the southern half of the county. The land immediately adjacent to the river and its tributaries is hilly and broken, while a portion of the Big Sheep Mountain range is situated in the northwestern section.

Dawson County, Montana is a rural county of 8,558 residents, most of who live in its economic hub and county seat, Glendive. Dawson County is known for its dryland grain, coal mines and gas and oil wells.



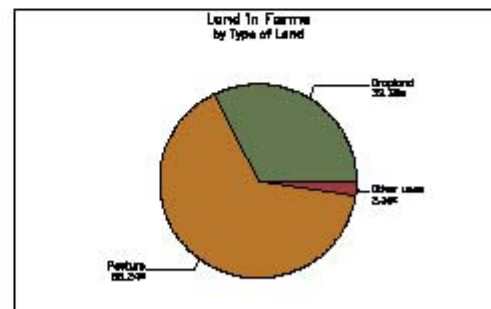
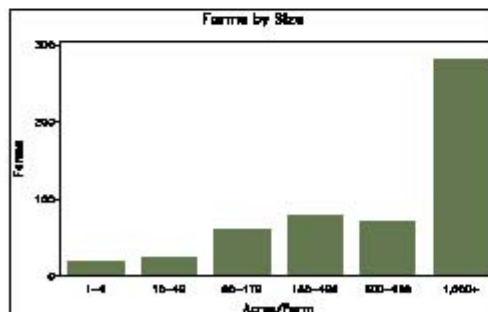
2007 CENSUS OF AGRICULTURE

County Profile



Dawson County Montana

	2007	2002	% change
Number of Farms	535	522	+ 2
Land in Farms	1,378,564 acres	1,410,885 acres	- 2
Average Size of Farm	2,577 acres	2,703 acres	- 5
Market Value of Products Sold	\$56,622,000	\$36,147,000	+ 57
Crop Sales \$31,735,000 (56 percent)			
Livestock Sales \$24,887,000 (44 percent)			
Average Per Farm	\$105,835	\$69,247	+ 53
Government Payments	\$6,290,000	\$5,496,000	+ 14
Average Per Farm Receiving Payments	\$15,964	\$16,117	- 1



United States Department of Agriculture
National Agricultural Statistics Service

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4. Montana

Montana's population as of mid 2006 is estimated at 944,632 people. This ranks Montana 44th in population within the United States with an average of six people per square mile, the third lowest population density in the nation. Overall, the population grew by approximately 4.7% between 2000 and 2006.

The largest city in the state is Billings, with an estimated population of approximately 97,000 people. Billings is followed by Missoula, with an estimated population of 62,000 people. The third largest city in the state is Great Falls, with an estimated population of 56,000 people and Bozeman follows fourth in total city population at 32,400. These represent the populations of the primary cities and do not encompass county estimates. In the example of Bozeman, the overall service area associated with Bozeman and the Gallatin Valley is estimated to contain approximately 100,000 people.

The farm population of the state, 45,718, averages 1.9 people per farm. Montana's 60.2 million acres of farms and ranches is second to Texas for total amount of land in agriculture.

Total land area is about 145,388 square miles, with 64.1% in farm and ranch lands. Title to Montana's lands is as follows:

- State of Montana - 6%
- Federal Government - 30% (18% - National Forest Service; 8.7% - Bureau of Land Management; 3.3% - National Parks and other divisions)
- Indian reservations - 2%
- Private ownership - 62%

Of the approximately 60 million acres of farm and ranch lands, 66% is range land and 30% is croplands. The total number of farms and ranches has continued to decrease since 1933, when there were 53,000 units. As of 2000, it is estimated that there are approximately 28,000 farms and ranches in the state with an average size of approximately 2,036 acres.

Approximately 80% of Montana's population is employed in agriculture and small business. These are 90% of the state's businesses. They usually have one or two owners and less than ten employees.



Montana

GROSS DOMESTIC PRODUCT (GDP) BY STATE

In 2010, Montana current-dollar GDP was \$36.1 billion and ranked 48th in the United States. In 2000, Montana GDP was \$21.6 billion and ranked 47th in the United States.

In 2010, Montana real GDP grew 1.1 percent; the 2009-2010 national change was 2.6 percent. The 2000-2010 average annual growth rate for Montana real GDP was 2.1 percent; the average annual growth rate for the nation was 1.6 percent.

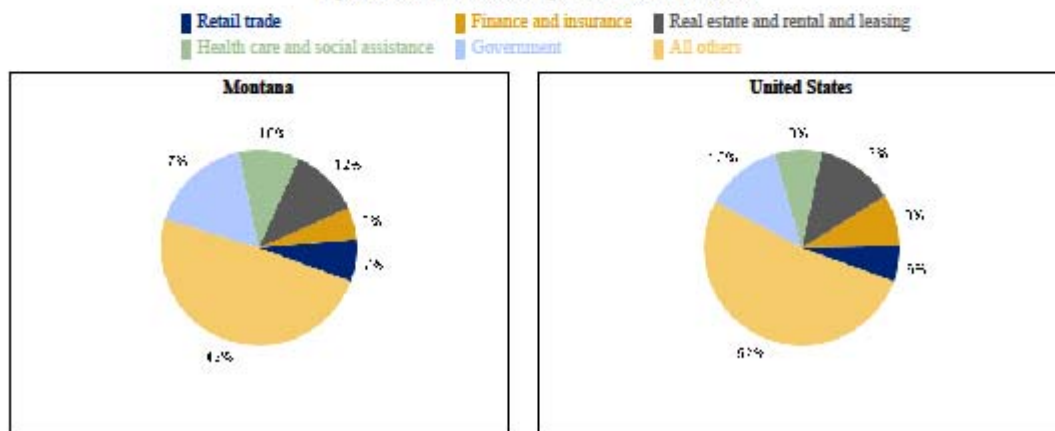
GDP BY STATE FOR INDUSTRIES

In 2010, the largest industry in Montana was government. This industry accounted for 16.8 percent of Montana GDP and had 0.7 percent real growth. The second largest industry was real estate and rental and leasing, which accounted for 11.7 percent of Montana GDP and had a 2.7 percent real decline.

The largest contributor to real GDP growth in Montana was health care and social assistance. This industry accounted for 0.33 percentage point of the total growth in real GDP. The second largest contributor was retail trade. This industry accounted for 0.30 percentage point of the total growth in real GDP.*

*Note: The industry contributions, or sum thereof, may be larger than 100 percent (and the percentage points larger than the percent change) because growing and declining industries offset one another.

Top Five State Industries as a percent of Total GDP, 2010



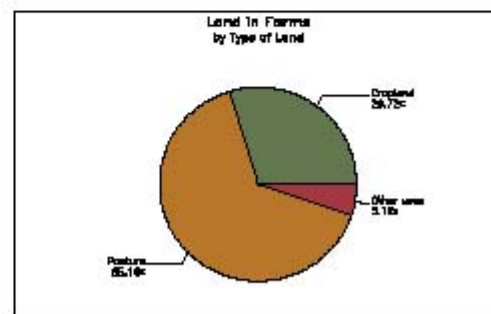
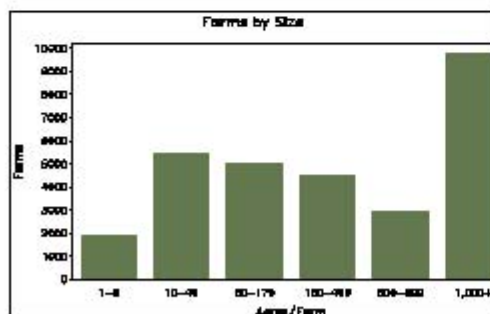
2007 CENSUS OF AGRICULTURE

State Profile

Montana



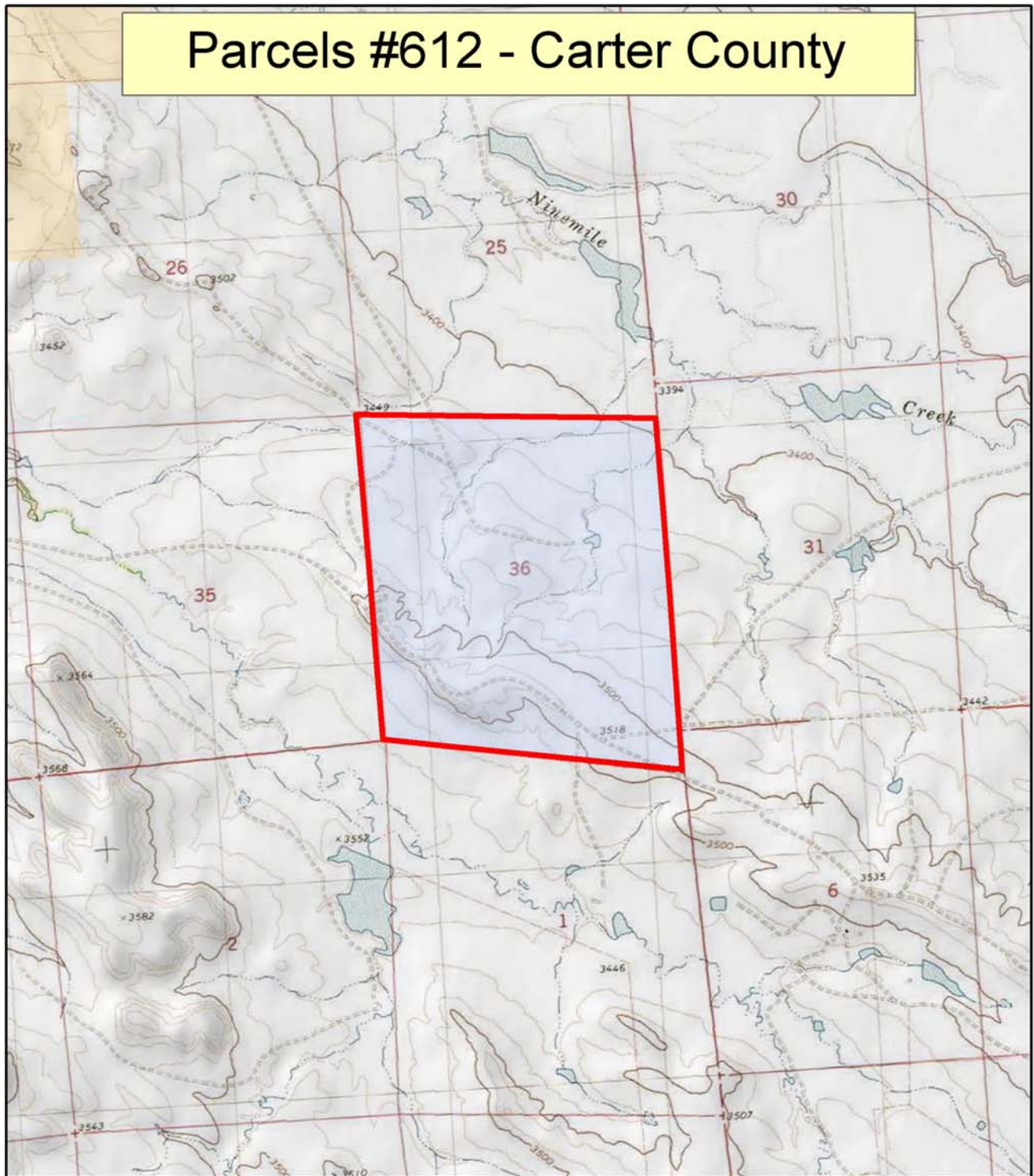
	2007	2002	% change
Number of Farms	29,524	27,870	+ 6
Land in Farms	61,388,462 acres	59,612,403 acres	+ 3
Average Size of Farm	2,079 acres	2,139 acres	- 3
Market Value of Products Sold	\$2,803,062,000	\$1,882,114,000	+ 49
Crop Sales \$1,273,721,000 (45 percent)			
Livestock Sales \$1,529,340,000 (55 percent)			
Average Per Farm	\$94,942	\$67,532	+ 41
Government Payments	\$221,977,000	\$210,749,000	+ 5
Average Per Farm Receiving Payments	\$16,971	\$17,011	0



United States Department of Agriculture
National Agricultural Statistics Service

www.agcensus.usda.gov

Parcels #612 - Carter County



Legend

Subject Property

Public Ownership

Montana State Trust Lands

US Bureau of Land Management



0 0.125 0.25 0.5 Miles

Map produced by Rahn Land, Inc.
This map is for visual reference purposes only,
and it's accuracy is not guaranteed.



III. SITE FEATURES AND DESCRIPTION

A. Subject Features and Operation

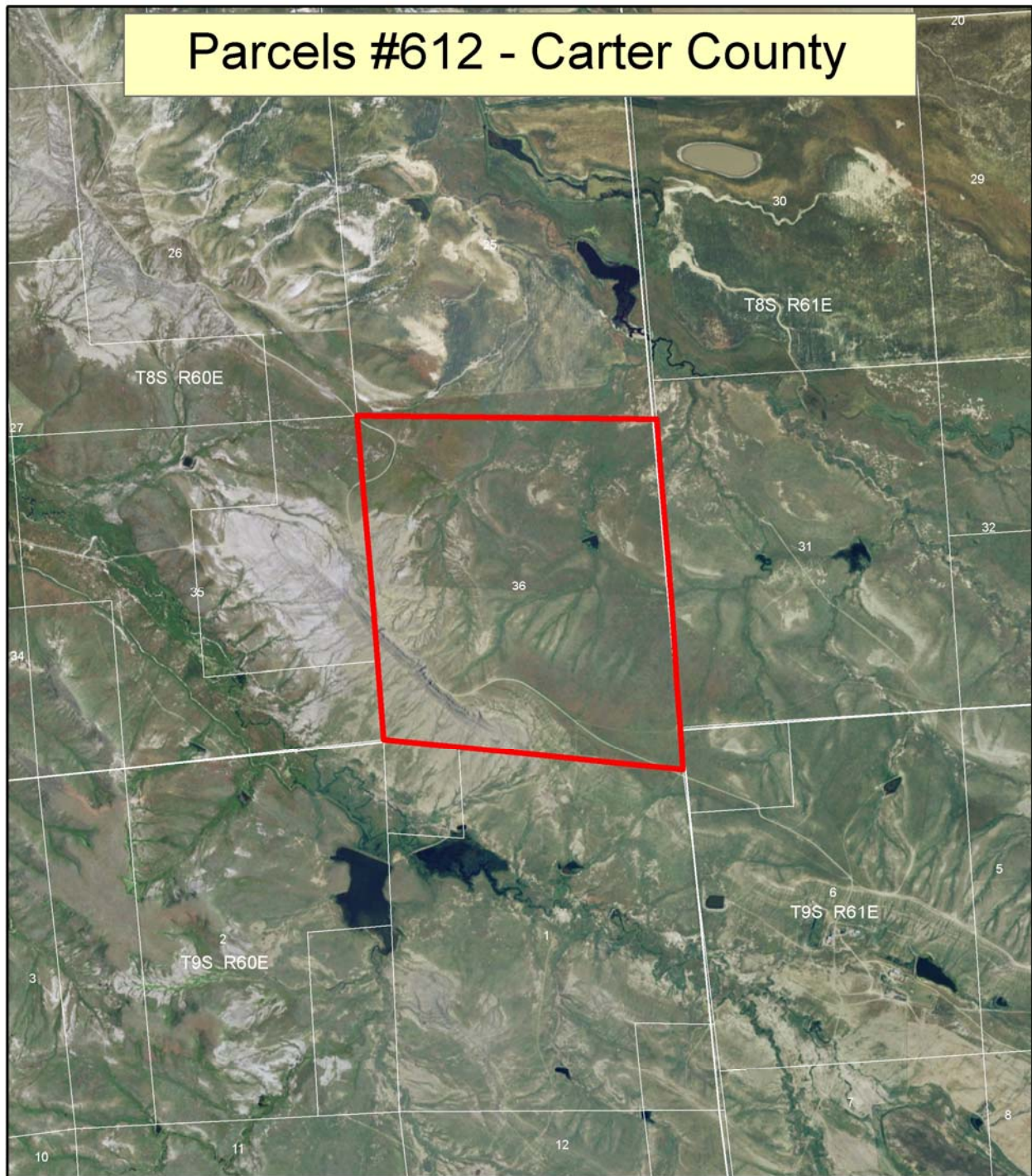
The subject properties are four isolated tracts of Montana State DNRC Trust lands that range from 311.6 to 640 deeded acres located in Carter, Rosebud, and Dawson Counties, Montana. They are all native rangeland properties with no surface water resources and each lack legal access. The parcels historically have been utilized for cattle grazing, and are currently under grazing lease agreements.

Parcel #612 – Carter County

Parcel #612 totals 540.07 acres and is located in the extreme southeast corner of Montana in Carter County, approximately seven miles northeast of the small community of Alzada. The parcel has no legal access, but the physical access is improved and considered to be good. An access road has been developed and maintained to the subject property that crosses the western and southern portion of the property. This road apparently provides access to the neighboring property located to the east from the highway to the west. No easements have been disclosed to the appraiser. Based on the current use and maintenance of this access road, the appraiser assumes that the neighboring property has historic access. This is not considered to be an extraordinary assumption.

The topography of the parcel is rough and varied, with some draws. The vegetation is entirely grasses, forbes, and sage brush. There are no trees on the subject property. The grazing capacity is reported to be 108 AUMs, with 10 of the 540.07 acres allocated as roads. There is no open water other than a seasonal reservoir. Most, though not all of the east boundary is fenced. Also, the north half of the west side is fenced although the fence line does not follow the property line. The parcel is cross-fenced north to south. The parcel is bordered on the north and west sides by the lessee's property.

Parcels #612 - Carter County



Legend

Subject Property



0 0.125 0.25 0.5 Miles

Map produced by Rahn Land, Inc.
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Northwest corner – facing southeast – showing access road



West side – facing east – showing cross fence



Southeast corner – facing north – showing east side boundary fence



East side – facing west – showing cross fence

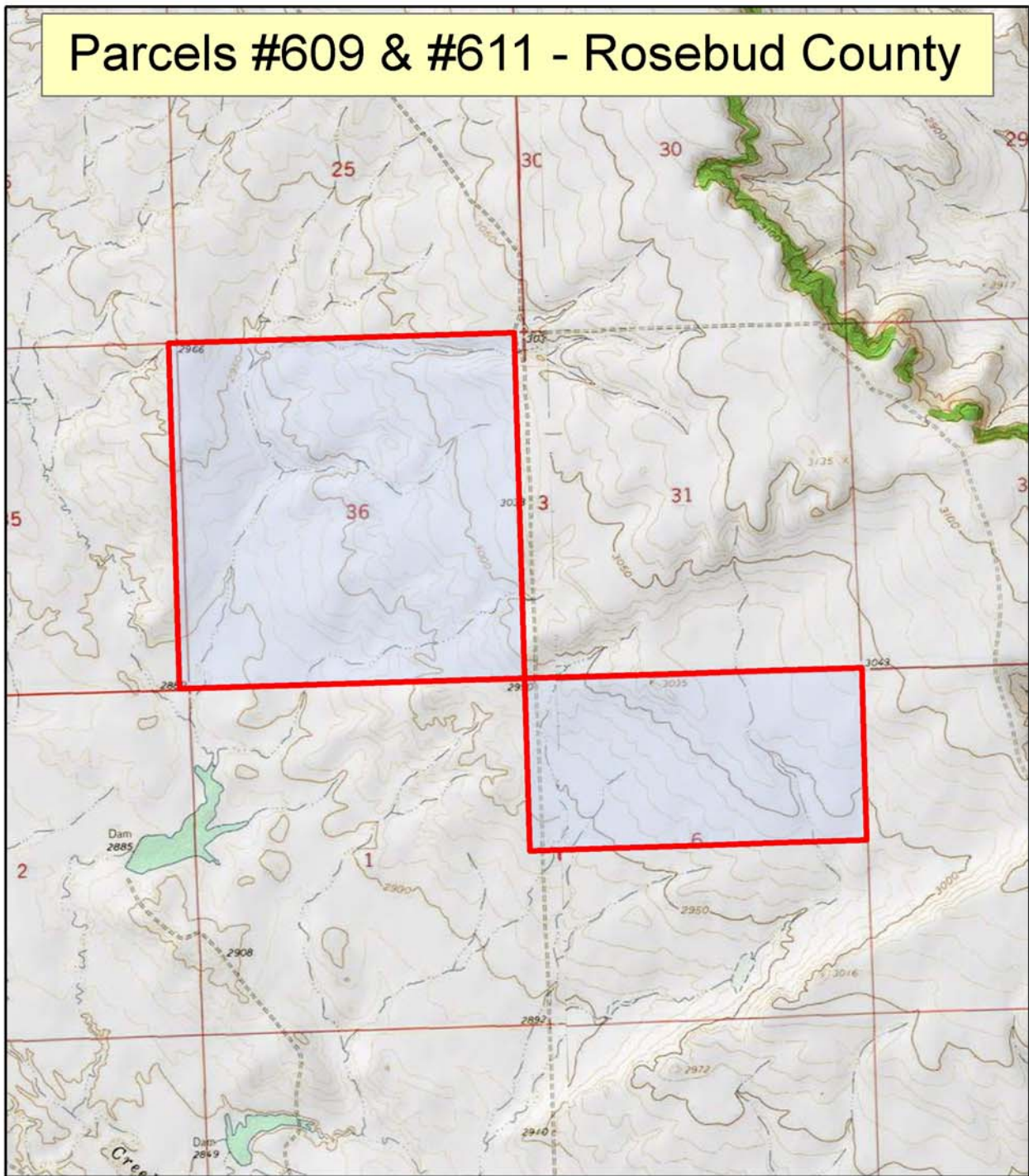


South end – facing east – showing access road




South end – facing north


Parcels #609 & #611 - Rosebud County




Legend

 Subject Property

Public Ownership

 Montana State Trust Lands

 US Bureau of Land Management



0 0.125 0.25 0.5 Miles

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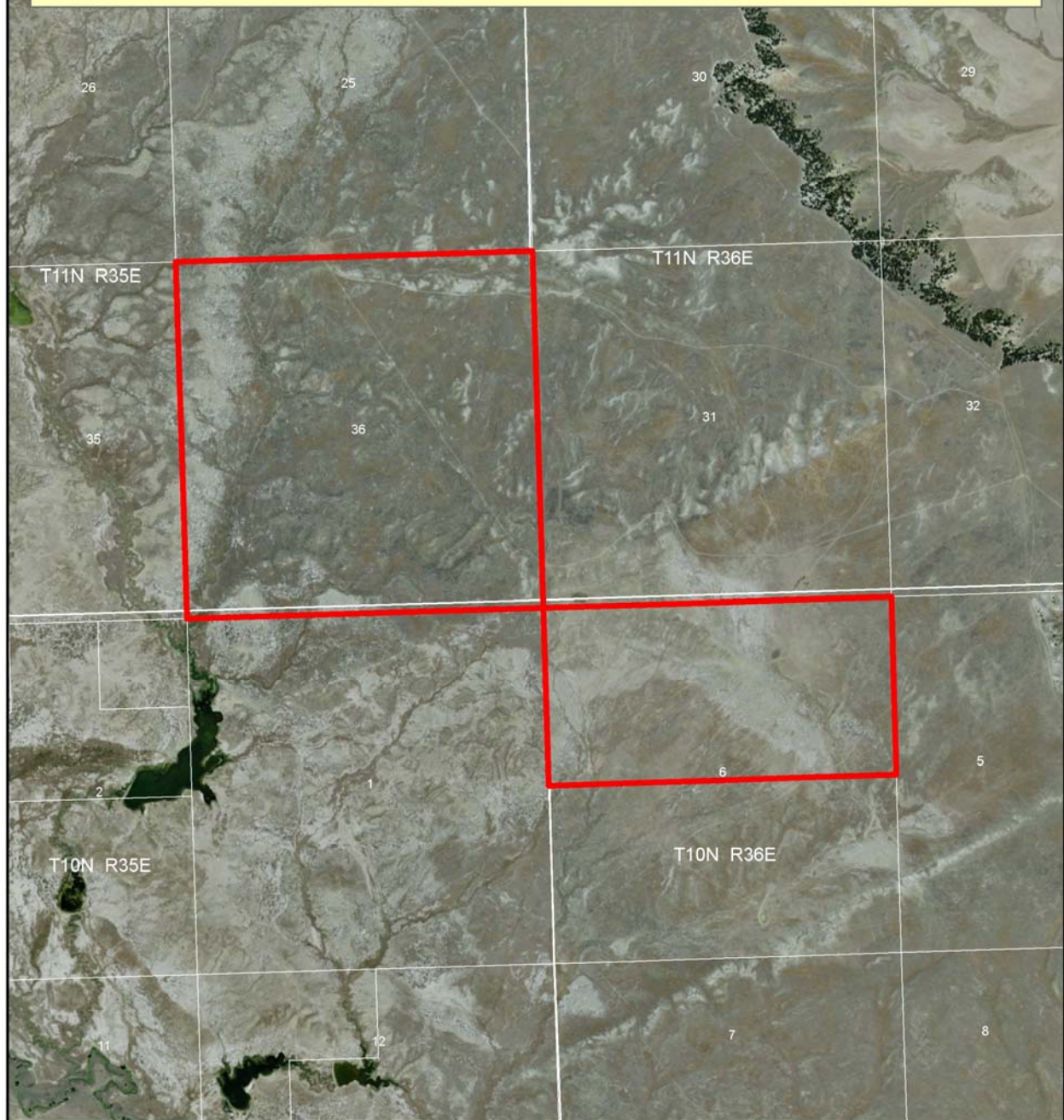
Parcels #609 & #611 – Rosebud County

These two parcels are located in east central Montana in Rosebud County, approximated eight miles northeast of the small community of Ingomar. The two properties adjoin each other by corner, and are both very similar in physical features. They both contain gently rolling grassland with seasonal drainages. Parcel #609 is 311.6 acres whereas Parcel #611 is 640 acres. Neither of the parcels has any water resources, although Parcel #611 is bisected by a power line that powers a livestock well located just across the north boundary of the parcel. The west side of Parcel #609 is fenced, and the east, south, and west sides of Parcel #611 are fenced. Physical access is limited to private dirt ranch roads which are very primitive and poor. Neither parcel has legal access. The carrying capacity of Parcel #609 is reported to be 65 AUMs, while the carrying capacity for Parcel #611 is reported to be 140 AUMs.




Parcel #609 – North side – facing south

Parcels #609 & #611 - Rosebud County



Legend

 Subject Property



0 0.125 0.25 0.5 Miles

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Parcel #609 – Center – facing west



Parcel #609 – West side – facing east



Parcel #611 – Southeast corner – facing northwest – showing powerline and access road



Parcel #611 – Center – west

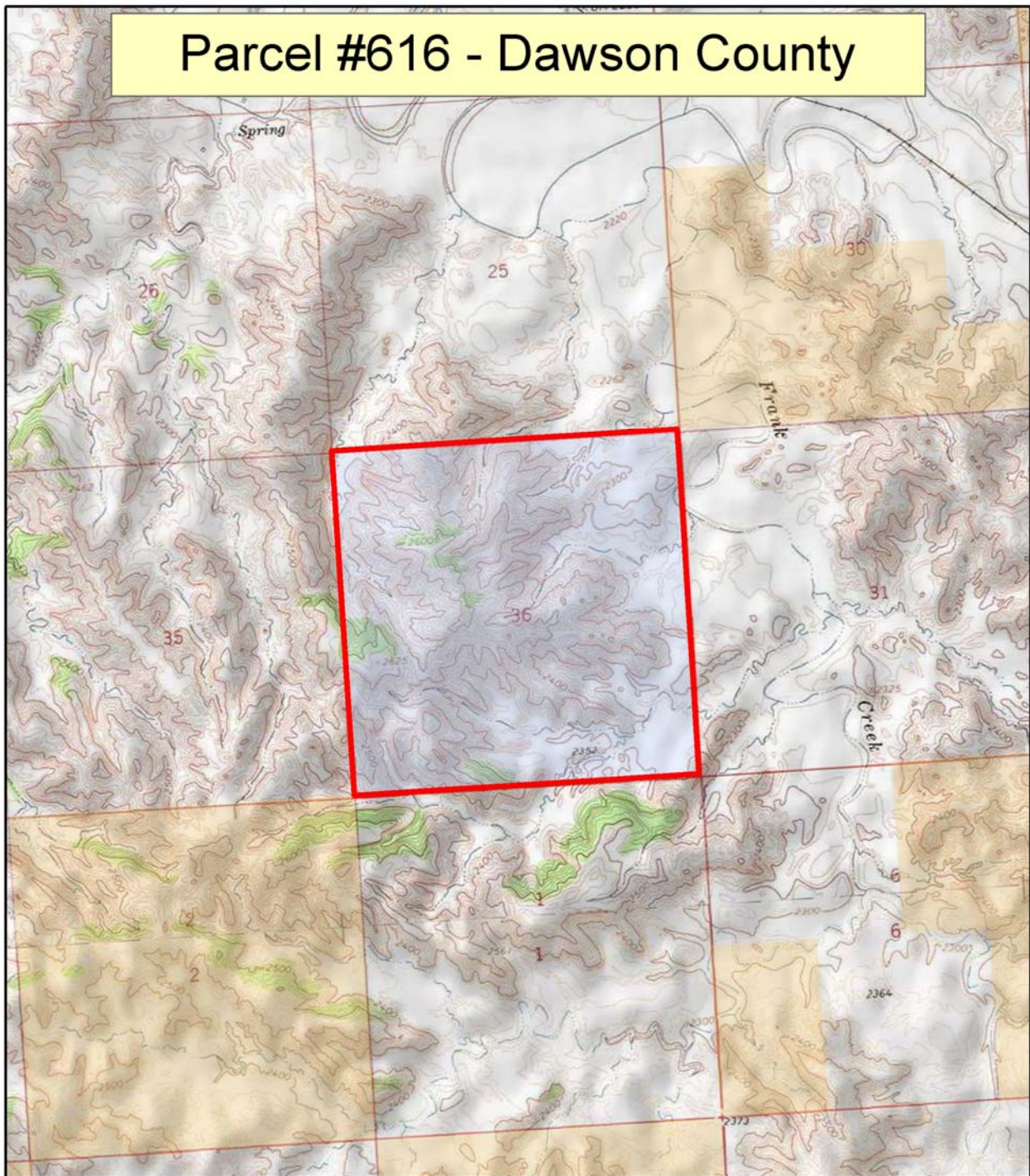


Parcel #611 – North end – facing south – showing poweline




Parcel #611 – Northeast corner – facing south


Parcel #616 - Dawson County




Legend

 Subject Property

Public Ownership

 Montana State Trust Lands

 US Bureau of Land Management



0 0.125 0.25 0.5 Miles

Map produced by Rahn Land, Inc.
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Parcel #616 – Dawson County

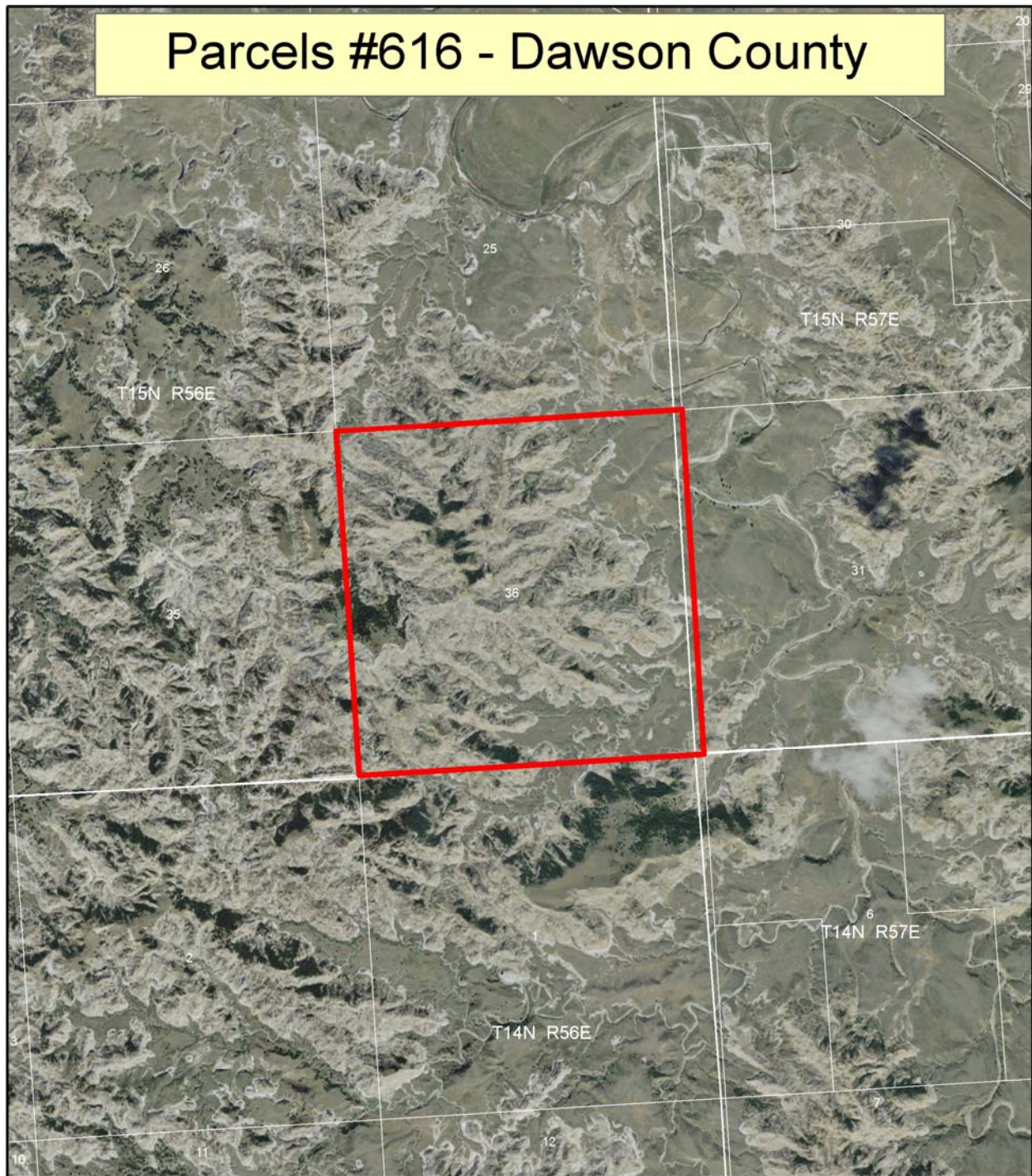
Parcel #616 is located in far eastern central Montana, approximately nine miles southeast of Glendive in Dawson County. The parcel is 640 acres and reported to support 64 AUMs. This unit is an in-holding within the lessee's private property, although the west side borders a section owned by Dawson County. Access to the parcel is via a primitive ranch road which had been washed out by the historic high spring flooding. At the time of inspection, the only way to access the parcel was by horseback. Physical access is extremely limited. The parcel does not have legal access.

The area where this parcel is located is known as “gumbo hills.” Gumbo refers to the heavy clay content of the soils. The topography is rough, steep, and varied with rocks and heavy clay soils and some timber. There is no stock water development. There is no fencing.




View of subject from north

Parcels #616 - Dawson County



Legend

 Subject Property



0 0.125 0.25 0.5 Miles

Map produced by Rahn Land, Inc.
This map is for visual reference purposes only,
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Northwest corner – facing south



Center – facing east



Center – facing south



Center – facing west



Center – facing north

B. Mineral Rights

As stated in the assumptions and limiting conditions of this report, no separate value has been assigned for mineral rights. Typically, in rural Montana land sale transactions a portion of the existing mineral rights are transferred; however, no specific value is usually assigned. Furthermore, 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 appurtenant or a part of the overall real property and no contributory value has been assigned for mineral rights over and above the associated land values.

C. Timber Rights

None of the subject properties contain marketable timber resources.

D. Recreational Resources

The recreational resources of the subject properties are considered good relative to wildlife and game habitat and cover, as well as aesthetics. The partial timber cover (in the case of Parcel #616) and varying topography provided good wildlife habitat and is aesthetically pleasing. However, none of the subject parcels have surface water, or

border public recreational lands. The tracts are not big enough to support resident herds of elk or deer. These game animals require large areas of territory, and as such are only intermittently present on these parcels. There are no croplands for additional forage, and limited water sources. The remoteness of the parcels limits the potential for development as recreational properties. Buyers will purchase and develop such tracts, but usually in areas with more on-site amenities, such as areas with direct access to forest service lands and open water.

The recreational resources in the overall surrounding area of the subject properties are bountiful, and the owners of the subject parcels have access to all of these places as they are within a short drive of the parcels. Thousands of acres of public lands are located in the region, as well as river resources such as the Yellowstone River.

E. Zoning

The properties are all located in rural areas where there is minimal zoning or planning. The parcels have been designated “county agricultural” from the county’s perspective. There are no use restrictions on these units other than septic permits and disposal requirements set by the county and state entities.

F. Easements and Encroachments

A full title search which may or may not reveal more or less easements was not provided to the appraiser. Common public and/or cooperative utility easements are evident in the area of the subject properties and are considered to be common and typical on similar rural properties, except where noted.

G. Flood Plain

The subject properties do not include any mapped flood zone designations. The seasonal creeks and drainages may be prone to flooding in spring.

H. Hazards and Detriments

The hazards and detriments associated with the subject parcels are typical of the surrounding community and include blowing and drifting snow, muddy roads, and other weather related issues. There were no visible hazards at the time of this inspection.

I. Environmental Audit

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

IV. VALUATION PROCESS

A. Introduction

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 for 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.

For purposes of this assignment, the appraisal process will follow Steps 1 through 5 to estimate the market value of the subject properties. There does not appear to be any extraordinary or unusual circumstances associated with the subject properties and the values will be reconciled after Step 5.

B. Highest and Best Use

A property is valued according to its highest and best use. Highest and best use is that use of land and its improvements that can reasonably be expected to produce the greatest net return over a given period of time or over the remaining life of the improvements. In assigning a highest and best use, these issues are considered:

- market trends,
- market demands,
- established uses in the area, and,
- the property's unique features.

Criteria considered and met should lead to a highest and best use conclusion that reasonably exists, or will exist in the near future, and which is:

- legally permissible,
- physically possible,
- financially feasible, and
- maximally productive.

Highest and best use correlates to a property's maximum economic use measured in terms of the property's income potential or its actual income. However, in the rural agricultural/investment market in eastern Montana, sale prices do not correlate on an income basis to the physical highest and best use of the property. Speculation, investment, personal use, and anticipation are strongly related to value in the current market. These elements have limited direct physical use on an income basis, but drive a return of value over time.

For years, values being paid for agricultural properties in rural Montana have not been justified by the agricultural income of these properties. Economic operations on these properties have produced rates of return from less than 0% to 2% on an actual cash basis. The low capitalization rates indicate a transition from agriculture to some higher use. Rates of return for these properties based on land appreciation have, over time, provided enough additional value to properties that overall, rural lands have been a good investment. But appreciation evidenced in the current market is difficult to direct as a highest and best use as it is not an income producing activity.

Multiple uses affect highest and best use in the rural Montana land market. Often, properties such as the subjects have "augmenting" uses such as recreational, development, and subdivision uses. These uses are often paired to what are known as "complementary" uses. Complementary uses may be agricultural, timber, hunting, or recreational lease uses. Usually, augmenting uses represent the primary elements of the property that drive value and speculation, while complementary uses provide some income to the owner while the property is held for investment. Complementary uses often represent the interim physical use of a property and, in a speculative market such as that affecting rural lands described in this appraisal, property is often held back from terminal uses such as subdivision.

1. Market Overview

Land in eastern Montana has been influenced in value and use by the area's locational, aesthetic, and recreational amenities, and the area has experienced some rural property development that reflects non-agricultural highest and best use considerations. The area has been affected by rural property investment because of the region's geographic, aesthetic, and recreational amenities. The market is being influenced by 1031 exchange buyers from other areas and markets. This investment buying from outside the historic market is a factor in highest and best use.

A large amount of existing private land in the subject areas are held in larger ranch or investment ownerships that do not typically sell land parcels. Development, while a potentially profitable part of property ownership, is not financially feasible on many properties and may not be consistent with owners' agricultural or wildlife goals. Many ownerships in this market are multiple generation ranch properties that are not commonly involved in subdivision, as these owners are not motivated to sell strictly for profit, and sellers cannot replace properties or "trade-up" because supplies are limited. Also, there are substantial tax consequences for sellers of older, historic ownerships with low tax bases.

Buyers in this market are investors, developers, agricultural expansion buyers, or recreational buyers. Agriculture is still a common land use, and existing agricultural operators will and do purchase expansion lands, though the underlying value is recognized to be the investment value as opposed to agricultural production value. Also, recreational buyers are purchasing lands for the development of recreational farms and ranches.

The four subject properties are all located in eastern Montana, and as such are part of a broad regional market area which shows a certain level of consistency of land types and values. The region is generally arid, open, and lacks large mountain ranges. The recreational and aesthetic amenities are generally inferior to the western portions of the state, and consequently the land values are lower. This region is also generally less productive agriculturally, which also impacts land values.

However, like most parts of Montana, there are significant variations of land types and features within small geographic areas which often results in multiple sub-markets within the larger regional market. This is particularly evident when there is a significant recreational feature such as river or large water body located within an otherwise agricultural landscape. The properties along or near a valued recreational feature will be part of a distinctly different sub-market than other area properties that lack access to such features.

None of the subject properties have unique access or proximity to an area recreational or aesthetic feature or have any other distinct features or qualities that would make them part of any distinct local sub-market relative to such features. They all represent open and isolated rangeland tracts without much distinction relative to the larger regional market. None the less, location plays an important role in land values, and local sales will be used to value each subject unit.

The subject properties do have the potential to be subdivided as does any large parcel. However, the lack of legal and/or physical access to the subject properties severely limits their development potential. The value of the subject properties can not be predicated on their theoretic subdivision potential. A subdivision analysis of the properties would require a detailed analysis of absorption rates and bulk discount rates and many extraordinary assumptions related to levels of allowed use. The sales used for valuation herein all have these inherent characteristics and are reflective of how the market views

development on larger parcels. The appraisal of each subject parcel is based on the property as a larger parcel.

2. Highest and Best Use Analysis
Legal, Physical, Financially Feasible, Maximally Productive Summary

Legally Permissible Uses: The subject parcels range in size from 311.6 to 640 acres. Each of the four (4) units are legally conveyable with no further regulatory review required. The parcels could also be divided further into 160 increments without subdivision review. None of the subject parcels are subject to any zoning or legal land restrictions other than the State of Montana's subdivision regulations that state that subdivision of a property into parcels less than 160 acres in size must pass through a subdivision review process that requires local governmental approval. These subdivisions must also meet general state sanitation requirements regarding the development of septic systems for dwellings.

Under the conditions of this appraisal assignment set forth by the client, the parcels are to be appraised under two different conditions; the as is condition which is with no legal access, and the hypothetical condition of having legal access. These two conditions lead to differing legally permissible uses.

In the as is condition, none of the subject properties have legal access, and as such the parcels have limited legally permissible utility and use. An owner of such properties cannot access and utilize the ownerships unless they own adjoining property or they receive an access easement from adjoining property. Such an owner also has a limited or diminished conveyable estate which to potentially sell or convey onto a future perspective buyer. The market generally discounts properties which lack legal access, recognizing the diminished utility and use of these properties.

A lack of legal access creates a condition where the highest and best use of a property differs dramatically for a single or a small group of potential buyers than for the larger overall market. An adjoining property owner who has legal access to a property through common boundary has a much higher potential use and value for the property than the overall market which lacks such access. The legally permissible highest and best use for a neighbor would not be subject to the legal limitations that an outside buyer would be subject to. However, neighboring owners when purchasing parcels which otherwise lack legal access often also expect a discount. This is due to the fact that the seller would not be able to get full value as unrestricted otherwise, and therefore the buyer is in a strong bargaining position.

In the as is condition of having no legal access, the legally permissible uses would be limited to use as add-on units to an existing neighboring ownership. The value of adding parcels to existing ownerships is known as plottage value. Under the hypothetical condition that the subject properties have legal access, varied uses are legally permissible and include agricultural, recreational, and investment uses, as well as possible industrial, commercial, and limited development uses, depending on the level of regulation required.

Physically Possible Uses: Of the legally permissible uses, only a few are generally physically possible on portions of the appraised properties. The parcels are remote and rough, with no surface water and limited agricultural productivity. The physical access is generally poor and undeveloped, and any enhanced uses other than agricultural and limited recreation use would require significant investment to improving access. The parcels do not have access to utilities with the exception of Parcels #609 and #611 which are bisected by a power line.

Commercial, industrial, and nearly all levels of development can be eliminated as uses on the subject parcels do to the physical limitations of access, availability of utilities, and remote locations. Only limited rural developments are physically possible. The physical uses capable on the properties include limited rural development, investment, recreation, and agricultural uses. There is no apparent mineral development in the subject areas. Sales in this market do not reflect additional consideration for minerals.

Financially Feasible Uses: Strictly agricultural uses are limited under the financial feasibility test. Research of Montana and the surrounding market area reveals that values paid for similar properties in the area are exceeding the value that could be sustained solely by agricultural income as evidenced by the capitalization rates of -0.05% to 2.0% on some of the lands. Lands that continue to be more agriculturally oriented are seeing returns of 3.0% to 5.0% annually. This would indicate that the areas with lower capitalization rates are in a state of transition from agriculture to recreational and investment, while the lands with higher capitalization rates are still more agriculturally oriented. The subject parcels are located in transitional areas where investment and recreation are influencing land values, but land use is still influenced by agriculture given surface uses in the area. Buyers in this market generally use agricultural income as a complementing source of income to pay the taxes and maintenance with the augmenting use of investment.

Rural recreational and/or rural residential development would not be financially feasible due to the remote locations and poor access of the parcels. The limited recreational and aesthetic amenities of the subject properties do not justify the cost to improve the access. It appears that financial feasibility use revolves around investment as an agricultural land holding asset with appreciation potential.

Commercial, industrial, and residential development uses are not financially feasible for the subject properties due to the remote locations relative to population centers needed as markets, and the costs of developing access and utilities.

Maximally Productive Use: A review of the area surrounding the appraised properties reveals that the use of most properties remains in traditional agricultural ranching operations. The historic agricultural use of these properties is often viewed as secondary to recreation and investment value. As is the case in many areas of Montana, the land use of these rural properties continues to be used for some agricultural purposes even when values required to purchase lands for this use exceed the agricultural income potential of

the land. It is apparent that although these properties remain in agricultural use, the income potential and capability of these properties is often viewed as secondary to their investment potential. Physical use and management provides for the caretaking of the property and maintains the asset for value appreciation. Recreational hunting as a source of operating income may supplement and complement the agricultural income, but is not a basis of market value. These properties have a strong component of speculation.

In my opinion, the use that survived the above tests and would be considered maximally productive is land investment with an interim agricultural use. The physical use is owner directed and not specifically market driven.

3. Assignment of Highest and Best Use

The highest and best use of the subject properties at the current time is affected by multiple uses and considerations, as described in the proceeding analysis. The properties, being located in eastern Montana, are part of a transitioning market which evidences speculation and investment buying. Historically, properties in the area were owned and operated by large family ranches; however over the past ten or so years, more and more of these properties have been sold to out of state investment buyers.

Relative to overall market value, the subject parcels current use as agricultural properties is not a basis for market value. But as stated previously, most agricultural and recreational properties in this market are not viable on an income producing basis, and the value is understood to lie in the appreciation of the land over time as an investment. Demand for such properties is driven by this investment potential, as well as other intangible features such as aesthetics and recreational amenities.

The subject parcels are limited in recreational and aesthetic amenities as well as agricultural productivity. The size of the subject parcels, 311 to 640 acres, is not large enough to support recreation or agriculture on a stand alone basis. The parcels are not economically viable for agriculture or for recreation based on size. The value of land in this market for recreation is based primarily on big game (deer, antelope, and elk) and bird hunting. More acreage would be needed to consider the properties as viable recreational units. Buyers would not purchase these parcels individually for hunting units, and the limited aesthetic amenities would not draw buyers to purchase such remote and isolated units. Agriculturally, the units are not viable unless combined with other lands to form a larger economic unit.

In consideration of the features, location, and indications of the market, I would conclude that the highest and best use of the subject properties without legal access is as add-on or plottage units to existing larger properties. The various bases for value in this market, being recreation and agriculture, are dependent on larger scales for economical viable units. As such, smaller parcels such as the subject properties only achieve maximally productive use when combined with other properties to form a larger economic unit. The buyers for such properties are area land owners who purchase these lands for assemblage

or plottage value to their existing holdings. There is little or no market for these properties outside this use.

Given the two different conditions under which the subject parcels are to be appraised, with and without legal access, the potential for different highest and best uses needs to be considered. The most significant result of considering two conditions is the different possible extents of the pool of prospective buyers. Without legal access, the pool of potential buyers is limited almost exclusively to surrounding neighbors, which sometimes is only one person or entity. In this condition, the highest and best clearly is limited to assemblage or plottage use, as the only prospective buyer(s) is the neighbor(s). This would be the only buyer for which the property would have any value or use, and that value would be based on plottage. The subject properties have an “as is” without legal access highest and best use of agricultural with plottage value to existing holdings.

Under the hypothetical condition that the parcels have legal access, the subject parcels still have poor physical access which limits the maximum the highest and best use. These properties do have some recreational and potential development use, however that use is not eminent, especially in the current depressed market. However, the investment potential is higher given the higher use potentials. The subject properties have a highest and best use as agriculture.

C. Approaches to Value - Definitions

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

The cost approach employs the principle of contribution and is an estimation of the value of the property as if vacant, with the addition of the current costs of reproducing the improvements less all forms of 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, and 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 different land classes.

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 a property for no less than what similar properties are selling for. The measure used in this approach is a dollar per acre measure.

The income approach in 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.

D. Approach Selection

When practical and appropriate, the appraiser uses all three recognized approaches to value; the sales comparison approach, the cost approach, and the income approach. As stated in the previous definitions section, the use of more than one approach provides support to the final value conclusion, as the approaches are independent conclusions of value which are reconciled for a final value conclusion.

Each approach uses different methodology and has specific application to specific property types and market situations. Each approach is not appropriate for each assignment. There are in fact many situations where only one approach is appropriate. It is the appraiser's sole responsibility to determine and implement the most appropriate approach or approaches for the assignment. The primary criteria for this determination is which approach or approaches will yield the most credible and reliable results.

While the subject properties are utilized for agricultural production, the income associated with the physical operation of the properties does not have a direct bearing on value. This is typical of the rural land markets located throughout Montana, and is due primarily to the influence of recreation and investment. The historic and underlying physical uses of the properties, which does provide some income, does not influence or direct value. The income relative to value is so low that a legitimate estimate of value utilized in an income approach is not considered to be appropriate within the context of the market. Values in the area are influenced by recreation and investment criteria and, as such, the interim income potential of properties does not have a direct bearing on value. It is concluded that the income approach is not a reliable approach to estimate value for the subject properties, and it will not be utilized in this assignment.

The cost approach to value is most applicable when the subject has differing land classes and/or significant building improvements. In this assignment, all of the subject properties are unimproved and have only one land class; native rangeland. However, the proportion and productivity of agricultural land classes does play a significant role in evaluating value from comparable sales which have multiple land classes. The fact that many of the

comparable sale properties used to value the subject properties do have multiple land classes supports the use of the cost approach in this appraisal.

The sales comparison approach is also an appropriate approach to value for estimating a market value of the subject properties. Buyers in this market use direct comparison when evaluating properties on a single, overall unit of measure, being dollars per acre.

The cost approach and the sales comparison approach are deemed the most appropriate approaches to value for estimating a market value of the subject properties. Both approaches will be used by the appraiser in this assignment. The exclusion of the income approach to value is allowed under the *Uniform Standards of Professional Appraisal Practice*. With consideration to peers, the characteristics of the property, and the intended use of this report, this approach would not enhance the accuracy or reliability of the results of the appraisal.

E. Sales Introduction

The appraiser has completed a wide review of the market in order to ascertain activity and value under market conditions for similar properties as of July 21, 2011. As will be discussed in the Market Conditions section to follow, the volume of recent sales in the market is low and current comparable sales data is relatively sparse.

The comparable sales vary from smaller acreage properties such as the subject properties to large ranches comprised of mostly native rangeland. The sales selected for analysis in this assignment are presented in summary form in the following pages of this report and will be followed by the application of the cost and sales comparison approaches to value. Confidential sales data is shown in the separate Sales Addendum.

F. Sales Data Analysis

1. Property Rights Conveyed

This appraisal assignment of the subject properties will employ two hypothetical conditions as directed by the client. Both of these hypothetical conditions impact the property rights conveyed of the subject properties. The first hypothetical condition is that the subject properties will be appraised as fee simple estates, when in fact they are leased fee interests as the current lessees have a leasehold interest in the properties. The comparable sales to be used in the valuation of the subject properties all are considered to be fee simple estates subject to any easements, reservations, conveyances, and encumbrances of record. As such, the sales are considered to be the same property interest and no adjustment is necessary regarding property interest.

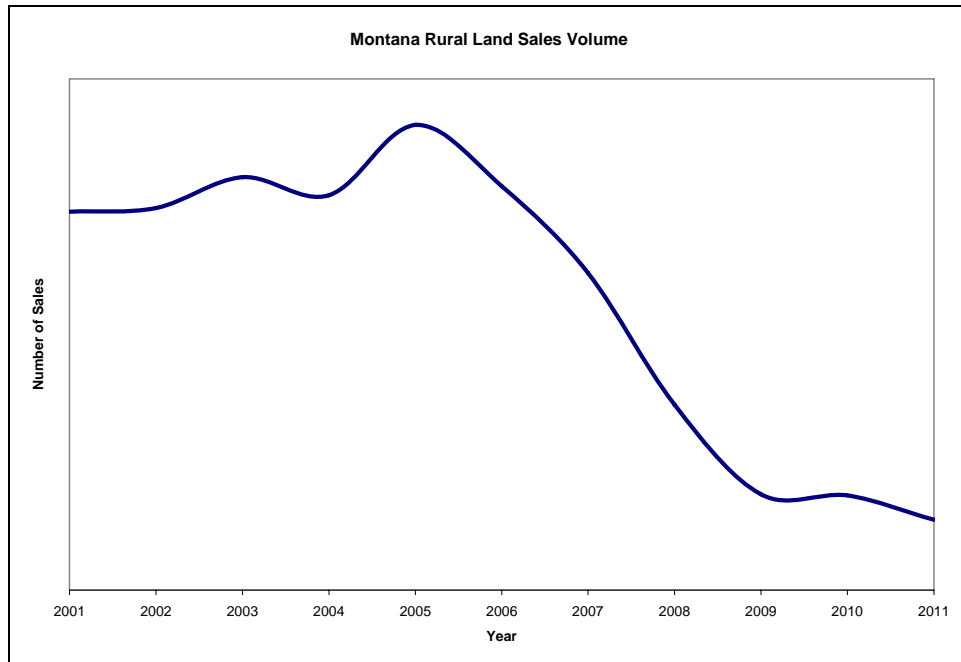
The second hypothetical condition is that the subject properties have legal access, when in fact the properties do not have legal access. See the discussion of access later in this section.

2. Market Conditions - Time Adjustment

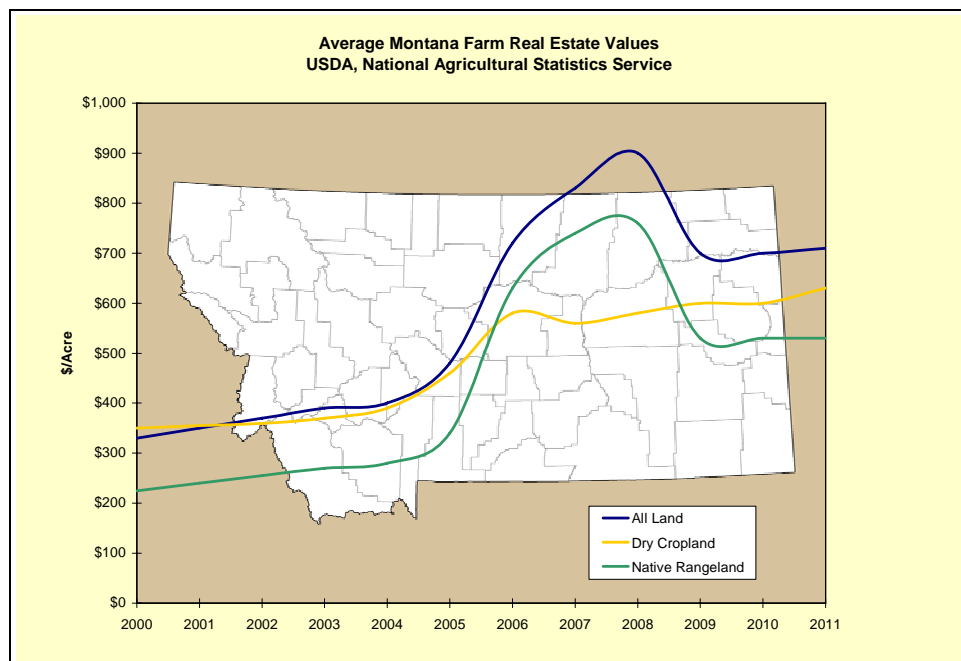
An analysis and determination of time adjustments is important in this appraisal assignment as the market has been very dynamic over the past few years. Also, due to a relatively low volume of sales, most of the comparable sales are more than one year older than the effective date of appraisal and will need to be adjusted for time.

Ideally in a market conditions analysis, there would be enough good directly comparable sales over time to conduct a pairing analysis in order to demonstrate credible time adjustments for properties similar to the subject properties. This would include the pairing of sales that took place across the same time intervals as each comparable sale and the effective date of appraisal. Unfortunately, there is not enough sales volume to adequately produce this kind of analysis. The appraiser will have to conduct a larger market analysis and include other methods of analysis of the available sales data to determine value trends in order to determine appropriate time adjustments.

In general, land appreciation rates had been strong in southwest Montana up through 2007. From 2004 to 2006, appreciation rates were particularly high as the Montana real estate market experienced strong growth and high demand. In 2007, the market began to experience a rapid slow down which is still evident in 2011. The volume of sales activity has slowed dramatically since 2006. It appears that a price point was reached in the market where buyers were no longer willing to participate at the elevated price levels. National economic trends such as housing and financing then also contributed to a slow down in growth. The following chart reflects relative sales volume over time from the appraiser's sales database.

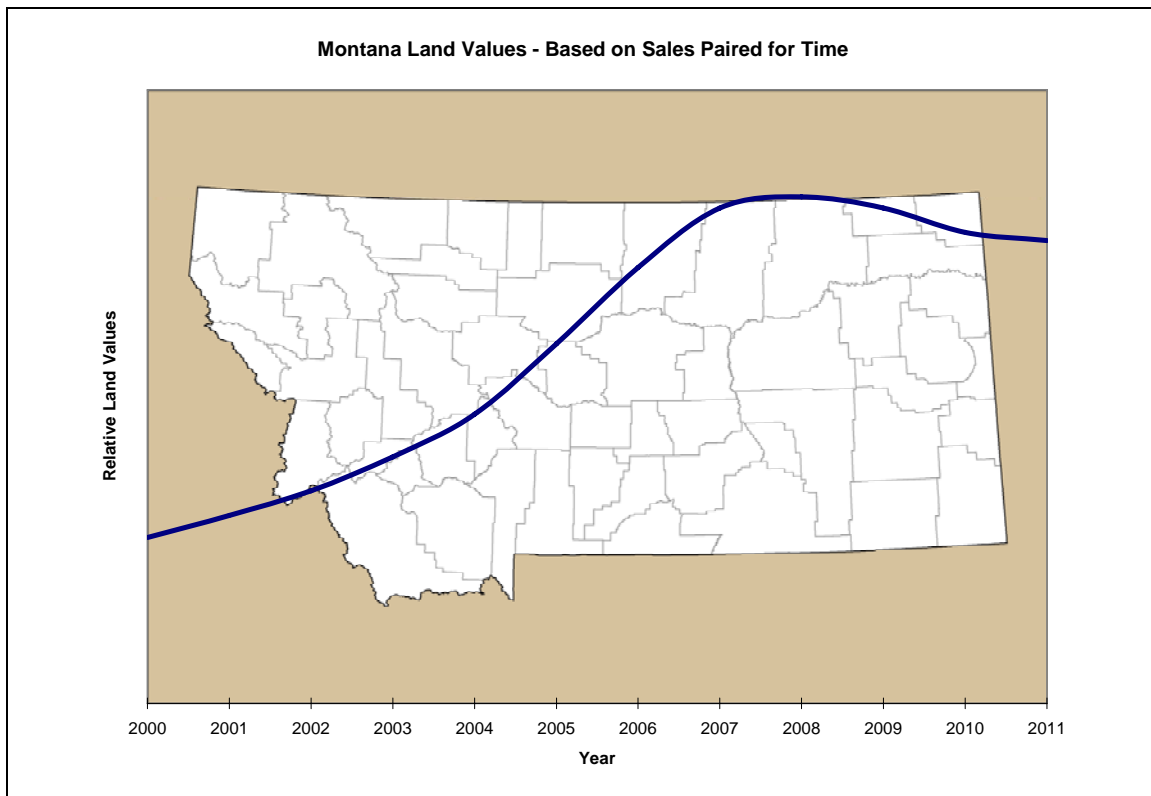


To better understand overall appreciation rates over time, it is useful to look at USDA land value studies. The following chart shows average lands values for Montana based on USDA surveys of land owners and managers. This data includes all of Montana. It is important to note that the rates shown by the USDA data are based on survey, which is the opinion of land owners and managers and not actual sales data.

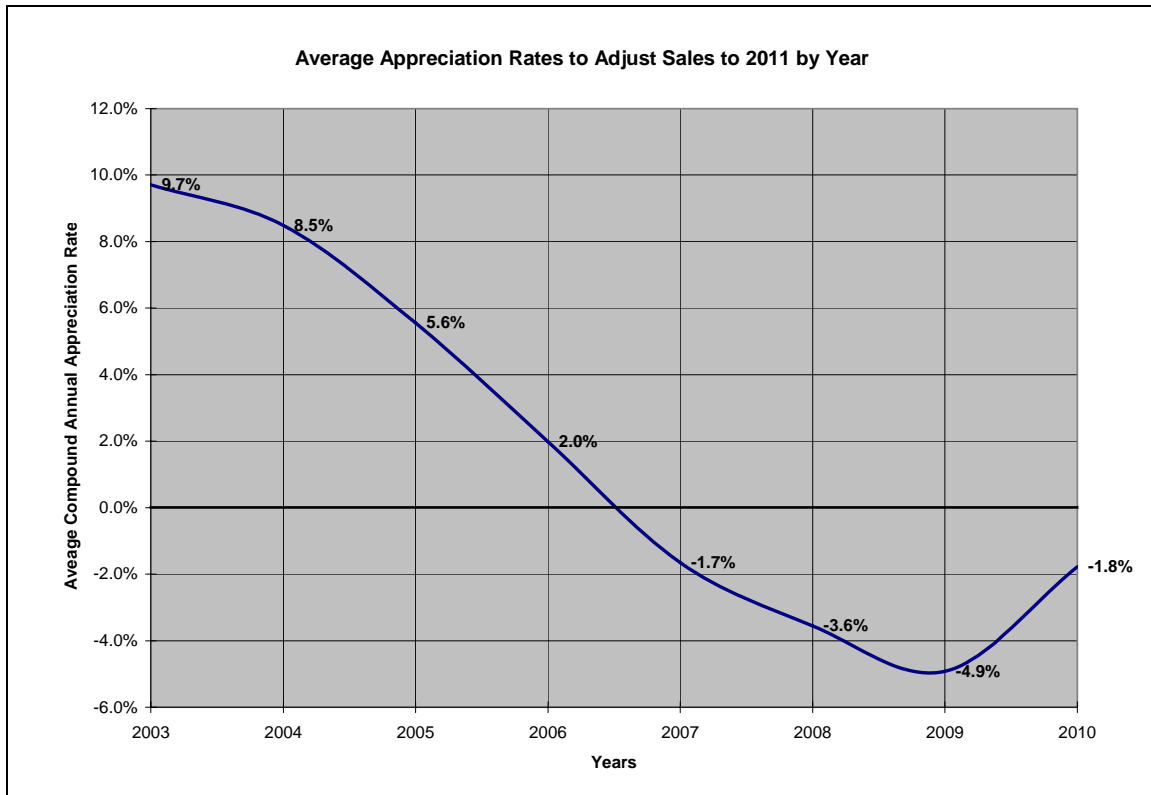


The high rates of appreciation for native rangeland and all land between 2004 and 2007 (as well as the sharp decline in values in 2008 and 2009) are believed to be attributed to the recreational influence on values. The native rangeland land class tends to include the recreational properties in the state, whereas dry cropland tends to reflect more pure agricultural land values. Agricultural lands without strong recreational components did not appreciate as dramatically as recreational lands. The subject properties are native rangeland properties located in areas with recreational and aesthetic amenities, and therefore are considered to be best represented by the higher appreciation rates.

The overall representation indicated by this USDA data parallels the appraiser's experience and data from the market. According to actual sales data collected by the appraiser, appreciation rates were moderately increasing up to 2004 but then increased dramatically through about 2007. In 2008, rates began to decline where they still appear to be declining today. The following graph shows relative value change over time as extracted from the appraiser's sales database.



From this data, the appraiser has produced an analysis which indicates appropriate rates of appreciation over time for adjusting sales from any given date in the past to the current effective date. This is considered to be a more accurate indication of appreciation rates than a paired sales analysis given the low volume of sales in the market. The following graph shows these rates.



This data represented by this graph is based on the average annual compound appreciation rates of nearly 100 sale pairings from across Montana. From this data, the appraiser has been able to produce the above graph which indicates the changes in annual compound appreciation rates over time to adjust sales to 2011. The appropriate rate to adjust a sale to 2011 for any given year from 2003 to 2010 is indicated by where the curve crosses the given year on the X axis.

This analysis which generates an annual compound appreciation rate for adjusting sales in each year to 2011 is considered to be a more accurate indication of the dynamic and volatile market than a paired sales analysis which usually produces one overall rate for adjusting sales.

This data is based on the entire Montana land market, but is considered to be the best representation of appreciation in the local markets as well. Adjustments for time were determined and applied to the comparable sales based on this data.

3. Sale Land Mix / Productivity Analysis

In an agricultural market such as the subjects', land productivity and the relative percentage of the differing land classes comprising a property has a significant impact on overall value. In this assignment, each of the subject properties are comprised solely of native rangeland. For a direct sales comparison to other native rangeland sales, no land mix analysis would be necessary. However, in order to be able to apply rangeland values from other sales with multiple land components in a cost approach, a land class ratio

analysis must be completed and applied to each comparable sale. In the following analysis, a land class ratio analysis has been used in order to determine appropriate land class values for the comparable sales.

The analysis begins with the study of unimproved, single land class sales otherwise known as puritan sales. These sales are the primary indications of value for individual land classes as they are the purest, most compelling market data indicating value for a specific land class. Once the value for one or more land classes are determined from puritan sales, the values of the other land classes can be determined by deducting the value of the remaining land classes from subtracting the values of the puritan land classes from the overall sale price of the sale.

The following ratios for land mix will be used in this report.

Sprinkler irrigated cropland = 100%
Flood Meadow = 50%
Dry Cropland = 40%
CRP = 40%
Seeded Pasture = 35%
Native Rangeland = 25%

4. Access

The four subject properties do not have legal access. The appraiser has been instructed by the client to use a hypothetical condition and appraise each of the subject properties as if they have legal access, in addition to appraising the subject properties as is without legal access. In the case where the legal access of the comparable sales differs from that of the subject properties (either “as is” or under the hypothetical condition) a market-derived adjustment for legal access will need to be determined and applied.

The right and ability for an owner to access a property can be described in terms of that property’s physical and legal access. Legal access refers to an owner’s legal right to access a property regardless of the physical status of the roads getting to that property. Physical access is the physical ease of accessing a property.

Of the two, a lack of legal access has the strongest influence on value. If a property has legally restricted access, this substantially limits the utility and therefore the value of the property to an owner. Buyers discount such properties for the cost and uncertainty of curing the access problem or for the permanent decrease in the level of utility.

The other form of access restriction is the limitation to physically accessing a property. An owner may have the full legal right to access a property, but the physical access is undeveloped and limits the ability to reach the property. Considerable expense may be required to develop access to a productive level. Remote rural properties often have what

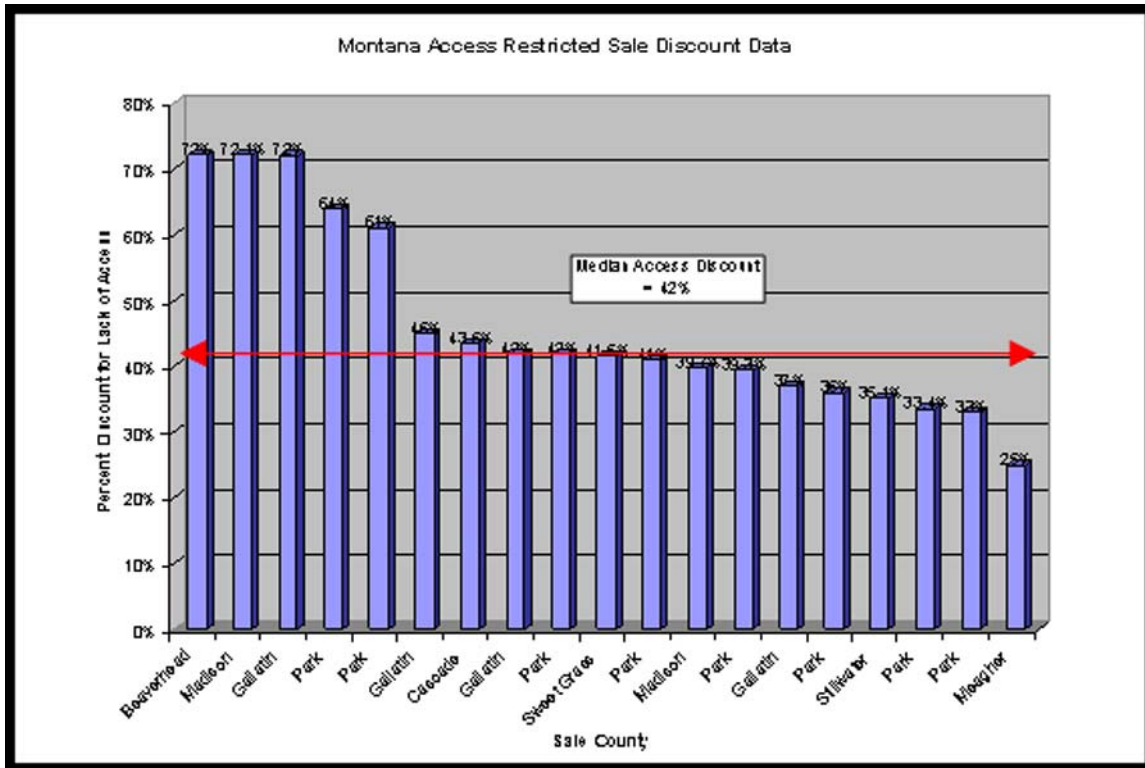
is considered seasonal access. Accessing these properties in winter with deep snows and drifts, or in the spring with muddy conditions, can be difficult or impossible.

Many rural, end-of-the-road properties in Montana have seasonal physical access and may have undefined legal access. Often, access is based on long-standing verbal agreements between neighbors to cross private lands. While these agreements do have legal standing, often referred to as “historic use,” the status is somewhat tenuous as a new owner could dispute the agreement which can result in a high expense to resolve the issue. The same holds true for historic access through public lands. The policies and management of government agencies is subject to change, which adds uncertainty and risk to the status of legal access for such a property.

The impact on the market or on any one specific property from this kind of uncertain legal access is not readily evident or consistent. For many of these properties, the highest and best use is seasonal recreational and agricultural use. As such, the level of access is consistent with the property’s highest and best use. That said, many buyers, particularly out of state investment buyers, which make up an increasing portion of the market, have a lower tolerance for uncertainty regarding the level of use and rights to their property. This resistance can come in the form of a discount in the amount willing to pay, or an unwillingness to participate in the market for such properties altogether, which reduces the pool of buyers and size of the market for such properties.

The appraiser maintains a database of access pairings from across the state which shows a range of discounts from 25% to 72% for lack of access, with a fairly consistent median of about 40%. This median 40% has been checked with other appraisers, real estate agents, buyers, and sellers who generally concur with the discount as being an accurate discount for lack of legal access. These are pairings of properties where the seller conveys the property with no legal right to access to properties. In most of these cases, a neighbor who adjoins the property and therefore has access will be the buyer, but will purchase at a discount because no other potential competing buyer would have legal access.

The database of multiple pairings is considered to be a strong indication of an appropriate access discount. In this appraisal, a 40% discount for lack of legal access will be applied to the subject properties which lack legal access.



G. Cost Approach

The cost approach is a method of valuation that determines the cost of reproducing a property's improvements, and then adds to the value of the land as if it were vacant for an overall value. The land valuation is derived from a component analysis where individual land component values are assigned to each type and class of land. These land class values are derived from the market. This segregated approach allows the appraiser to assess the similarities of each sale's particular land classes as they relates to the subject property. Values assigned are determined from market data of pure, one land component sales and the suggested trends and ratios between the land classes when available. As discussed earlier, the subject properties are comprised of native rangeland.

Reproduction cost values used in this analysis are derived from the Marshall & Swift Valuation Service and Boeckh's Valuation Guide as well as market observations. The published costs are periodically checked against actual local construction costs for accuracy. Physical depreciation of the improvements is based on the market abstraction of depreciation or the age-life method for incurable items.

Based on the sale data presented, a cost approach analysis of the subjects' land classes, improvements, and leases is as follows.

1. Land Valuation

The sales discussed herein are those which are deemed to be most similar to the subject properties' land component and are considered to be the best indicators of current value. The primary criteria of the market data search were for recent sales of properties located in close proximity to the subject parcels.

For purposes of the cost approach, the subject lands have all been classified as undeveloped native rangeland. The sale properties utilized in this assignment are all considered to be competing properties to the land component of the subject for a potential buyer who may be looking to purchase investment or agricultural properties in eastern Montana.

Native rangeland is land that is not irrigable and is not suitable for cultivation for crops. This land class requires the least amount of investment of any of the agricultural land classes, and yields the lowest return.

Each of the subject properties are comprised entirely of native rangeland, and so the values for native rangeland demonstrated by the comparable sales will be used in the cost approach to value the subject properties. The values for native rangeland range in value, and this range of values can be narrowed through a bracketing process where the sales are analyzed based on other factors of comparability.

A discussion of the sale data and key factors of value in this market shall follow:

Adjustments: Typically the only adjustments made in the cost approach are for time and financing. Other factors of value will be discussed as they may apply in the sales discussion that follows.

Time Adjustment

A time adjustment is appropriate given that sales over one year old are referenced. A discussion, analysis, and conclusion of an appropriate annual time adjustment was presented in the Market Data Presentation section of this report.

Financing Adjustment

All of the sales were cash or sold based on terms equivalent to cash, therefore, no financing adjustments were made.

Access

As instructed by the client, the appraiser is to appraise the subject properties both in the "as is" condition of the properties having no legal access and the hypothetical condition that the properties do have legal access. In the case where the legal access of the comparable sales differs from that of the subject properties (either "as is" or under the

hypothetical condition) a market-derived adjustment for legal access will need to be determined and applied. This analysis is outlined previously in the Market Data Presentation section of this report.

Land Class Adjustment

Values for the differing land classes were determined utilizing a land class ratio analysis described previously in the Sale Land Mix / Productivity Analysis section of this report. Based on unimproved puritan sales, ratios for differing land classes were established for the market. The following land class ratios will be used in this report.

Sprinkler irrigated cropland = 100%
Hayland = 50%
Dry Cropland = 40%
CRP = 40%
Seeded Pasture = 35%
Native Rangeland = 25%

Based on these ratios, land class values have been determined for each land class for each comparable sale. The appropriate value for the native rangeland of each subject parcel will be determined from the native rangeland values determined by the sales.

Parcel #612 – Carter County

The five comparable sales for Parcel #612 show a time-adjusted range in values for native rangeland of \$197 to \$339 per acre. The basic data for these sales is summarized in the following table.

	Date	Deeded Acres	Native Rangeland Value \$/Acre
Sale #1	Dec-10	2,400	\$197
Sale #2	Mar-10	1,600	\$224
Sale #3	Dec-09	65	\$210
Sale #4	Nov-09	640	\$280
Sale #5	Sep-09	6,276	\$339

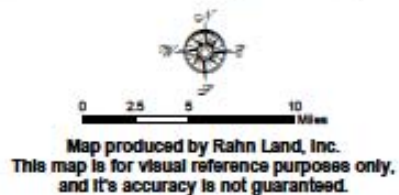
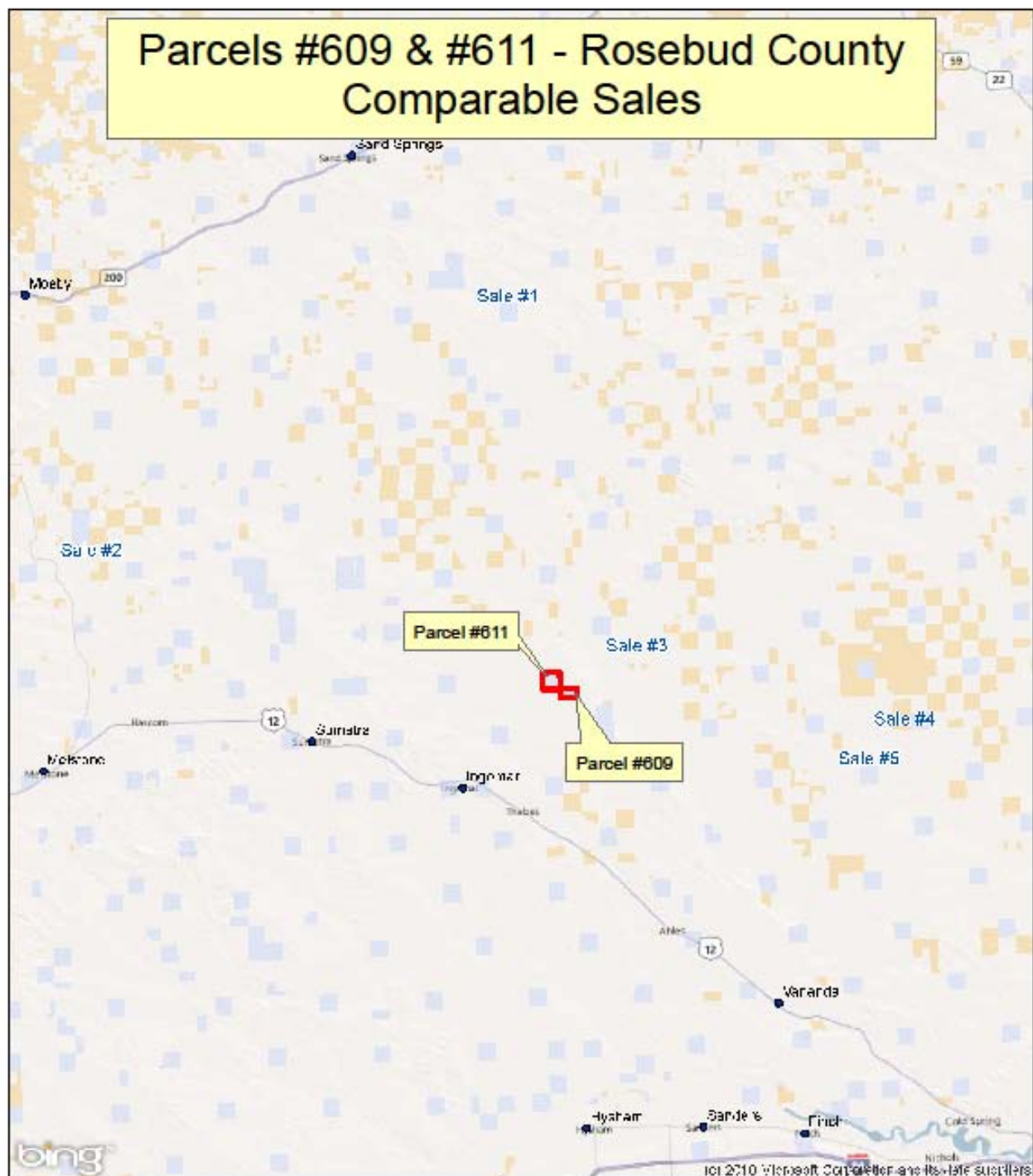
Sale #5, the highest value indication, is a recreationally influenced sale with river frontage. As such, this sale considered to be superior to the subject. Sale #1, the lowest valued sale, was sold at auction and the terms of the sale were a contract rather than cash. This indicates a low or below market value, and is considered inferior to the subject. Sale #3 is a State Land Banking sale which in which the price was based on appraisal and not open market negotiation.

The remaining two sales show a value range of \$224 to \$280 per acre. Sale #4 is the most comparable in size, while Sales #2 is most comparable in location. In the opinion of the appraiser, both sales are credible indications on value for the subject, and that the appropriate value for the subject is a mid-point between these two sales. The value of \$250 per acre with hypothetical legal access is also supported by the five comparable sales.

As outlined in the analysis for discounts for lack of legal access, the values determined for the subject parcels as if having legal access will be adjusted 40% downward to determine the appropriate values for without access.

540.7 acres @ \$150 per acre as is without legal access = \$81,000 (rounded)

540.7 acres @ \$250 per acre with hypothetical legal access = \$135,000 (rounded)



Parcel #609 & #611 – Rosebud County

	Date	Deeded Acres	Native Rangeland Value \$/Acre
Sale #1	Mar-11	1,280	\$199
Sale #2	Sep-10	3,494	\$195
Sale #3	Aug-10	18,890	\$125
Sale #4	May-10	60	\$96
Sale #5	Nov-09	2,240	\$141

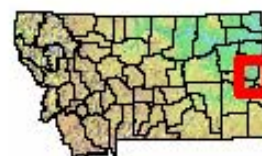
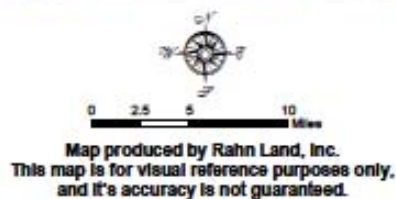
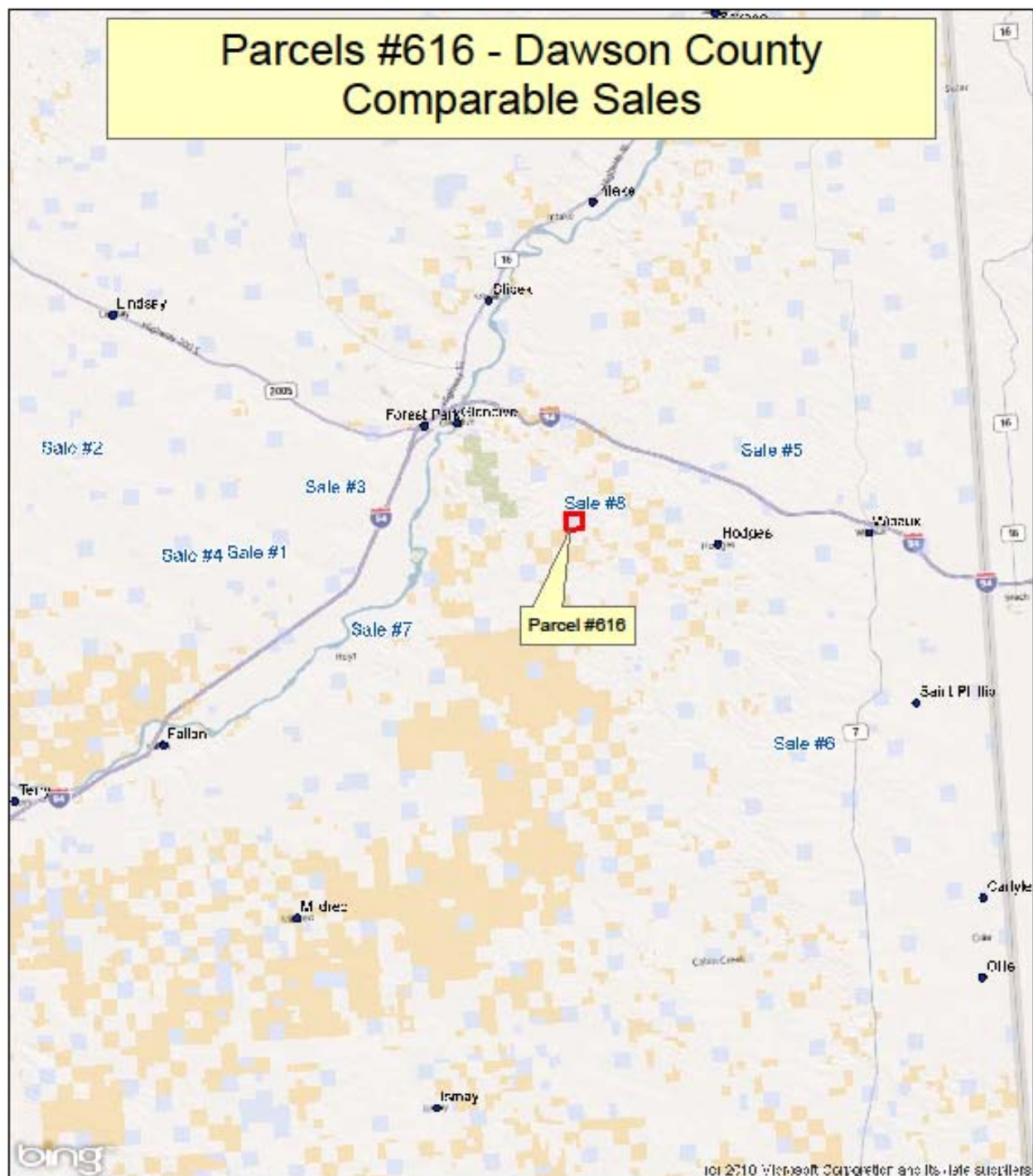
Parcels #609 and #611 are isolated grazing tracts with poor physical access. Under the hypothetical condition of having legal access, these parcels could be in demand for grazing units. There are no significant recreational or aesthetic amenities associated with these parcels. They are open and relatively flat. However, even under the hypothetical condition of adequate legal access, the fact remains that the physical access is poor. Significant expense would be required to facilitate an enhanced use such as recreational development.

The value of the subject units are bracketed by and lie between the values of \$96 and \$199 per acre as indicated by the sales. Sale #4 is a small 60-acre sale of isolated native rangeland. This is the lowest priced sale and considered to be inferior to the subject. The remaining sales bracket a value range between \$141 and \$199 per acre.

Sale #3 is the sale of the lessee property which is the closest in location and in agricultural productivity. However, this was a large acreage sale and the seller was reported to be in financial distress and to be highly motivated. This sale is considered to be inferior to the subject property due to size and the conditions of the sale.

Sale #2 has recreational amenities, specifically Musselshell River frontage, and as such is considered superior. Sale #1 is priced higher than Sale #2 despite not having the associated recreational amenities. The value indication of Sale #1 is considered to be high based on the other sales data. The last remain sale, Sale #5, is considered to be the most comparable. However, this sale is considered to be inferior to the subject based on its configuration. The units comprising this sale property are spread across 47 miles whereas the subject units are nearly contiguous. The subject property is considered to be slightly superior to this sale.

Based on the sales data, a value of \$150 per acre is determined to be the appropriate value for the native rangeland comprising the subject under the hypothetical condition of having legal access. The without access value is determined to be \$90 per acre.



Parcel #609

311.6 acres @ \$90 per acre as is without legal access = \$28,000 (rounded)

311.6 acres @ \$150 per acre with hypothetical legal access = \$47,000 (rounded)

Parcel #611

640 acres @ \$90 per acre as is without legal access = \$58,000 (rounded)

640 acres @ \$150 per acre with hypothetical legal access = \$96,000

Parcel #616 – Dawson County

		Deeded	Native Rangeland
		Acres	Value
	Date		\$/Acre
Sale #1	Feb-11	1,273	\$245
Sale #2	Jan-11	1,281	\$253
Sale #3	Dec-10	2,870	\$238
Sale #4	Nov-10	1,280	\$197
Sale #5	Jul-09	3,380	\$272
Sale #6	Jun-09	2,560	\$211
Sale #7	Jun-09	10,440	\$332
Sale #8	May-09	16,534	\$271

Parcel #616 is a very rough and steep tract of marginal grazing land. The parcel is located within what is known locally as the “gumbo hills.” Gumbo refers to the clay which dominates the soils in this area, and makes access impossible when wet. At the time of inspection, there was no vehicle access possible to the tract as the culvert crossings had been washed out in the record high spring rains. The parcel had to be accessed and inspected on horseback.

None of the comparable sales are as marginal and physically access restricted as the subject, and therefore, the subject is considered to be inferior to all the comparable sales. Sale #8, the sale of the entire ranch which included the subject property, could be expected to be the most comparable sale with the exception of its large size. However, this sale is comprised of a range of grazing land types and quality, and it included acreage with a much higher productivity and value than the subject unit acreage. Also, on the whole, this ranch is considered to have recreational and aesthetic value which the subject unit does not have on its own. The subject parcel represents the lowest quality land class within this ranch.

Sale #6, at \$208 per acre, is located in a somewhat different area, south of Wibaux, and is also a contract between friends and neighbors which may indicate the price is below market value.

Sale #4, at \$197 per acre, is the “roughest” sale, with a portion of the property being comprised of rough breaks. Half of this sale is good usable pasture while the other half is rough breaks with limited grazing utility and value. The half of this sale with the rough breaks is considered to be the most similar and the best indication of value for the subject property. In order to extract the value of the comparable half, a breakdown analysis of the two lands types of this sale will be necessary.

The remaining sales (Sales # 1, 2, 3, & 5) show a consistent value of about \$250 per acre, which can be used as an indication of the value of the good usable pasture portion of Sale #4. If a value of \$250 per acre is allocated for the superior portion of Sale #4, the remaining portion shows a value of \$144 per acre for rough marginal grazing land. This is considered to be an appropriate value indication for the subject property. This value is substantially lower than the comparable sales, which is appropriate. Each of the comparable sales are substantially superior to the subject property.

As stated, the subject parcel is more barren and less productive than the other subject properties, and also lacks physical access. The appropriate value of this parcel is considered to be below the values indicated by the comparable sales. Based on the sales data, a value of \$150 per acre is determined to be the appropriate value for the native rangeland comprising the subject under the hypothetical condition of having legal access. The without access value is determined to be \$90 per acre

640 acres @ \$90 per acre as is without legal access = \$58,000 (rounded)

640 acres @ \$150 per acre with hypothetical legal access = \$96,000

2. Building Valuation

The subject properties have no building improvements and therefore have no building value contributions.

3. Leased Lands

There are no leases associated with the subject properties.

4. Valuation Summary

The cost approach as herein applied suggests a market value as of July 21, 2011 as shown below:

Cost Approach Value Conclusions

Sale #	Acres	As is Value	Hypothetical Value
		Without Access	With Access
612	540.7	\$81,000	\$135,000
609	311.6	\$28,000	\$47,000
611	640	\$58,000	\$96,000
616	640	\$58,000	\$96,000

H. Sales Comparison Approach

1. Introduction

For the sales comparison approach, market research suggests that the most applicable comparative measure of value is the overall sale price per deeded acre. This unit of measure is derived at by dividing the total sale price by the total number of deeded acres in the comparable sale property. This measure includes the contribution from all components of the sale property including appropriate structural improvements and leases.

Overall, sales can often reflect a wide range in unadjusted per acre values. This range in value can be attributed to multiple different and independent factors such as location, time, size, recreational features, and aesthetics and amenities like views and overall site appeal. This range in sale values suggests that the range can be narrowed through an analysis and possible adjustment for some of these factors.

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

Adjustments were made to the sales in order to make them as similar to the subject property as possible. A discussion of the adjustments that were applied will follow. Where no adjustments were made, those features and characteristics were deemed to be equal or similar to those of the appraised property.

Property Rights conveyed: The comparable sales were considered to transfer as fee simple estates, exclusive of reservations of record, which is equal to the subject properties under the hypothetical condition that the subject properties are fee simple estates exclusive of reservations of record. No adjustment is needed regarding this aspect of the property rights conveyed.

Terms: All sales were cash or in terms equivalent to cash and at market rates. No adjustment for terms will be applied.

Market Conditions - Time: A time adjustment is appropriate given that sales over six months old are used. A discussion, analysis, and conclusion of an appropriate annual time adjustment was presented in the Market Data Presentation portion of this report.

Land Classes: Utilizing the land class ratios determined earlier, the sales have all been analyzed and values for land classes allocated. A

land mix adjustment has been calculated for each comparable sale based on these land class allocations.

Improvements: Once an allocation of the land classes has been made to a comparable sale, the value remaining after the land values have been calculated is the value of the improvements. An improvement adjustment has been calculated for each of the applicable sales.

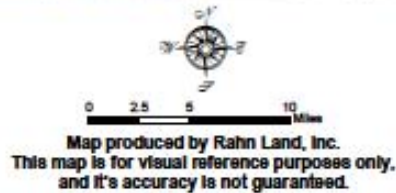
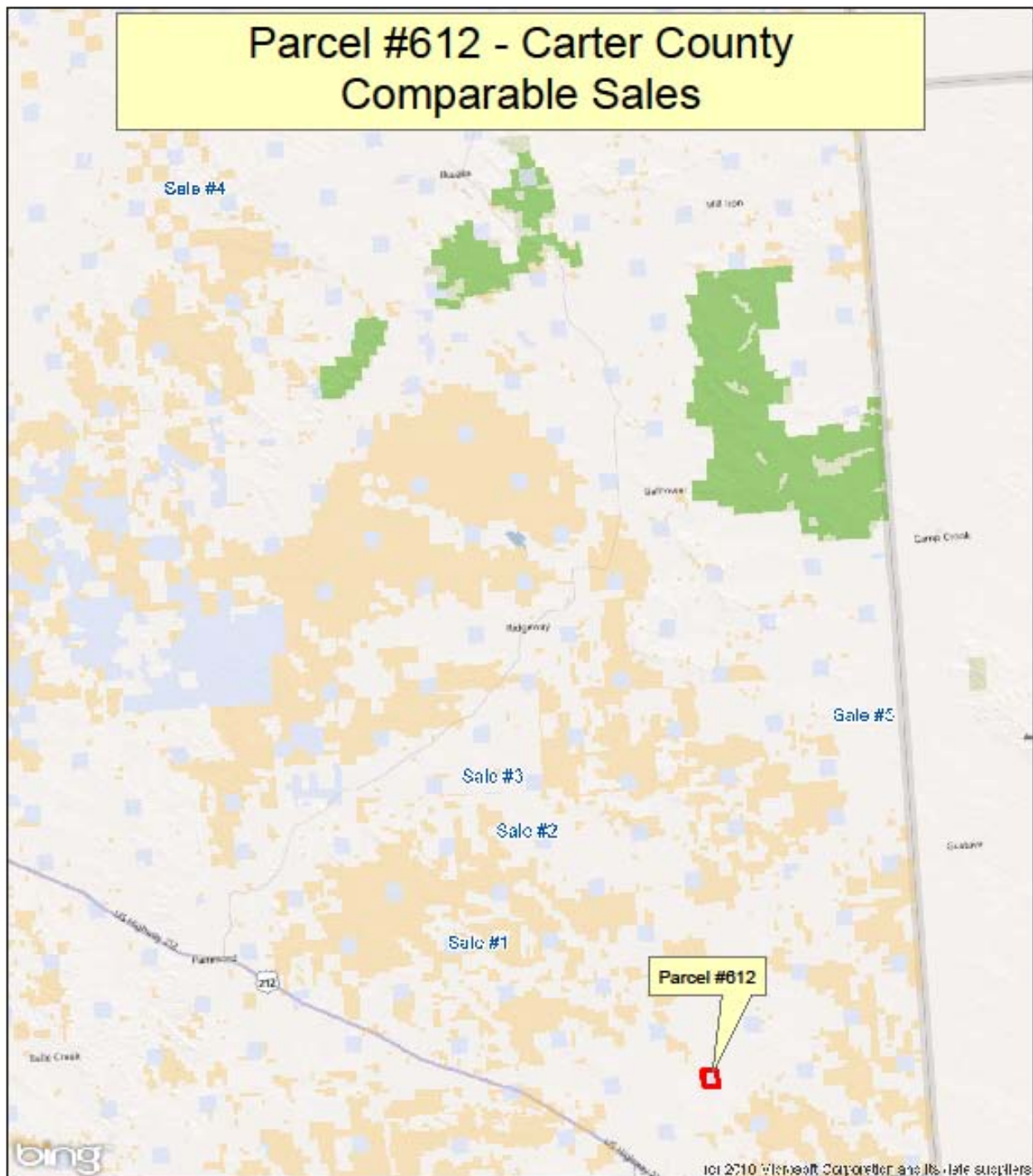
Access: The subject properties are to be appraised “as is” which is without legal access and also under the hypothetical condition that they have legal access. The comparable sales generally all have legal access. In order to adjust the sales to be comparable to the subjects, a market-based adjustment will be determined and applied. The determination of the adjustment for lack of legal access was presented in the Market Data Presentation portion of this report.

2. Sales Analysis

Parcel #612 – Carter County

The following table shows the five comparable sales for the subject property. These sales have been adjusted for land mix, improvements, and time. These five sales utilized for direct comparison in this analysis show an adjusted range in value of \$197 to \$339 per acre with legal access.

Parcel #612 - Carter County Comparable Sales



Rahn Land, Inc.
Confidential Sales Data

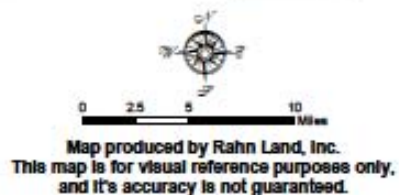
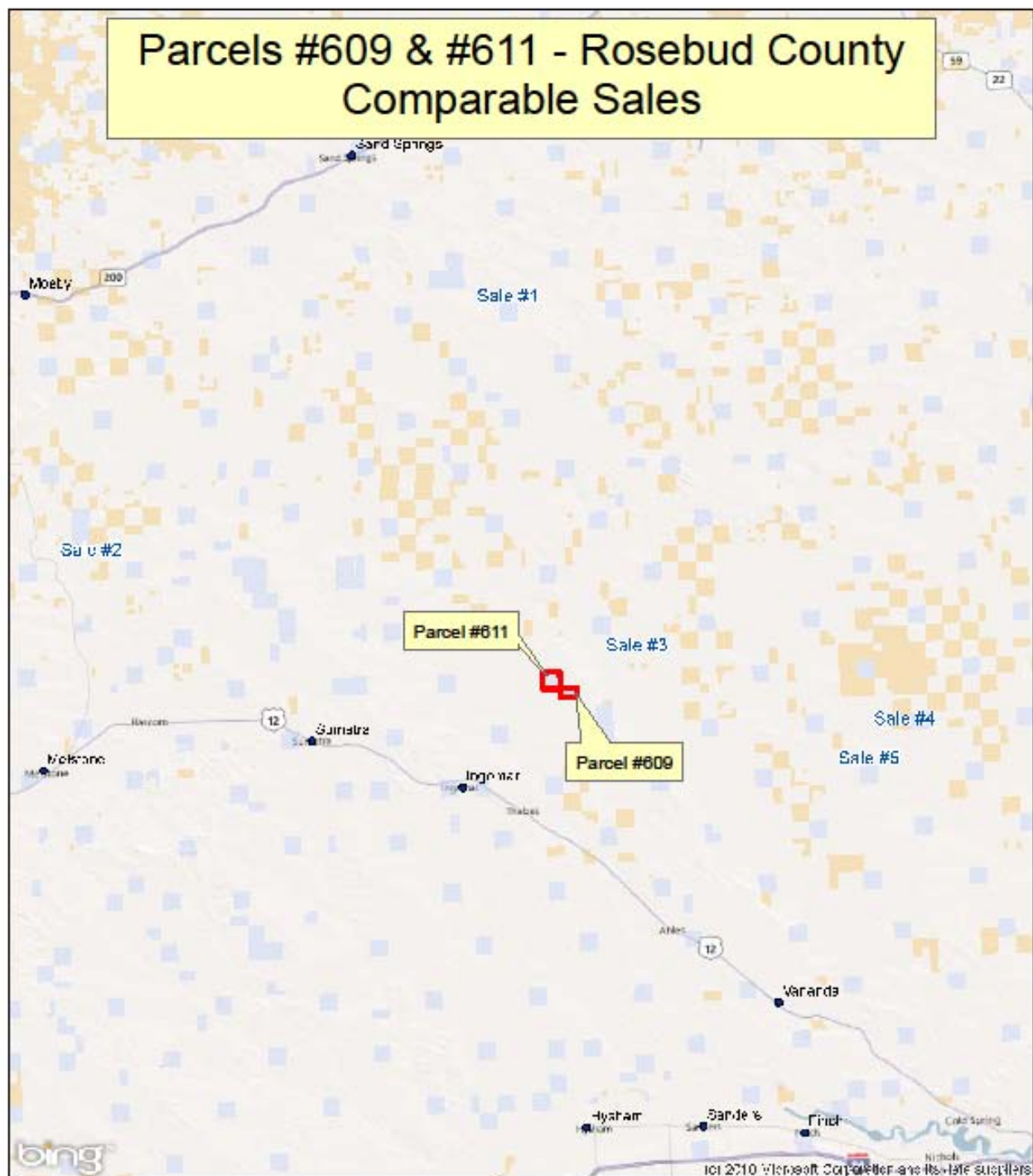
Sales Comparison										
Sale#	Closing Date	Land Mix	Improvements	Financial Adj	Time	Condition of Sale	Location	Size	Amenity	Misc.
1	2/23/2010	(\$22)	\$0	\$0	-1%	\$0	\$0	\$0	\$0	\$0
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value			
		Sale Price	Adj Value	Financing	Time	Cond Of Sale				
2,400	\$220	\$528,000	\$198	\$198	\$197	\$197	\$197			
2	3/3/2010	(\$14)	\$0	\$0	-5%	\$0	\$0	\$0	\$0	\$0
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value			
		Sale Price	Adj Value	Financing	Time	Cond Of Sale				
1,600	\$250	\$400,000	\$236	\$236	\$224	\$224	\$224			
3	2/18/2009	\$0	\$0	\$0	-6%	\$0	\$0	\$0	\$0	\$0
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value			
		Sale Price	Adj Value	Financing	Time	Cond Of Sale				
65	\$225	\$14,715	\$225	\$225	\$210	\$210	\$210			
4	1/30/2009	\$0	\$0	\$0	-7%	\$0	\$0	\$0	\$0	\$0
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value			
		Sale Price	Adj Value	Financing	Time	Cond Of Sale				
640	\$300	\$192,000	\$300	\$300	\$280	\$280	\$280			
5	9/25/2008	(\$44)	(\$8)	\$0	-7%	\$0	\$0	\$0	\$0	\$0
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value			
		Sale Price	Adj Value	Financing	Time	Cond Of Sale				
6,276	\$418	\$2,625,000	\$366	\$366	\$339	\$339	\$339			

Sale #5, the highest valued sale, has Little Missouri River frontage and as such is superior to the subject in recreational amenities. Sale #4 is located the furthest away from the subject, 60 miles, and is not considered to be as good of a comparable as the closer sales. The remaining sales, Sales #1, #2, and #3, show a narrow range of values of \$197 to \$224 per acre. Sale #1 is an auction sale, and typically auction sales in this market tend to be below market value. Sale #3 is the sale of a State Land Banking parcel, and the sale price is based on appraisal and not market negotiations. Sale #2 at \$224 per acre is considered to be the most comparable sale to the subject property.

As discussed previously, the subject property lacks legal access, and is therefore subject to a -40% adjustment for access.

540.7 acres @ \$132 per acre as is without legal access = \$71,000 (rounded)

540.7 acres @ \$220 per acre with hypothetical legal access = \$119,000 (rounded)



Parcels #609 & #611 – Rosebud County

The five comparable sales for Parcels #609 and #611 show an adjusted range in value from \$96 to \$199 per acre.

Rahn Land, Inc. Confidential Sales Data											
Sales Comparison											
Sale#	Closing Date	Land Mix	Improvements	Financial Adj	Time	Condition of Sale	Location	Size	Amenity	Misc.	
1	3/4/2011	\$0	\$0	\$0	0%	\$0	\$0	\$0	\$0	\$0	
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value				
		Sale Price	Adj Value	Financing	Time	Cond Of Sale					
1,280	\$200	\$256,000	\$200	\$200	\$199	\$199					\$199
2	9/1/2010	(\$35)	(\$9)	\$0	-2%	\$0	\$0	\$0	\$0	\$0	
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value				
		Sale Price	Adj Value	Financing	Time	Cond Of Sale					
3,494	\$243	\$850,000	\$199	\$199	\$195	\$195					\$195
3	8/1/2010	(\$17)	(\$13)	\$0	-3%	\$0	\$0	\$0	\$0	\$0	
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value				
		Sale Price	Adj Value	Financing	Time	Cond Of Sale					
18,890	\$159	\$3,000,000	\$129	\$129	\$125	\$125					\$125
4	5/27/2010	\$0	\$0	\$0	-4%	\$0	\$0	\$0	\$0	\$0	
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value				
		Sale Price	Adj Value	Financing	Time	Cond Of Sale					
60	\$100	\$6,000	\$100	\$100	\$96	\$96					\$96
5	1/10/2009	\$0	\$0	\$0	-7%	\$0	\$0	\$0	\$0	\$0	
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value				
		Sale Price	Adj Value	Financing	Time	Cond Of Sale					
2,240	\$151	\$338,900	\$151	\$151	\$141	\$141					\$141

Parcels #609 and #611 are isolated grazing tracts with poor physical access. Under the hypothetical condition of having legal access, these parcels could be in demand for grazing units. There are no significant recreational or aesthetic amenities associated with these parcels. They are open and relatively flat. However, even under the hypothetical condition of adequate legal access, the fact remains that the physical access is poor. Significant expense would be required to facilitate an enhanced use such as recreational development.

The value of the subject units are bracketed by and lie between the values of \$96 and \$199 per acre as indicated by the sales. Sale #4 is a small 60-acre sale of isolated native rangeland. This is the lowest priced sale and considered to be inferior to the subject. The remaining sales bracket a value range between \$141 and \$199 per acre.

Sale #3 is the sale of the lessee property which is the closest in location and in agricultural productivity. However, this was a large acreage sale and the seller was reported to be in financial distress and to be highly motivated. This sale is considered to be inferior to the subject property due to size and the conditions of the sale.

Sale #2 has recreational amenities, specifically Musselshell River frontage, and as such is considered superior. Sale #1 is priced higher than Sale #2 despite not having the associated recreational amenities. The value indication of Sale #1 is considered to be high based on the other sales data. The last remaining sale, Sale #5, is considered to be the most comparable. However, this sale is considered to be inferior to the subject based on its configuration. The units comprising this sale property are spread across 47 miles whereas the subject units are nearly contiguous. The subject property is considered to be slightly superior to this sale.

Based on the sales data, a value of \$150 per is determined to be the appropriate value for the native rangeland comprising the subject under the hypothetical condition of having legal access. The without access value is determined to be \$90 per acre

Parcel #609

311.6 acres @ \$90 per acre as is without legal access = \$28,000 (rounded)

311.6 acres @ \$150 per acre with hypothetical legal access = \$47,000 (rounded)

Parcel #611

640 acres @ \$90 per acre as is without legal access = \$58,000 (rounded)

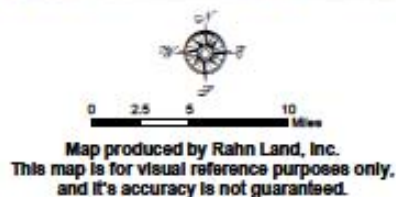
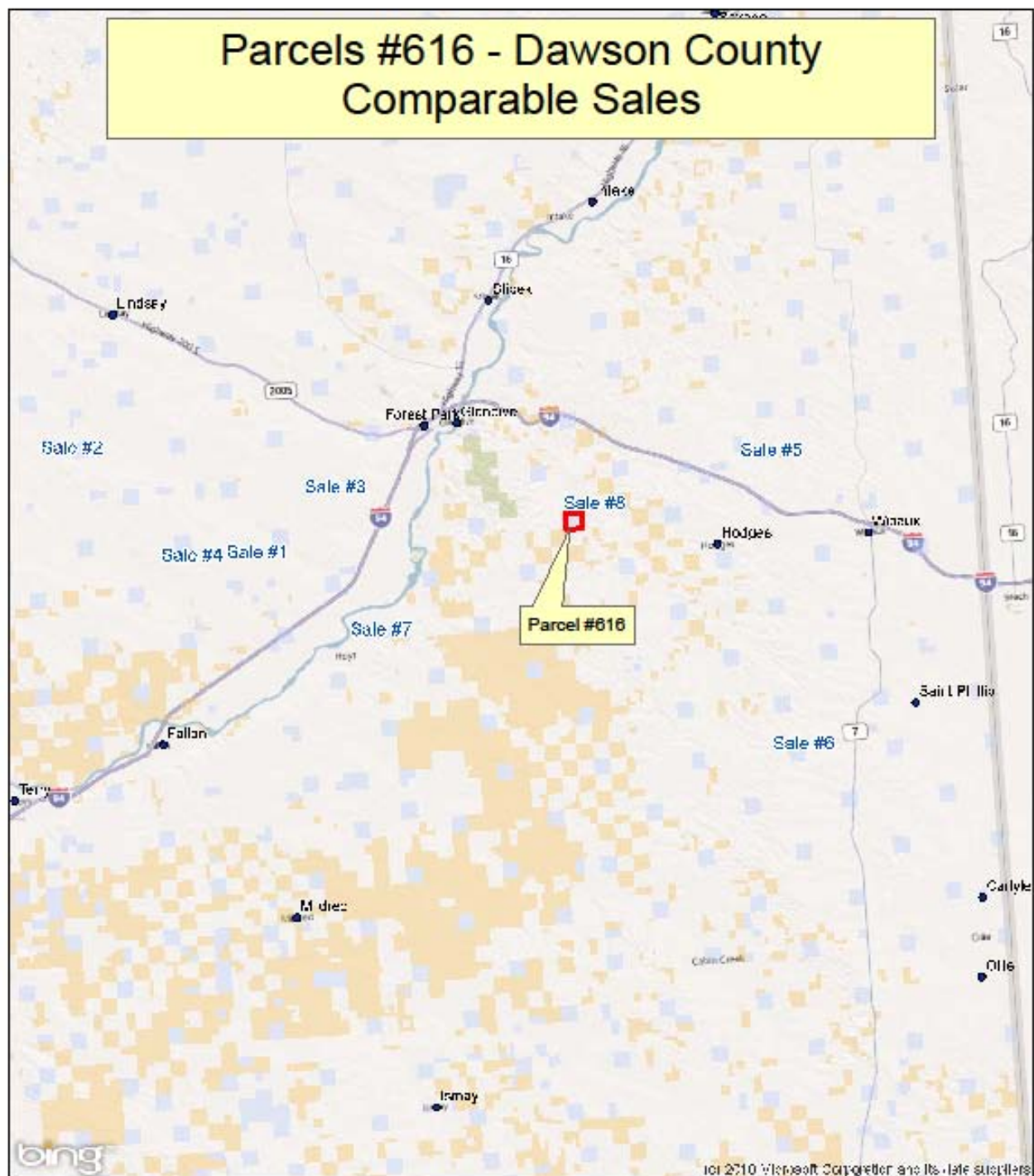
640 acres @ \$150 per acre with hypothetical legal access = \$96,000

Parcel #616 – Dawson County

Rahn Land, Inc.
Confidential Sales Data

Sales Comparison

Sale#	Closing Date	Land Mix	Improvements	Financial Adj	Time	Condition of Sale	Location	Size	Amenity	Misc.
1	2/14/2011	(\$78)	(\$1)	\$0	0%	\$0	\$0	\$0	\$0	\$0
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value			
1,273	\$324	Sale Price	Adj Value	Financing	Time	Cond Of Sale				
		\$413,000	\$246	\$246	\$245	\$245				
2	1/24/2011	(\$70)	\$0	\$0	-1%	\$0	\$0	\$0	\$0	\$0
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value			
1,281	\$325	Sale Price	Adj Value	Financing	Time	Cond Of Sale				
		\$416,000	\$254	\$254	\$253	\$253				
3	2/14/2010	(\$50)	\$0	\$0	-1%	\$0	\$0	\$0	\$0	\$0
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value			
2,870	\$288	Sale Price	Adj Value	Financing	Time	Cond Of Sale				
		\$827,625	\$239	\$239	\$236	\$236				
4	1/11/2010	\$0	\$0	\$0	-1%	\$0	\$0	\$0	\$0	\$0
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value			
1,280	\$200	Sale Price	Adj Value	Financing	Time	Cond Of Sale				
		\$256,200	\$200	\$200	\$197	\$197				
5	7/8/2009	(\$27)	\$0	\$0	-8%	\$0	\$0	\$0	\$0	\$0
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value			
3,380	\$310	Sale Price	Adj Value	Financing	Time	Cond Of Sale				
		\$1,047,915	\$282	\$282	\$259	\$259				
6	8/23/2009	(\$45)	(\$2)	\$0	-8%	\$0	\$0	\$0	\$0	\$0
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value			
2,560	\$273	Sale Price	Adj Value	Financing	Time	Cond Of Sale				
		\$700,000	\$227	\$227	\$208	\$208				
7	8/9/2009	(\$88)	(\$18)	\$0	-9%	\$0	\$0	\$0	\$0	\$0
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value			
10,440	\$445	Sale Price	Adj Value	Financing	Time	Cond Of Sale				
		\$4,650,000	\$363	\$363	\$332	\$332				
8	5/14/2009	(\$2)	\$0	\$0	-9%	\$0	\$0	\$0	\$0	\$0
Deeded Acres	Per Acre Sale Value	Land Mix & Imp Adj Value		Adjusted Values			Total Adjusted Per Acre Value			
16,534	\$300	Sale Price	Adj Value	Financing	Time	Cond Of Sale				
		\$4,960,000	\$298	\$298	\$271	\$271				



Sale #7, the highest value sale, is a recreational influenced property with Yellowstone River frontage. This sale is superior to the subject. The next highest sale, Sale #8, is the sale of the lessee property, which included the lease on the subject property. The sale price is high relative to the rest of the sales due to the recreational and aesthetic features of the property. The gumbo hills are aesthetic with interesting variation in topography and partial tree cover, which also provides habitat for wildlife and game species. This area is near Makoshika State Park, which has been set aside as a park because of the aesthetic land formations.

While the subject property is located within the gumbo hills, and has the same aesthetic and recreational features as the entire sale property, the subject is not considered to have the same value. The subject property is isolated, with virtually no physical access. The gumbo hills and the surrounding soils are highly prone to erosion and it is very difficult to build roads or structures on these soils. It is highly unlikely that a potential buyer would be able to take advantage of the recreational and aesthetic amenities through any kind of development. Short of being able to develop even on a primitive level, such as a seasonal cabin and roads, the property has no enhanced recreational value. As such, it is considered to have only agricultural value, which is limited to its relatively low utility for grazing. Sale #8 is considered to be superior to the subject property.

Sale #6, at \$208 per acre, is located in a somewhat different area, south of Wibaux, and is also a contract between friends and neighbors which may indicate the price is below market value.

Sale #4, at \$197 per acre, is the “roughest” sale, with a portion of the property being comprised of rough breaks. Half of this sale is good usable pasture while the other half is rough breaks with limited grazing utility and value. The half of this sale with the rough breaks is considered to be the most similar and the best indication of value for the subject property. In order to extract the value of the comparable half, a breakdown analysis of the two lands types will be necessary.

The remaining sales (Sales # 1, 2, 3, & 5) show a consistent value of about \$250 per acre, which can be used as an indication of the value of the good usable pasture portion of Sale #4. If a value of \$250 per acre is allocated for the better portion of Sale #4, the remaining portion shows a value of \$144 per acre for rough marginal grazing land. This is considered to be an appropriate value indication for the subject property. This value is substantially lower than the comparable sales, which is appropriate. Each of the comparable sales are substantially superior to the subject property.

As stated, the subject parcel is more barren and less productive than the other sale properties, and also lacks physical access. The appropriate value of this parcel is considered to be below the values indicated by the comparable sales. Based on the sales data, a value of \$150 per acre is determined to be the appropriate value for the native rangeland comprising the subject under the hypothetical condition of having legal access. The without access value is determined to be \$90 per acre.

640 acres @ \$90 per acre as is without legal access = \$58,000 (rounded)
640 acres @ \$150 per acre with hypothetical legal access = \$96,000

3. Value Conclusions

As of July 21, 2011, the sales comparison approach as herein applied indicates following values for the subject parcels.

Sales Comparison Approach

Sale #	Acres	As is Value	Hypothetical Value
		Without Access	With Access
612	540.7	\$71,000	\$119,000
609	311.6	\$28,000	\$47,000
611	640	\$58,000	\$96,000
616	640	\$58,000	\$96,000

V. Reconciliation and Value Conclusion

The appraiser employed traditional methods of estimating the market value of the subject properties. The market value suggested by these methods is shown below for an effective date of July 21, 2011.

Sale #	Cost Approach		Sales Comparison Approach		Reconciled Value	
	"As is" Value w/o Access	Hypothetical Value With Access	"As is" Value w/o Access	Hypothetical Value With Access	"As is" Value w/o Access	Hypothetical Value With Access
612	\$81,000	\$135,000	\$71,000	\$119,000	\$76,000	\$127,000
609	\$28,000	\$47,000	\$28,000	\$47,000	\$28,000	\$47,000
611	\$58,000	\$96,000	\$58,000	\$96,000	\$58,000	\$96,000
616	\$58,000	\$96,000	\$58,000	\$96,000	\$58,000	\$96,000

There was an adequate amount of quality sales data available in this assignment as the sales possessed features and characteristics that are generally similar to those of the appraised properties. This sales data was used within the cost and the sales comparison approach to values and reflect a good base of data with which to value the subject properties.

In the final analysis, both approaches were deemed to be accurate and reliable methods of valuation for the appraised properties. The value conclusions determined by the cost approach are considered to support the values determined by the sales comparison approach, a vice versa. Therefore, final value conclusions were based on mid-point values between the two indications of value.

Final value conclusion for the subject properties based on consideration of all three approaches is determined as of an effective date of July 21, 2011. The above-concluded values consider the fee simple ownership rights of the real property described herein and are in term of cash including land and buildings.

CONTINGENT AND LIMITING CONDITIONS

The certification of the appraiser 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 appraiser in the report.

1. The appraiser assumes no responsibility for matters of legal nature affecting the property appraised or the title thereto, nor does the appraiser 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 appraiser has made no survey of the property.
3. The appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made therefore.
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 appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraiser can be assumed by the appraiser.
7. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the appraiser is affiliated. 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 appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the appraiser is 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 appraiser.

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 appraiser does not in any way warrant or represent that the property may or may not be insurable and assumes no responsibility for determining such conditions.
11. The appraiser has examined those flood maps provided by the Federal Emergency Management Agency that may be available for the subject property and has noted whether the appraised property appears to be located within any Special Flood Hazard Area. Since the appraiser is not a surveyor, he makes no guarantees, expressed or implied, regarding this determination.
12. 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.
13. The appraiser reserves the right to revise this appraisal in view of changing market conditions and any other circumstances which would alter or affect the market value.
14. 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 appraiser is not an expert in the identification of hazardous substances or detrimental conditions. The appraiser's routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or environmental conditions which 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.

APPRAISAL CERTIFICATION

CERTIFICATION: I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved. The estimate of market value in the appraisal report is not based in whole or in part upon the race, color, national origin, religion, gender, or handicap of the present or prospective owners or occupants of the subject property. Likewise, no bias was shown because of the owners or occupants of the properties in the vicinity of the property appraised.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* (USPAP), adopted by the Appraisal Standards Board of the Appraisal Foundation. This appraisal report also conforms with the requirements of the *Code of Ethics and Standards of Professional Practice* of the American Society of Farm Managers and Rural Appraisers (ASFMRA), of which I am an accredited member; an Accredited Rural Appraiser (ARA). This is a voluntary program of accreditation, and as of the date of this report the appraiser has completed the continuing education program for the ARA designation. This report may be subject to confidential peer review for Standards and Ethics compliance. The appraiser also holds a current license with the state of Montana as a Certified General Appraiser, and as of the date of this report I have completed the mandatory continuing education requirements to maintain my license in the state of Montana.

8. I have made a personal inspection of the property that is the subject of this report.
9. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the appraiser whose signature appears on the appraisal report. If significant professional assistance was received from any individual in the performance of the appraisal or the preparation of the appraisal report, such individuals are named and any specific tasks performed by them are disclosed within the report. I certify that any individual so named is qualified to perform such tasks. No change of any item in the appraisal report shall be made by anyone other than the appraiser, and the appraiser shall have no responsibility for any such unauthorized change.
10. Having conducted an appraisal assignment presented herein as a summary appraisal report, the appraiser has concluded that the market value of the State Land banking parcels as of July 21, 2011, is as follows.

Parcel #612	"as is" with no legal access	=	\$76,000
	with hypothetical legal access	=	\$127,000
Parcel #609	"as is" with no legal access	=	\$28,000
	with hypothetical legal access	=	\$47,000
Parcel #611	"as is" with no legal access	=	\$58,000
	with hypothetical legal access	=	\$96,000
Parcel #616	"as is" with legal access	=	\$58,000
	with hypothetical legal access	=	\$96,000

Andrew A. D. Rahn IV

Andrew A. D. Rahn IV, ARA
Rahn Land, Inc.
Accredited Rural Appraiser
Montana Certified General Appraiser



Exhibit #1

FOR DNRC USE ONLY

Maximum amount under this agreement: \$10,000.

Source of Funds

Private Funds

Fund Name

Land Bank Private Funds

Fund No.

02031

Subclass

555HA

Org. No.

6043-59

Percent

100%

Approved

No. 117810

Amendment No.

Division

C.S.D.

Legal

JMS

JHB

**DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
TRUST LAND MANAGEMENT DIVISION**

**POTENTIAL LAND BANKING SALE OF FOUR PARCELS IN CARTER, DAWSON, AND
ROSEBUD COUNTIES**

This Agreement is between the Montana Department of Natural Resources and Conservation (DNRC), and Andrew A.D. Rahn, IV, (Contractor), 87-0690492. The parties to this Agreement, in consideration of the mutual covenants and stipulations set out herein, agree as follows:

Section 1. **PURPOSE.** The purpose of this Agreement is to establish mutually agreeable terms and conditions, specifications and requirements for, Andrew A.D. Rahn, IV, to provide DNRC with a real estate appraisal, with separate valuations on four separate subject properties in Carter, Dawson, and Rosebud Counties.

Section 2. **TERM.** The effective date of this agreement is the last date of signing, or upon compliance with Section 8, Compliance with Workers' Compensation Act, whichever is later, and shall terminate on September 1, 2011 unless terminated earlier pursuant to Section 15, Termination. The appraisal report is to be completed and forwarded to Montana DNRC, John Grimm, P.O. Box 201601, Helena, MT 59620-1601 by August 1, 2010.

Section 3. **LIAISON.** All communications by the Contractor to the DNRC concerning this Agreement shall be addressed to John Grimm, Real Estate Section Supervisor, Department of Natural Resources and Conservation, P.O. Box 201601, Helena, Montana 59620-1601. All communications by the DNRC to the Contractor shall be addressed to Andrew A.D. Rahn, IV, P.O. Box 1013, Bozeman, MT, 59771-1013.

Section 4. **SCOPE OF WORK.** The Contractor shall administer all activities provided for in this Agreement on behalf of the DNRC. The Contractor shall be responsible for providing a credible appraisal, in a summary report format, conducted and prepared in compliance with the current Uniform Standards of Professional Appraisal Practice, for the four parcels in Carter, Dawson, and Rosebud Counties, as described in Attachment B, Montana DNRC Trust Land Management Division Supplemental Appraisal Instructions.

The appraisals must comply with the instructions in Attachment A, Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program, and all provisions in the body of this contract including the following:

- 1) Each parcel, as identified, is to be valued separately. However, *when applicable*, the parcels while valued separately can be combined into one report. Each appraisal report will be one document containing the parcel data and the analysis, opinions, and conclusions of value(s) for each parcel. If deemed necessary by the contractor rather than including the specific market data in the appraisal report, a separate addendum may be submitted containing the specific market data as a stand-alone document, which must be reviewed and accepted along with the appraisal, and will be returned to the appraiser for retention in his/her files. The appraiser must submit an electronic copy as well as a printed copy of the appraisal report.
- 2) The definition of market value is that as defined in 70-30-313 M.C.A.
- 3) The DNRC will provide access to each state parcel record, as maintained by the land offices, including but not limited to aerial photos, land improvements, current lease data (lease #, name of lessee, AUMs, acres, costs, etc.), property issues, surveys (if any), and production history. The local land office will provide the contact information to the appraiser in order for the appraiser to obtain access to the proponent's property.

Section 5. PAYMENT. In consideration of services rendered pursuant to this Agreement, DNRC agrees to pay the Contractor an amount not to exceed Ten Thousand and No/100 Dollars (\$10,000.). The Contractor shall submit an invoice with the submission of the appraisal report to the DNRC for payment for services rendered. Payment will be made within thirty (30) days of delivery of services/goods and receipt of a properly executed invoice, as long as the DNRC's review of said services/goods finds them acceptable. If the work submitted fails to meet Contract specifications set out herein, payment will be withheld for the unsatisfactory work. The Contractor shall, at no additional expense to the State, correct unsatisfactory work before payment is made. If agreed upon work is not brought to acceptable standards, the Contract Agreement will be terminated for unsatisfactory performance and no payment will be made.

Section 6. LEGAL REQUIREMENTS. The Contractor shall comply with all applicable federal, state, and local laws, statutes and ordinances and all applicable rules, regulations, and standards established by DNRC.

Section 7. LAW AND VENUE. Any action at law or suit in equity, or judicial proceeding for the enforcement of this Agreement or any provision thereof shall be instituted only in the courts of the State of Montana. This Agreement shall be governed by the laws of the State of Montana, both as to interpretation and performance. In the event of litigation concerning the terms of this Agreement venue shall be in the First Judicial District in and for the County of Lewis and Clark.

Section 8. COMPLIANCE WITH WORKERS' COMPENSATION ACT

The Contractor is required to supply the State with proof of compliance with the Montana Workers' Compensation Act while performing work for the State of Montana. Neither the Contractor nor its employees are employees of the State. The proof of insurance/exemption must be in the form of workers' compensation insurance, an independent contractor exemption, or documentation of corporate officer status and must be received by the DNRC Procurement Bureau, P.O. Box 201601, Helena, MT 59620-1601, and must be kept current for the entire term of the contract.

CONTRACTS WILL NOT BE ISSUED TO VENDORS WHO FAIL TO PROVIDE THE REQUIRED DOCUMENTATION WITHIN THE ALLOTTED TIME FRAME.

Coverage may be provided through a private carrier or through the State Compensation Insurance Fund (406) 444-6500. An exemption can be requested through the Department of Labor and Industry, Employment Relations Division (406) 444-1446. Corporate officers must provide documentation of their exempt status.

Section 9. EQUAL EMPLOYMENT. Any hiring of employees under this Agreement shall be on the basis of merit and qualifications, and there shall be no discrimination on the basis of race, color, religion, creed, sex, national origin, age, disability, marital status, or political belief. "Qualifications" mean qualifications as are generally related to competent performance of the particular occupational task.

Section 10. PUBLIC INFORMATION AND OWNERSHIP OF PRODUCTS. Subject to the provisions set out herein below relating to confidential information, all information in the possession of the Department relating to this project shall be made available to the public. Upon completion of this Agreement, all information, reports, data, records, documents, and materials in the possession of the Department pertaining to this Agreement shall be available to the public. The Contractor shall indemnify and hold harmless DNRC from liability for injury caused by the release of any information, reports, data, records, documents, and materials provided by the Contractor. All copyrights, patents, or other royalty rights resulting from the completion of this Agreement or the information, reports, records, data documents, materials, and end products of this Agreement shall be the sole property of the DNRC. The separate addendum of confidential specific market data referenced in section 4.1 of this contract, used for developing the appraisal report will be reviewed and accepted along with the appraisal. After review and acceptance the addendum will be returned to the appraiser for retention in his/her files, and will be deemed the appraisers sole property.

Section 11. INDEMNITY AND LIABILITY (Hold Harmless/Indemnification): The Contractor agrees to be financially responsible for any audit exception or other financial loss to the State of Montana which occurs due to the negligence, intentional acts, or failure by the Contractor and/or its agents, employees, subcontractor, or representative to comply with the terms of this Agreement. The Contractor agrees to indemnify the state, its officials, agents, and employees, while acting within the scope of their duties and hold harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed, goods or rights to intellectual property provided or omissions of services or in any way resulting from the acts or omission of the Contractor and/or its agents, employees, subcontractors or its representatives under this Agreement, all to the extent of the Contractor's negligence.

Section 12. ASSIGNMENTS, TRANSFERS AND SUBCONTRACTS. There will be no assignment, transfer or subcontracting of this Agreement, nor any interest in this Agreement, unless agreed to by both parties in writing as provided in Section 14, Modifications. This Agreement shall be binding on all successors and assigns of the Contractor, including successors in interest.

Section 13. AUDIT. The Contractor shall maintain reasonable records of its performance under this Agreement. The Contractor agrees that DNRC, the Legislative Auditor, or the Legislative Fiscal Analyst may audit all records, reports, and other documents which the Contractor maintains

under or in the course of this Agreement to insure compliance with this Agreement. Such records, reports, and other documents may be audited at any reasonable time. The Agreement may be unilaterally terminated by DNRC upon the Contractor's refusal to comply with this or any other section. In the event the Agreement is terminated for such failure to comply, the Contractor, at the option of DNRC, shall return to DNRC all funds previously awarded the Contractor and all results of the project to date.

Section 14. MODIFICATIONS. This instrument contains the entire Agreement between the parties, and no statement, promises, or inducements made by either party, or agents of either party, which are not contained in this Agreement shall be valid or binding and this Agreement may not be enlarged, modified or altered except as provided in this Agreement. No letter, telegram, or other communication passing between the parties to this Agreement, concerning any matter during the term of this Agreement shall be deemed a part of this Agreement unless it is distinctly stated in such letter, telegram, or communication that it is to constitute part of this Agreement, and such letter, telegram, or communication is attached as an appendix to this Agreement and is signed by the authorized representative of each of the parties to this Agreement. If executed properly under this section, modifications of this Agreement do not need independent consideration to be legally enforceable.

Section 15. TERMINATION. Upon breach of any of the terms and conditions of this Agreement by the Contractor, DNRC may terminate this Agreement and have any and all remedies at law or equity. In the event of such breach and termination, DNRC may further, at its option, take over the work and services and prosecute the same to completion by contract or otherwise and the Contractor shall be liable to DNRC for any excess cost occasioned to DNRC thereby. The Contractor may cancel this Agreement upon DNRC's mutual written agreement and DNRC may postpone or cancel this Agreement if subsequent funding is not available.

Section 16. WAIVER. A waiver of any particular provision of this Agreement by DNRC shall not be construed as a waiver of any other provision, nor shall any such waiver otherwise preclude DNRC from insisting on strict compliance with this Agreement in other circumstances.

Section 17. UNAVAILABILITY OF FUNDING. This contract is subject to the availability of legislative appropriations or funding. DNRC reserves the right, in its sole discretion, to terminate or reduce the scope of this contract should it experience any reduction in legislative appropriations".

Section 18. CONTENTS. This Agreement consists of: Pages 1-5; Attachment A, Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program, 2 pages, and; Attachment B, Montana DNRC Trust Land Management Division Supplemental Appraisal Instructions, 2 pages.

Section 19. AGREEMENT RENEWAL. This Agreement may, upon mutual agreement between the parties and according to the terms of the existing contract, be extended one thirty-day interval and no more.

Section 20. INSURANCE REQUIREMENTS. The contractor shall purchase and maintain Occurrence coverage with combined single limits for bodily injury, personal injury, and property damage of \$300,000.00 per occurrence and \$600,000.00 aggregate per year to cover such claims as may be caused by any act, omission, or negligence of the contractor or its officers, agents, representatives, assigns or subcontractors.

Additional Insured Status: The State, its officers, officials, employees, and volunteers are to be covered as additional insureds; for liability arising out of activities performed by or on behalf of the contractor, including the insured's general supervision of the contractor; products and completed operations; premises owned, leased, occupied, or used.

Primary Insurance: The contractor's insurance coverage shall be primary insurance as respect to the State, its officers, officials, employees, and volunteers and shall apply separately to each project or location.

Any insurance or self-insurance maintained by the State, its officers, officials, employees or volunteers shall be excess of the contractor's insurance and shall not contribute with it.

Deductibles and Self-Insured Retentions: Any deductible or self-insured retention must be declared to and approved by the state agency. At the request of the agency either: 1) The insured shall reduce or eliminate such deductibles or self-insured retentions as respect to the State, its officers, officials, employees, and volunteers, or; 2) The contractor shall procure a bond guaranteeing payment of losses and related investigations, claims administration, and defense expenses.

Certificate of Insurance/Endorsements: A certificate of insurance, indicating compliance with the required coverages and referencing Contract # **117810**, must be filed with the DNRC's liaison and attached to this agreement prior to signature by the DNRC. The Contractor must notify the State immediately, of any material change in insurance coverage, such as changes in limits, coverages, change in status of policy, etc.

5/10/11 _____
Date Contractor's Authorized Representative

5/16/11 _____
Date Department of Natural Resources and Conservation

ATTACHMENT A

Scope of Work for Appraisals of Potential Property Sales through the Land Banking Program

CLIENT, INTENDED USERS, PURPOSE AND INTENDED USE:

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). The purpose of the 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 decision making process concerning the potential sale of said subject property.

DEFINITIONS:

Current fair market value. (MCA 70-30-313) 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.

Highest and best use. 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 four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

PROPERTY RIGHTS APPRAISED:

State of Montana lands are always to be appraised as if they are in private ownership and could be sold on the open market and are to be appraised in Fee Simple interest. For analysis purposes, properties that have leases or licenses on them are to be appraised with the Hypothetical Condition the leases/licenses do not exist.

EFFECTIVE DATE OF VALUATION AND DATE OF INSPECTION:

The latest date of inspection by the appraiser will be the effective date of the valuation.

SUBJECT PROPERTY DESCRIPTION & CHARACTERISTICS:

The legal descriptions and other characteristics of the state's property that are known by the state will be provided to the appraiser. However, the appraiser should verify, as best as possible, any

information provided. Further, should any adverse conditions be found by the appraiser in the course of inspecting the property and neighborhood, or through researching information about the property, neighborhood and market, those conditions shall be communicated to the clients and may change the scope of work required.

ASSIGNMENT CONDITIONS:

The appraiser must be a Montana certified general appraiser, and be competent to appraise the subject property. The appraisal is to conform to the latest edition of USPAP, and the opinion of value must be credible. The appraiser is to physically inspect the subject property at a level that will allow the appraiser to render a credible opinion of value about the property. For those properties which consist of more than one section, the appraiser must at least view each section. The appraiser must have knowledge of the comparables through either personal inspection or with use of sources the appraiser deems reliable, and must have at least viewed the comparables.

The appraiser will consider the highest and best use of the subject properties. (Note: it may be possible that because of the characteristics of a subject property, or market, there may be different highest and best uses for different components of the property. Again, that will depend on the individual characteristics of the subject property and correlating market. The appraiser must look at what a typical buyer for the property would consider.) Soil classification, surrounding land uses, and the possibility of converting grazing ground to cropland should be considered.

Along with using the sales comparison approach to value in this appraisal, (using comparable sales of like properties in the subject's market or similar markets), the appraiser will also consider the cost and income approaches to value. The appraiser will use those approaches, as applicable, in order to provide a credible opinion of value. Any approaches not used are to be noted, along with a reasonable explanation as to why the approach or approaches were not applicable. The appraisal will be in a Summary Report format, that is, it will describe adequately, the information analyzed, appraisal methods and techniques employed, and reasoning that support the analyses, opinions and conclusions. All hypothetical conditions and extraordinary assumptions must be noted.

Landlocked parcels, (parcels with no legal access), will be appraised with the hypothetical condition of having legal access and should be appraised as the property currently exists, which is without legal access, ("as is"). If evidence through reasonably recent sales of comparable properties is available in the subject's market or similar markets, provide the value of the subject property, as it currently exists without access. Include details of an adjustment in appraised value due to lack of access. If no evidence through reasonably recent sales of comparable properties is found in the subject's market or similar markets, and thus no "as is" value can be properly supported, then state such in the report. As with lack of legal access, adjustments for additional items such as lack of land improvements, etc. will be supported by analysis of the pertinent subject market data through sales pairings or other analytical methodology. In moderately to rapidly changing markets, historic information may not be as relevant as more current market information. (Note: Access typically consists of two parts; legal access and physical accessibility. The above references to access, hypothetical and "as is" are in regards to legal access. The physical accessibility to the subject parcel is to be appraised as it currently exists.) Legally accessible state lands are appraised as accessible only.

The appraisal on the state's lands must include state-owned improvements in the valuation, but exclude lessee-owned or licensee-owned improvements in the valuation. All appraisals are to describe the market value trends, and provide a rate of change, for the markets of each subject property. Comparables sales used should preferably have sales dates within one year of the

appraisal and should not be over three years old. The comparable sales must be in reasonable proximity to the subject, within the same county or a neighboring county.

ATTACHMENT B

MONTANA DNRC TRUST LAND MANAGEMENT DIVISION Supplemental Appraisal Instructions

This Scope of Work and Supplemental Appraisal Instructions are to be included in the appraiser's addendum.

SUBJECT PROPERTIES:

LAND BANKING PARCEL # 612, CARTER COUNTY

Location: Parcel 612 – is located 58 miles south of Ekalaka.

Property Characteristics: Parcel 612 – native rangeland.

Access: Parcel 612 – Is not legally accessibly by the public, and is completely surrounded by private land.

Sale #	# of Acres	Legal	Lessee
612	540.07	Lots 1-16 Inc., Section 36, T8S-R60E	Scott & Kathy Kittlemann

406-775-6304

LAND BANKING PARCELS # 609 & 611, ROSEBUD COUNTY

Location: Parcels 609 & 611 – are located 25 miles north of Hysham.

Property Characteristics: Parcels 609 & 611 –native rangeland.

Access: Parcels 609 & 611 – are not legally accessibly by the public, and are completely surrounded by private land.

Sale #	# of Acres	Legal	Lessee
609	311.6	LOTS 1-5, SE4NW4, S2NE4, Section 6, T10N-R36E	Mysse Ranch Co.
611	640	All, Section 36, T11N-R35E	Mysse Ranch Co.

**LAND BANKING PARCEL # 616
DAWSON COUNTY**

Location: Parcel 616 – is ten miles southeast of Glendive.

Property Characteristics: Parcel 616 – native rangeland.

Access: Parcel 616 – is not legally accessibly by the public, and is completely surrounded by private land.

Sale #	Acres	Legal	Lessee
616	640	ALL Section 36, T15N-R56E	Charles Ferguson

Area Office Contact Information:

Chris Pileski – Eastern Land Office Area Manager
321 Main Street
P.O. Box 1794
Miles City, MT 59301
Phone: 406/232-2034 or 232-2045
Fax: 232-3807

Exhibit #2



Andrew A. D. Rahn IV, ARA
Rahn Land Inc.
Accredited Rural Appraiser
Montana Certified General Appraiser
GIS Mapping Specialist



WORK EXPERIENCE

Owner/President of Rahn Land, Inc. (formerly Dirt First, Inc.), 2003 to present

Provides appraisal, real estate valuation consulting, and GIS mapping services.

Fee Appraiser and Consultant, 2005 to present

Provides professional and qualified real property appraisals and real estate valuation consulting throughout Montana. Range of assignment types includes estate planning and settlement, acquisitions, marketing, land investment, conservation easements, financing, loan servicing, and a variety of other valuation assignment types. Specialized valuation experience includes the appraisal of conservation easements, partial or fraction interests, and compliant Uniform Appraisal Standards for Federal Land Acquisitions otherwise known as "Yellow Book" appraisals. Clients include private land owners, accountants, attorneys, banks, investment firms, conservation organizations, and county, state, and federal agencies. Makes extensive use of Geographic Information Systems (GIS) to analyze and present valuation and property information. Facilitates the enhanced graphical analysis of property and market data by geographically enabling an extensive database of sales and land valuation data. Continues to expand mapping services and develop further applications of mapping technology to the valuation of rural property.

Professional appraisal and consulting experience includes:

- livestock ranches
- irrigated and dryland farms
- recreational properties
- transitional properties
- rural residential tracts
- development properties
- conservation easements
- fractional/minority interests
- trend analysis
- livestock
- machinery
- irrigation equipment
- structural improvements
- specialized equestrian facilities
- guest ranches
- super adequacy & over-improvement analysis
- access rights
- water, timber, and hunting rights
- rental rates
- lease income analysis

NORMAN C. WHEELER AND ASSOCIATES. 2002 to 2009

Appraiser, GIS Mapping Specialist, and Real Estate Sales Agent

Developed an extensive GIS mapping system providing custom mapping and sophisticated mapping capability to the valuation and appraisal of rural property. Began training to become a Montana Certified General Appraiser in 2003 and received license in 2006. Acquired real estate license in 2005. Pursued and received the professional designation as an Accredited Rural Appraiser (ARA) through the American Society of Farm Managers and Rural Appraisers (ASFMRA) in 2008. Coordinated the development and design of a custom sales database with full integration into a GIS mapping system. Managed information technology (IT) for the firm.

PROFESSIONAL AFFILIATIONS

- American Society of Farm Managers and Rural Appraisers, Accredited Member
- Montana Chapter of the American Society of Farm Managers and Rural Appraisers
- Montana Association of Geographic Information Professionals (MAGIP)
- Certified General Appraiser - Montana #776
- Licensed Real Estate Sales Associate - Montana - License # 14990
- Gallatin Association of Realtors
- Billings Association of Realtors
- Montana Association of Realtors
- National Association of Realtors

APPRAISAL COURSES & SEMINARS COMPLETED

- Fundamentals of Rural Appraisal - 2003
- Appraising Rural Residential Properties - 2004
- Principles of Rural Appraisal - 2004
- Advanced Rural Appraisal - 2005
- Appraising Agricultural Land in Transition - 2006
- Montana Access Laws & Conservation Easements - 2006
- *Uniform Standards of Professional Appraisal Practice* (USPAP) - 2006
- Report Writing - 2006
- Income Capitalization - 2006
- American Society of Farm Managers and Rural Appraisers (ASFMRA) Ethics - 2007
- Eminent Domain - 2007
- Highest and Best Use - 2007
- Partial Interest Valuation - Undivided - 2007
- Partial Interest Valuation - Divided - 2007
- Valuation of Conservation Easements - 2008
- Subdivision Analysis: Testing Legal and Physical Possibilities - 2008
- Advanced Approaches to Value for Rural Appraisal - 2008
- Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) - "Yellow Book" Seminar - 2008
- Wind Development in Montana: Leases, Options, and Update - 2009
- Cost Approach - 2010
- Montana Ag Lenders Range School - 2010

EDUCATION

Montana State University, Bozeman, MT. December 2001

B.S. Land Resource Sciences - Land Resources Analysis and Management Option
Soil Science minor

Ranch Internship - 2001: Special projects included GIS mapping and nutrient and feed analysis in relation to vegetation forage cycles and animal life cycles. Experience comprised all aspects of livestock production including calving, branding, horsemanship, hay production, pasture management, range monitoring, marketing, fencing, equipment maintenance, irrigation, etc...