

**SUMMARY REPORT
ON
THE APPRAISAL OF**



**SALES 574, 575, 576,
578, 580, AND 581
GOLDEN VALLEY COUNTY, MONTANA**

**AS OF:
AUGUST 23, 2010**

**FOR
DNRC REAL ESTATE MANAGEMENT BUREAU
HELENA, MONTANA**

**PREPARED BY
TERRY L. ROHRER**

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September 10, 2010

Mr. Tom Konency
Montana DNRC
P.O. Box 201601
Helena, MT 59620-1601

Dear Tom:

At your request, I have personally inspected and prepared an appraisal of the real property commonly known as Sales 574, 575, 576, 578, 580, and 581 in Golden Valley County, Montana. The legal description appraised, per your appraisal order, is included in the body of the report.

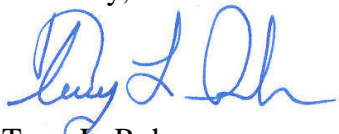
The purpose of this appraisal is to estimate the current fair market value of an undivided 100% interest in the fee simple estate in the subject to be used in support of the decision making process concerning the potential sale of the subject. From my investigation and analysis, it is my opinion that the current fair market value of an undivided 100% interest in the fee simple estate in Sales 574, 575, 576, 578, 580, and 581, as if they have legal access, on August 23, 2010, is:

Sale 574	\$ 40,000
Sale 575	\$155,000
Sale 576	\$ 80,000
Sale 578	\$ 45,000
Sale 580	\$ 35,000
Sale 581	\$ 7,000

The reader cannot completely understand this appraisal without reading the **“Special Assumptions and Limitations of Appraisal”** and "Assumptions and Limitations of Appraisal" sections of this report. Users should read and thoroughly understand those sections before relying on any information or analysis presented herein.

We genuinely appreciate the opportunity to serve your appraisal needs. Please call me at (406) 259-2220 with any questions regarding this appraisal report.

Sincerely,



Terry L. Rohrer
MT General Certification #249

Encl.: Appraisal Report

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SUMMARY OF SALIENT FACTS

1. Subject: Sales 574, 575, 576, 578, 580, and 581 in Golden Valley County, Montana
2. Owners of Record: The State of Montana
3. Location: The subject tracts lie from 3 to 6 miles north/northwest of Ryegate, Golden Valley County, Montana
4. Interest Appraised: An undivided 100% interest in the fee simple interest in the surface rights to the subject real estate, unencumbered as of the effective date of value
5. Date of Value: The effective date of the estimate of current fair market value is August 23, 2010. The report was prepared between July 1, 2010 and September 10, 2010, the date the report was signed
6. Property Description: Presently, the six subject parcels are native range land or irrigated crop land used for hay and forage production.
7. Improvements: No improvements contribute to the value of any subject parcel
8. Highest and Best Use: Local market conditions, present economics of commercial agriculture, and the subjects' attributes suggest highest and best uses as add-on tracts to larger, commercial ranches predominant in the area, or as recreational or residential tracts, with similar values between those uses, dependant on tract size

9. Estimates of Value ("as if" with legal access):

Cost Approach	N/A
Sales Comparison Approach	
Sale 574	\$ 40,000
Sale 575	\$155,000
Sale 576	\$ 80,000
Sale 578	\$ 45,000
Sale 580	\$ 35,000
Sale 581	\$ 7,000
Income Approach	N/A

10. Conclusion of Value ("as if" with legal access):

Sale 574	\$ 40,000
Sale 575	\$155,000
Sale 576	\$ 80,000
Sale 578	\$ 45,000
Sale 580	\$ 35,000
Sale 581	\$ 7,000

SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS

1. Sales 575, 576, 578, and 581 may not have legal access. Conditions of this assignment require the appraisal of the subject parcels "as if" they have legal access, then determination of the value "as is," without legal access. Consequently, the subject parcels are appraised first under the hypothetical condition that they are legally accessible.
2. The subject parcels are currently leased to individuals for forage production and grazing livestock. These leases are typically for 10 year terms, with some likelihood of extensions for subsequent 10 year terms. Lease rates are typically below market rents, creating a positive leasehold interest in these tracts for the tenants. In order to appraise the current fair market value of the fee simple interest in the subject parcels, we must do so subject to the hypothetical condition that these leases do not exist.
3. Sales 574 and 575 include acreage being used for irrigated hay production. There are reportedly no water rights appurtenant to the subject, and current irrigated production relies on water rights owned by the tenant. These sales are appraised as if the irrigated acreage is dry crop land.
4. Sale 575 includes tenant improvements, including corrals and a livestock shed. Anyone purchasing this tract reportedly has to purchase these improvements from the current tenant. This tract is appraised as if these improvements do not exist.

ASSUMPTIONS AND LIMITING CONDITIONS

1. **LIMIT OF LIABILITY:** The liability of the Appraiser(s) and employees are limited to the client and to the fee collected. Further, there is no accountability, obligation, or liability to any third party. If this report is conveyed to anyone other than the client, the client shall make such party aware of all the limiting conditions and assumptions of the assignment and related discussions. The Appraiser(s) assume(s) no responsibility for any costs incurred to discover or correct any deficiencies of any type present in the property...physically, financially, and legally.
2. **COPIES, PUBLICATION, DISTRIBUTION, OR USE OF THE REPORT:** Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report remains the property of the Appraiser(s) for the use of the client, the fee being for the analytical services only.
3. **CONFIDENTIALITY:** This appraisal is to be used only in its entirety and no part is to be used without the entire report. The Appraiser(s) whose signature(s) appear on this report, unless indicated as "Review Appraiser," prepared all conclusions and opinions concerning the analysis set forth in the report. No changes to the report shall be made by anyone other than the Appraiser(s). The Appraiser(s) shall have no responsibility if any such unauthorized change is made.
4. **TRADE SECRETS:** This appraisal was obtained from the Appraiser(s) signing the report or associated independent contractors and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempt from disclosure under 5U.S.C.552(b)(4). Notify the Appraiser(s) signing the report of any request to reproduce this appraisal in whole or in part.
5. **INFORMATION USED:** No responsibility is assumed for accuracy of the information furnished by work of others, the client, his/her designees, or public records. The Appraiser(s) are not liable for such information or the work of possible subcontractors. The client is further advised that some of the people associated with the Appraiser(s) and possibly signing the report are independent

contractors. The comparable data relied upon in this report have been confirmed with one or more parties familiar with the transaction or from affidavit or other sources thought to be reasonable; all are considered factual and appropriate for inclusion to the best of our judgment and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to the engineering and market-related information. It is suggested that the client consider independent verification as a prerequisite to any transaction involving sale, lease, or other significant commitment of funds for the subject property.

6. **TESTIMONY AND COMPLETION OF CONTRACT FOR APPRAISAL SERVICES:** The contract for appraisal, consultation or analytical services are fulfilled and the total fee payable upon completion of the report. The Appraiser(s) or those assisting in the preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, not engage in post appraisal consultation with the client or third parties except under separate and special arrangement for an additional fee. If testimony or deposition is required because of subpoena, the client shall be responsible for any additional time, fees, and charges regardless of issuing party.
7. **EXHIBITS:** The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if included, are made available for the same purpose as of the date of the appraisal. Site plans are not surveys unless shown from a separate and qualified surveyor.
8. **LEGAL, ENGINEERING, FINANCIAL, STRUCTURAL, MECHANICAL, HIDDEN COMPONENTS, SOIL:** No responsibility is assumed for matters legal in character, nor nature, nor matters of survey, nor of any architectural, structural, mechanical, or engineering nature. No opinion is rendered as to the title, which is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in particular parts of the report.

The legal description is assumed to be correct as used in this report as furnished by the client, his/her designee, or as derived by the Appraiser(s).

Please note that no advice is given regarding mechanical equipment or structural integrity or adequacy, nor soils and potential for settlement, nor drainage (seek assistance from qualified architect and/or engineer); nor matters concerning liens, title status, and legal marketability (seek legal assistance). The lender and owner should inspect the property before any disbursement of funds; further it is likely that the lender or owner may wish to require mechanical or structural inspections by a qualified and licensed contractor, civil or structural engineer, architect, or other expert.

The Appraiser(s) has (have) inspected, as far as possible by observation, the land and improvements. However, it was not possible to personally observe conditions beneath the soil or hidden structural components. We have not critically inspected mechanical components in the improvements and no representations are made herein as to these matters unless specifically stated and considered in the report. The value estimate considers there being no such conditions that would cause loss of value. The land or soil of the area being appraised appears firm, however, subsidence in the area is unknown. The Appraiser(s) does(do) not warrant against this condition or occurrence of problems arising from soil conditions.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the Appraiser(s) become aware of such during the Appraiser(s)' inspection and investigation of the market area. The Appraiser(s) has (have) no knowledge of the existence of such

materials on or in the property unless otherwise stated. The Appraiser(s) is (are), however, not qualified to test for such substances or conditions. If the presence of such substances such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.

All mechanical components are assumed to be in operable condition and status for properties of the subject type. Conditions of heating, cooling, ventilating, electrical, and plumbing equipment are considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment may be made by us as to the adequacy of insulation, type of insulation, or energy efficiency of the improvements or equipment which is assumed standard for the subject age and type.

The Appraiser(s) assume(s) no responsibility for any costs or consequences arising due to the need, or lack of need for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

9. **LEGALITY OF USE:** The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits or other legislative or administrative authority by local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
10. **COMPONENT VALUES:** The distribution of the total valuation in this report between land and improvements apply only under the existing program of utilization.
11. The separate valuations for land and building(s) must not be used in the conjunction with any other appraisal and is invalid if so used.
12. **INCLUSIONS:** Furnishings, equipment, personal property or business operations, except as specifically indicated and typically considered as a part of real estate, have been disregarded with only the real estate being considered in the value estimate, unless otherwise stated. In some property types, business and real estate interests and values are combined.
13. **PROPOSED IMPROVEMENTS, CONDITIONED VALUE:** Proposed improvements, if any, on- or off - site, as well as any repairs required are considered for the purposes of this appraisal to be completed in a good and workman like manner according to information submitted and/or considered by the Appraiser(s). In cases of proposed construction, the appraisal is subject to change upon inspection of the property after construction is completed. This estimate of market value is as of the date shown, as proposed, as if completed and operating at levels shown and projected.
14. **VALUE CHANGE AND ALTERATION OF ESTIMATE BY APPRAISER(S):** The estimated market value, which is defined in the report, is subject to change with market movement over time; value is highly related to exposure, time, promotional effort, terms, motivation, and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace as it contributes to an economic or social need.

15. In the case of appraisals involving capitalization of income benefits, the estimate of market value or investment value or value in use is a reflection of such benefits and the Appraiser(s)' interpretation of income, yields, and other factors derived from general and specific client and other information. Such estimates are reported as of a specific date; they are thus subject to change since the market and value are naturally dynamic.
16. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color, creed or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
17. CHANGE: The appraisal report and value estimates are subject to change if physical, legal entity, or financing is different than envisioned at the time of writing this report and becomes apparent at a later date.
18. MANAGEMENT OF THE PROPERTY: It is assumed that the property which is the subject of this report will be under prudent and competent ownership and management; neither inefficient nor super efficient.
19. APPRAISAL FEE: The fee for this appraisal or study is for the service rendered and not for the time present on the physical property or the physical report itself. The compensation (fee) for the preparation of this appraisal report has no relation to, and is not contingent upon the final values reported.
20. MODIFICATIONS: The Appraiser(s) reserve(s) the right to alter statements, analysis, conclusion or any value estimate in the appraisal if there becomes known to the undersigned facts pertinent to the appraisal process which were unknown to the Appraiser(s) at the time of report preparation.
21. MINERAL RIGHTS, NOISE AND ENVIRONMENTAL CONCERNS: Mineral rights, noise and environmental factors have not been given segregated consideration except as noted; they have been treated with the whole.
22. **Our client and any third party should understand that the State of Montana is a "nondisclosure" jurisdiction. Consequently, sale prices of real estate transactions are not publicly recorded, and few centralized sources of sale prices and terms concerning such transactions exist. Additionally, no one associated with a particular real estate transaction is obligated to release or verify sale prices or terms of the sale. Our client is hereby notified that it is possible there are sales of comparable properties of which the appraisers have no knowledge, or have only limited, incomplete knowledge. These sales have not been included herein, and received limited, if any, consideration in our analysis. The information presented herein is derived from sources deemed reliable and every effort has been made to insure its accuracy.**
23. **ACCEPTANCE OF AND/OR USE OF THIS APPRAISAL BY THE CLIENT OR ANY THIRD PARTY CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.**

CLIENT AND INTENDED USERS

This report is intended for the use of our clients, the State of Montana, the Montana Board of Land Commissioners, and the Department of Natural Resources and Conservation (DNRC). Use of this report by others is not intended by the appraiser.

INTENDED USE OF APPRAISAL

This report is intended only for use by our clients and the intended users stated above for documentation and support of decisions regarding the potential sale of the subject parcels. This report is not intended for any other use.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the current fair market value of an undivided 100% interest in the fee simple interest in the surface rights to the real estate legally described in the body of the appraisal report, located in Golden Valley County, Montana, as if unencumbered on August 23, 2010.

DEFINITION OF CURRENT FAIR MARKET VALUE

Both economic and legal definitions of market value, the focus of this appraisal assignment, have been developed and refined. Current fair market value, the focus of this assignment, is defined as follows:

"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."
- (MCA 70-30-313)

This definition of market value must be considered in the context of an appropriate exposure time. Exposure time is the estimated length of time the property interest being appraised would have been offered on the market before the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon analysis of past events assuming a competitive and open market (USPAP, 2010-2011 Edition, SMT-6).

Exposure time varies with types of real estate and under differing market conditions. The reader should realize that the overall notion of reasonable exposure encompasses not only

adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Based on recent sales of similar properties in the subject's marketing area, a six to twelve-month exposure time for the subject is considered reasonable. Current market activity suggests that marketing time for the subject would likely from 12 to 24 months.

When considering sales of properties comparable to the subject, the appraiser must make adjustments for special or creative financing or sales concessions. No adjustments are necessary for those costs that sellers normally pay because of traditions or law in a market area; these costs are readily identifiable since the seller pays these costs in nearly all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or the transaction. The appraiser should not calculate any adjustments to value on a mechanical dollar cost of the financing or concession, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

DATE OF VALUE ESTIMATE

The date of the value estimate is August 23, 2010, the date of inspection. Comparable sales were inspected and photographed during 2006 through 2010.

PROPERTY RIGHTS APPRAISED

The property rights to the deeded acreage being appraised are an undivided 100% interest in the fee simple interest in the surface rights, defined as:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat (*The Dictionary of Real Estate Appraisal*, The Appraisal Institute, 5th Edition, 2009).

We know of no adverse easements, or deed or use restrictions, except zoning and normal police power restrictions, and typical utility easements. The appraisers made no detailed check of courthouse or other records; our knowledge is limited to a superficial examination of some records and casual conversations with people involved with this property. Users of this report should consult an abstractor or an attorney if they have any concern over these items.

SCOPE OF WORK

The subject parcels were inspected by driving along established trails and interior roads where possible, or by walking within the subject, and from a distance where immediate access was impossible, impractical, or unnecessary. Nearly all of each subject tract was observed from a relatively short distance (less than half a mile). Inspection of aerial photographs, satellite images, topographical maps, and other resources supplemented our physical inspection of both the subject parcels and the comparable sales.

All subject parcels are located within about a mile of County Road 238, near the old town of Franklin, Montana, in the west central portion of Golden Valley County. All of the subject parcels except Sale 576 are within about 200 feet of County Road 238. We investigated the rural real estate market in Golden Valley and Wheatland Counties, and determined that both counties are the market area for the subject, excluding those area with the heaviest recreational influences, primarily along the northern edge of Golden Valley County and the northern and western edges of Wheatland County.

The area north of Highway 12, east of Highway 191, south of the Judith Gap Road, and west of the eastern Golden Valley county boundary is considered the primary subject market area. Differences in value within that area can largely be explained by specific attributes that impact value. The appraisers reviewed transfers of rural properties in the market area which occurred during the past five years for inclusion in the appraisal report. Older sales were used to extract specific adjustments from the market. Transactions occurring during the past 36 months were given the greatest consideration, with those recent sales nearest the subject parcels given the most weight.

We based information regarding soil types present on the subject and comparable sales on inspections by the appraisers and on the USDA Natural Resources Conservation Service (NRCS) Web Soil Survey (WSS). Acreage estimates and the number of acres in each particular use are based on owners' estimates and statements, FSA aerial photographs, and County Assessor estimates. The appraisers have resolved discrepancies between those sources, based on their judgements after on-site inspection of the subject and sales. *Montana Agricultural Statistics*, the Montana Department of Commerce, Travel Montana, and U.S. Bureau of the Census supplied data concerning area economic data, employment and unemployment statistics and general tourism trends in the state and region. Local agricultural producers contributed typical rental rates and "hands on" information concerning yields and carrying capacities.

Analysis of recent sales of rural properties suggested relevant trends in the subject market area. Realtors active in that locale and other knowledgeable parties supported those conclusions. Individuals knowledgeable of, or involved in, the actual sales employed in deriving the conclusions in this report provided pertinent details regarding those transactions. The appraisers viewed all comparable sale properties. Montana is a "nondisclosure" jurisdiction. There may be sales of comparable properties of which the appraiser(s) have no

knowledge, or have only limited, incomplete knowledge. These sales have not been included and receive limited, if any consideration in this analysis. The information presented is derived from sources deemed reliable and every effort has been made to insure accuracy.

PRESENT OWNERSHIP AND IDENTIFICATION OF THE PROPERTY

The State of Montana is the present owners of record of the subject parcels.

LEGAL DESCRIPTION

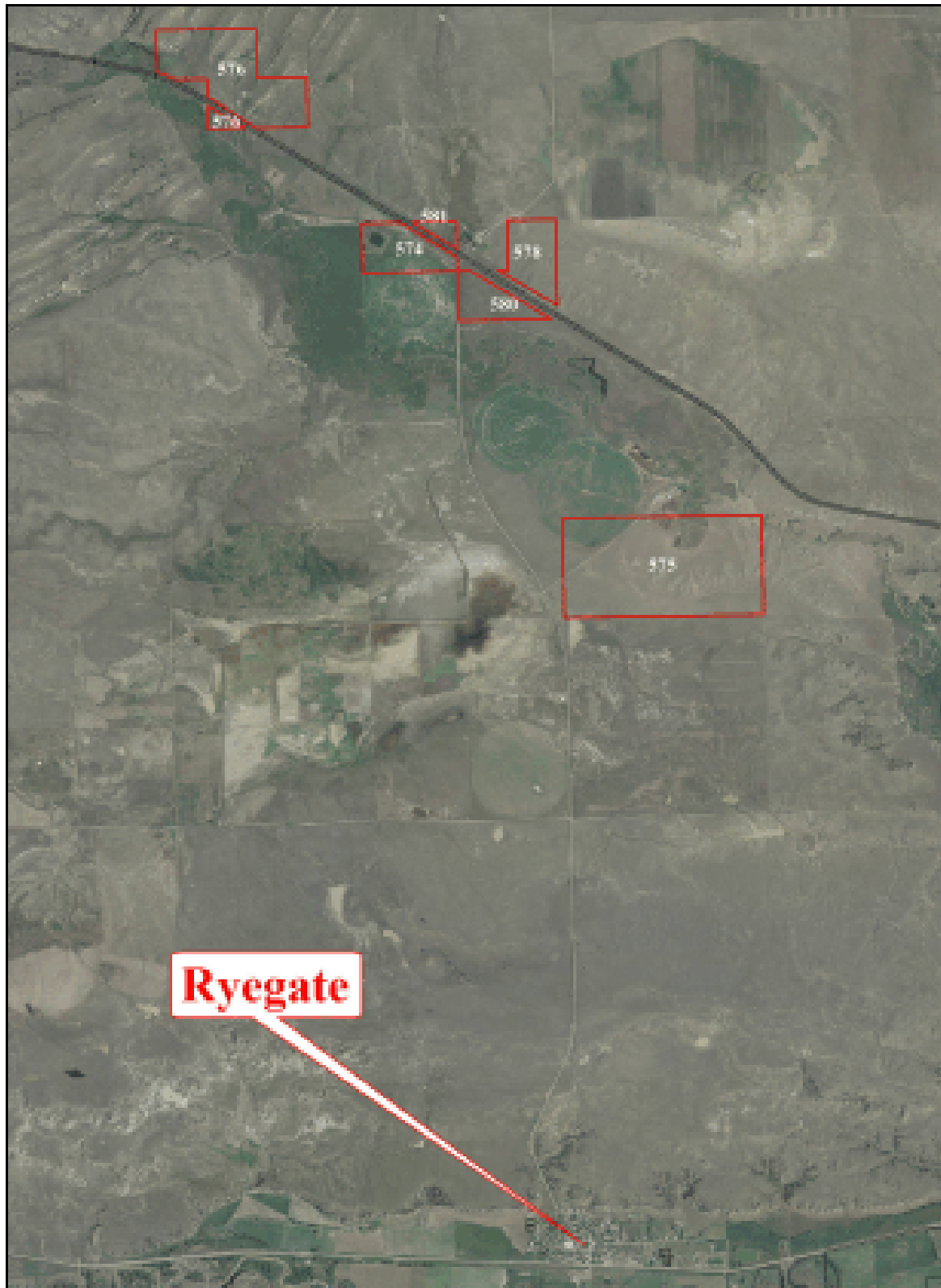
The legal descriptions of the subject parcels appraised, all in Golden Valley County, Montana, are reported below:

- Sale 574 (54± acres): Township 7 North, Range 20 East, M.P.M.
Section 18: Lot 1 and NE $\frac{1}{4}$ NW $\frac{1}{4}$ lying south of the patented
 railroad right-of-way
- Sale 575 (320± acres): Township 7 North, Range 204 East, M.P.M.
Section 20: S $\frac{1}{2}$
- Sale 576 (154± acres): Township 7 North, Range 19 East, M.P.M.
Section 12: N $\frac{1}{2}$ NW $\frac{1}{4}$; SE $\frac{1}{4}$ NW $\frac{1}{4}$; SW $\frac{1}{4}$ NE $\frac{1}{4}$ less the
 patented railroad right-of-way
- Sale 578 (63± acres): Township 7 North, Range 20 East, M.P.M.
Section 18: NE $\frac{1}{4}$ NE $\frac{1}{4}$ and S $\frac{1}{2}$ NE $\frac{1}{4}$ lying north of the
 patented railroad right-of-way
- Sale 580 (45± acres): Township 7 North, Range 20 East, M.P.M.
Section 18: NE $\frac{1}{4}$ lying south of the patented railroad
 right-of-way
- Sale 581 (6± acres): Township 7 North, Range 20 East, M.P.M.
Section 18: NE $\frac{1}{4}$ NW $\frac{1}{4}$ lying north of the patented railroad
 right-of-way

The preceding legal descriptions and acreages were supplied by our client. The appraisers accept no liability for the accuracy of the subject legal description.

The location map on the following page shows the subject parcels and their location from Ryegate.

Location Map



AREA DESCRIPTION

The subject tracts are located from 3 to 6 miles north of Ryegate, Golden Valley County, Montana. Golden Valley County, just south of the geographic center of Montana, encompasses some 1,175 square miles and 752,210 acres. This relatively small county extends about 42 miles from north to south, and 45 miles from east to west.

A slumping economy in the area during the latter half of the 1980s contributed to the loss of over eleven percent of the population in Golden Valley County between 1980 and 1990, similar to losses in surrounding counties. The population in the county then grew steadily during the 1990s, returning to the 1980 level during 1997, with a total gain of about 14.3% by the end of the decade. Ryegate, the largest and most diverse community in the county and the County Seat, had a population of 268 according to the 2000 census...about a quarter of the county population of 1,042. Estimates since the last census suggest the county lost population during 2000 and 2001, then rebounded to about 1,114 residents in 2005 before dwindling to about 1,057 residents in 2009.

Ryegate grew only slightly during the 1990s, adding 8 residents and 3.1% to its total population. Conversely, the population growth of Lavina accounted for 45% of the total population growth in the county during this period. This second largest community in Golden Valley County, near the southeastern corner, jumped from 151 residents in 1990 to 268 residents in 2000, a gain of 58 residents and 38.4%. This is largely due to the easy commute from Lavina to Billings, coupled with the reasonable home prices and lower property taxes in that small town compared to Billings and Yellowstone County.

Ryegate lies about 50 miles northwest of Billings, Montana (the state's largest city and the region's most important retail and trade center), and 134 miles east of Helena, the state capital. Ryegate is a small, rural community, situated alongside U.S. Highway 12. Highway 12 bisects the county from east to west, along the Musselshell River, leading to Lavina and Roundup to the east, and Harlowton to the west. U.S. Highway 3 runs north from Billings, entering the southeast corner of the county and then bisecting the town of Lavina, where it intersects with Highway 12.

Golden Valley County is primarily open, rolling plains, bisected from east to west by the Musselshell River Valley. The Big Snowy Mountain Range occupies the extreme northwestern corner of the county. Elevations fall sharply from Big Snowy Mountain, at 8,678 feet above sea level, to about 5,400 feet on the plains about six miles to the south, then gradually slope to 3,400 feet along the Musselshell River as it exits the east edge of the county. Plateaus surrounding Big Coulee, in southwestern corner of the county, rise to elevations of about 4,400 feet.

Precipitation patterns in the county are closely tied to those elevations. Annual precipitation in the peaks of the Big Snowy Mountains averages about 40 inches. From there, precipitation levels fall sharply to about 16 inches annually within about six to ten miles of the north edge of

the county, then to about 14 inches within another two to six miles to the south. The southern three quarters of the county lies in that 14 inch precipitation zone.

Crop and livestock production are the principle industries in Golden Valley County. In 2007, 153 farms and ranches operated on 671,764 acres (averaging about 4,391 acres each), and had total agricultural receipts of \$16,527,000. These included \$5,112,000 in crop receipts, \$9,513,000 in livestock receipts, and \$1,902,000 in government payments.

Health care needs for the community and surrounding area are served by the Roundup Memorial Hospital and Nursing Home or the Wheatland Memorial Hospital in Harlowton, and by the growing, regionally important medical community in Billings. Fire protection is provided by a volunteer department. Area children attend K-12 schools in Ryegate and Lavina.

INCIDENTAL ENVIRONMENTAL SCREEN

The appraiser inspected the subject parcels and the areas surrounding them in an attempt to detect apparent indications of the presence of environmental hazards. Apparent is that which is obvious, evident or manifest to the five senses during a physical inspection done with reasonable care. The subjects are scattered about the old town site of Franklin, Montana. At one time, this was a railroad stop where steam engines were replenished with water. Sale 574 includes a 7 acre storage reservoir that was used to store water for that purpose. While that history suggests some potential for environmental hazards, no apparent, environmental hazards were noted on the subjects or in the immediate vicinity. Two dump pits were noted near the eastern edge of Sale 575, with only discarded building/fencing supplies and household refuse noted.

No one informed the appraiser of any potential, environmental hazards either on the subject sites, in the immediate vicinity, or in the subject neighborhood, and no such conditions are known to exist. The appraiser makes no recommendation for action and the reader must determine what course of action is warranted. This investigation has been limited to apparent indications of environmental hazards, and the appraiser is not an expert. An inspection by an expert may reveal information that is contrary to that discovered by or assumed by the appraisers. The estimate of value herein assumes that the subject is free of environmental hazards that would adversely affect its value.

PROPERTY DESCRIPTION

Location and access

Physical access to all subject parcels appears relatively easy during most periods. Sales 574 and 580 are accessible directly from graveled county roads, and are the only subject parcels with apparent, legal access. Sales 578 and 581 are located a short distance from the graveled county road, apparently accessible only by crossing neighboring property. Sale 575 is also just a short distance from the county road, and is bisected by a private, graveled farm lane

Ferguson Group (Billings)

across its northwest corner. Sale 576 lies about a mile northwest of the county road and is accessed by a dirt and gravel farm trail across neighboring private land. Sale 576 is bisected by the railroad, and the small, southwestern portion of that parcel is accessed by other unimproved trails.

Climate

The subjects lie in a 13" to 15" precipitation zone, like most of Golden Valley County, with about 75% of the annual precipitation falling between April and September, with May and June usually being the wettest months. Normally there are more than 110 frost free days in the area. Average daily temperatures range from about 35° in January to just over 80° in July.

Hazards and Detriments

The reader should refer to the previous section, INCIDENTAL ENVIRONMENTAL SCREEN, for potential, environmental hazards. Any hazards and detriments to agricultural production on the subject property are prevalent throughout the market area. These may include high winds, hail storms, and strong thunder storms during the summers, and deep snows during severe winter and spring snow storms.

Easements and Encroachments

We are not aware of any detrimental easements or encroachments affecting the subjects, or that could impact their value. Portions of the subject parcels appear to be partially fenced, but most are fenced and used with private land. Five of the subject parcels abut railroad right of way, which appears to be fenced. Existing fences are assumed to accurately depict subject boundary lines, although the appraisers make no warranties in that regard, and readers of this report contemplating investment of funds in the subject should commission a land surveyor to establish subject boundary lines if certainty in this matter is of great importance to them.

Zoning

The subject is located in rural Golden Valley County. There are no county wide zoning ordinances in Golden Valley County, although the property is subject to State of Montana regulations regarding flood plains and sanitation.

Covenants and Restrictions

There are no known covenants or restrictions on the use of the subject.

Utilities

There were no utilities in use on any subject tracts except Sale 575 that was apparent at the time of the inspection, but public electricity and telephone service appear readily available in close proximity to each parcel. The cost to bring these utilities to each subject tract could be significant but market data in the area suggests this has little impact on their marketability or value.

Taxes and Assessments

The subject parcels are not presently subject to real estate taxes as they are owned by the

state. Nothing about the subject parcels suggests that taxes levied against them if they were in private ownership would be anything but typical for the area.

Water Rights

A search of Montana DNRC records, by place of use, revealed one water rights claim appurtenant to Sale 574. This claim is for stock water use from a dam in the northwest corner of that parcel, and appears to be a claim for use of the old railroad storage reservoir situated in that area. The validity of that claim is unknown. No other water rights are known.

Minerals

Appraisal of mineral interests is beyond the scope of this appraisal, and no consideration of the value of any mineral interests in the subject is included herein.

Soils

Analysis of recent sales in the subject market area reveals no measurable correlation between soils types and market values in the area. This finding is typical for the region. Subject soils classifications and expected yields of non-irrigated crops on those soils, from the USDA Web Soil Survey, are included in the addendum.

Topography

As shown in the topographical map on the following page, the subject parcels range from nearly level to moderate and steep slopes. Each of the tracts includes low lying areas near the banks of Careless Creek, and only Sale 576 may have stream frontage, at the western edge adjacent to the railroad right of way. The subject parcels are typical for the area.

Operation

The subject parcels are currently leased to owners of adjoining/surrounding land for livestock grazing and forage production. None of the parcels appears to be fully perimeter fenced. Only Sale 574 includes a water right that claims stock water use, while the other parcels rely on water sources under other ownership for productive use. Sale 576 has an irrigation ditch meandering across it, but that doesn't necessarily provide a right to water livestock. A reservoir near the north edge of Sale 581, near its eastern boundary, may be located partly on that parcel, but there is no established right of use to that source.

About 16 acres of the 54± acres in Sale 574 are currently used for irrigated forage production (relying on water rights under other ownership), and another 7± acres are consumed by the old railroad storage reservoir. The balance could be used for aftermath grazing following the cropping season. This tract also includes a water right, as described above. Most of this parcel is low lying, nearly level acreage.

About 27 acres of the 320± acres in Sale 575 are currently used for irrigated forage production, and another 23± acres are currently used by the tenant for corral space and a livestock shed. The remainder of this tract is used for livestock grazing, and there is a small gravel pit southeast of the center of the tract where an occasional load of gravel is apparently

mined. Livestock water on this parcel is provided by a buried pipeline, reportedly supplied from a well on adjoining property.

The 154± acres in Sale 576 (160± acres per DNRC less 6± acres under the railroad right of way) is primarily grazing land, with some areas of overflow range sites along the railroad and below the irrigation canal that meanders across from near the northwest corner to near the southeast corner. While such overflow sites can sometimes be more productive than typical native range in the area, some portions of this parcel appear to be damaged by the excess water and salts accumulating because of it. Livestock pasture on this tract likely rely on the water rights of others and water from the irrigation ditch.

The entire 63± acres in Sale 578 appears to be in native range land, and most of this parcel appears to be perimeter fenced near the boundaries. This small pasture relies on stock tanks just outside its northeast corner for livestock water.

Sale 580 includes 45± acres and is mostly low lying land next to the railroad that may have been farmed at one time long ago (judging by predominant vegetation of crested wheat and sagebrush). This tract relies on others land for stock water in order to provide livestock grazing.

Sale 581 is a small, 6± parcel wedge between the farmstead at the old town of Franklin and the railroad right of way. This parcel is fenced on two sides, and may include a sliver of the reservoir near its northeast corner, although any right to that water for use on the subject has not been established.

Improvements

There are no improvements on the subject parcels that contribute to their value.

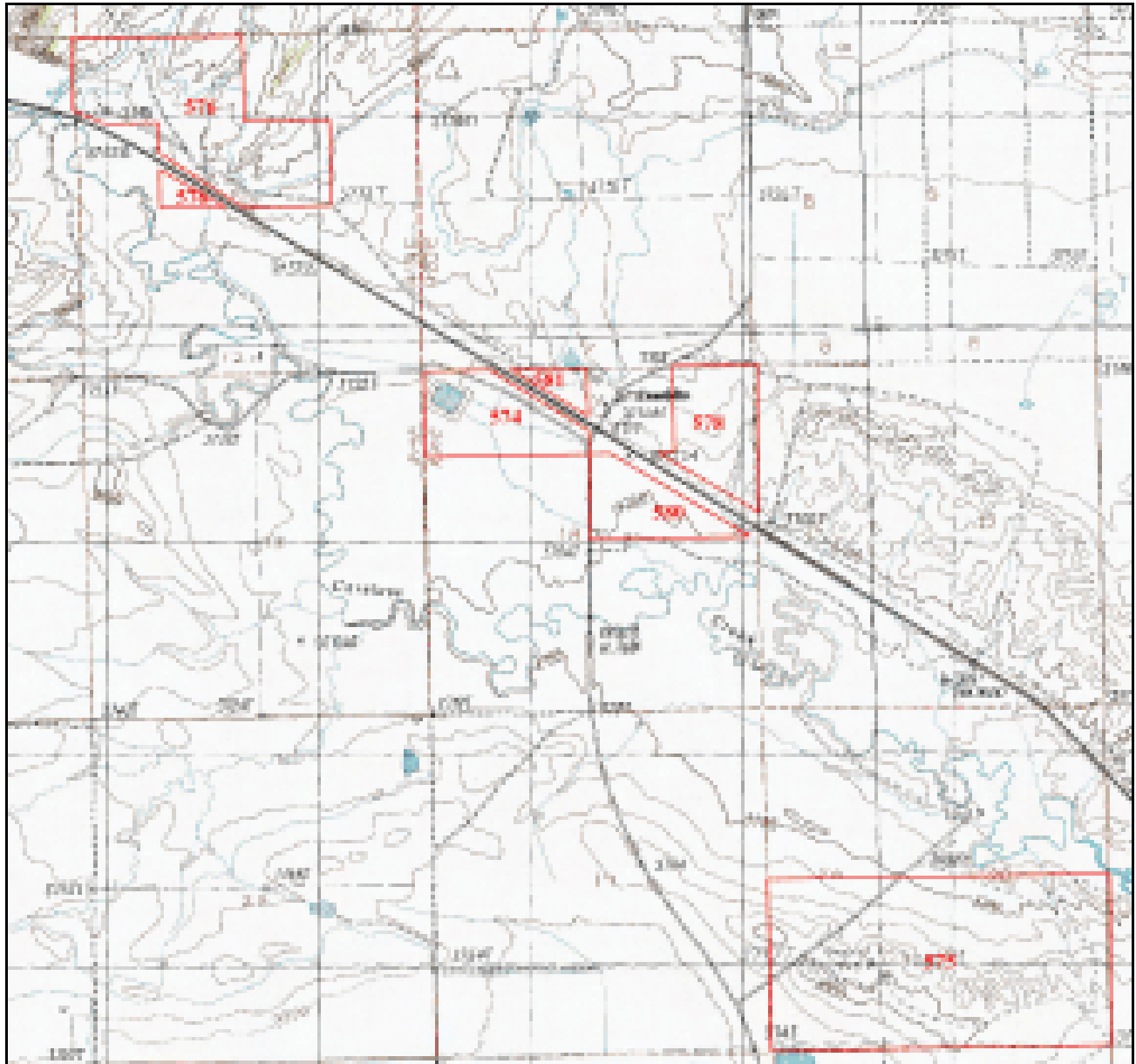
Personal Property/Fixtures

There were no personal property items noted on the subject, none are considered necessary for of the subject achieve its current, highest and best use, and none are included in the estimate of value herein.

HISTORY

To our knowledge, the subject parcels have not been offered for sale (outside the land banking program), and have not been the subject of offers or contracts for sale, during the past 3 years.

Topographical Map



SUBJECT PHOTOGRAPHS



Looking south between Sales 179 and 184



Looking north across west end of Sale 184



Looking south across Sale 570



Looking NE from southern edge of Sale 570

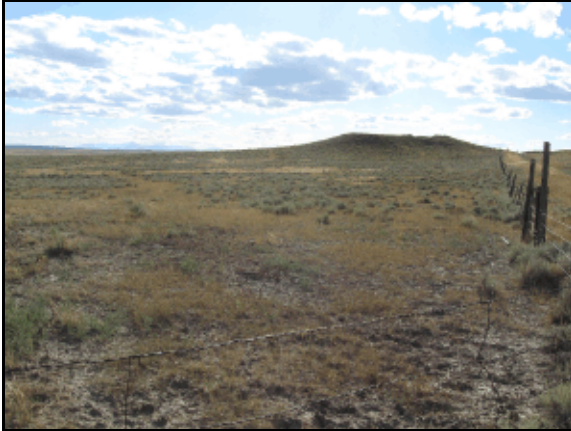


Looking east across north edge of Sale 571



Looking NW from SE corner of Sale 571

Ferguson Group (Billings)



Looking south between Sales 179 and 184



Looking north across west end of Sale 184



Looking south across Sale 570



Looking NE from southern edge of Sale 570



Looking east across north edge of Sale 571



Looking NW from SE corner of Sale 571

SUBJECT AERIAL PHOTOGRAPH



MARKETABILITY ANALYSIS

Transactions involving rural properties in the subject market area are typically limited in number, and those exposed to the market through Realtor listings and professional marketing are even fewer. We identified and verified 10 transactions that occurred during early-2006 through mid-2008. We did not identify any sales between mid-2008 and November, 2009. We identified and verified 6 sales that occurred between December, 2009 and February, 2010. These sales range in size from 20 acres to more than 18,000 acres.

Because of the disruption in credit and real estate markets following September of 2008, those sales that occurred during the most recent period noted above are necessarily the most important. Sales in this most recent group range in size from 20 to 3,360 acres, and include tracts near Deadman's Basin purchased for recreational/residential use and larger tracts purchased for addition to agricultural operations in the vicinity and for investment purposes. The former group are almost all about 20 acres in size, while the larger group ranges from 160 acres to 3,360 acres. Three of the subject parcels include acreages lying between those two size ranges, one is smaller than any of the sales, and one is bracketed by the sales in the larger group.

Analysis of recent sales in the subject market area indicate that there is no apparent correlation between current use (i.e., native range for agricultural production or for recreational/residential use, or dry crop land) and value per acre. Instead, the variation in price per acre can be almost entirely explained by the variation in tract size. There has been recent activity in the area, and Realtors report moderate interest in smaller tracts, although the economy and credit conditions are challenging. We would expect the subject parcel to sell if offered at a reasonable price and marketed professionally, although marketing time could be 12 to 24 months.

HIGHEST AND BEST USE

Highest and best use is defined as "that use which will yield the greatest net return to the land in the foreseeable future, or that legal use which will yield to the land the highest present value." This definition forms the essence of the highest and best use analysis. The property's highest and best use must be:

1. Legally permissible.
2. Physically possible.
3. Financially feasible.
4. Maximally productive.

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

The definition applies specifically to the highest and best use of the land. It is to be recognized that in cases where a site has existing improvements, the highest and best use may very well be determined to be different from existing use. The existing use will continue, however, unless and until value in its highest and best use exceeds the total value of the property in its existing use. These definitions infer a recognition of the contribution of existing specific uses to the community environment or to community development goals in addition to increasing the wealth of individual property owners.

Determination of highest and best use results from the appraiser's judgement and analytical skills, according to these definitions. The use determination from analysis represents an opinion, not a determination of fact. Thus, in this analysis, consideration must be given to that range of uses which is appropriate for the subject to support its highest value. Consideration must be given to alternative uses, and the existing use, the type of markets available in the area, and the surrounding use types.

There are few limitations to the legally permissible and physically possible uses of the subject parcels. However, there are relatively few uses for which similar properties in the area have recently been purchased. Smaller tracts have been purchased for recreational or residential use. The former often involves leaving the tract lie vacant for a recreational vehicle space, although a few buyers spoke of moving a mobile home to their site, and at least one new, permanent residence was noted in the area. Other potential buyers of the subject tracts are parties with adjoining, or very close, agricultural land who would likely only consider them as forage production tracts. Given current market conditions and their relatively small sizes, the subject parcels, with legal access, would have highest and best uses as residential or recreational tracts, or add-on tracts for neighboring owners. In their "as is" condition, those subject parcels without legal access would only be suitable as add-on tracts to adjoining owners.

THE APPRAISAL PROCESS

When sufficient data and information are available, the final opinion of value is based on considered correlation of values obtained from three basic approaches to value...the Cost Approach...the Income Capitalization Approach...and the Sales Comparison Approach. However, with some appraisal assignments obtaining adequate information to use all three approaches reliably is not possible or feasible. The appraiser typically applies those that have adequate data to give a reliable value estimate. We have given each of these traditionally acceptable approaches to value consideration in this appraisal.

The appraisal process and its corresponding approaches to value are predicated largely on the principle of substitution that infers that a prudent or knowledgeable purchaser will not pay more for a property than an equally desirable substitute property would cost, assuming no undue delays in the acquisition of that alternative property. On the other hand, a prudent or knowledgeable seller will sell for no less than what similar properties are selling for unless under undue duress. The appraiser conducted a detailed investigation of market transactions involving similar properties, and other related and relevant market information, including an individual analysis of buyers' and sellers' activities and motivations.

Cost Approach to Value

In the cost approach, an estimated reproduction or replacement cost of the building and improvements is developed with an estimate of the loss in value that has occurred due to wear and tear, design and plan, or neighborhood and area influences. To the depreciated building cost estimate, entrepreneurial profit and the estimated value of the land are added. The total represents the value suggested by the cost approach.

Sales Comparison Approach to Value

In the sale comparison approach, the appraiser compares the subject with similar properties that sold recently, and to pending sales and listed properties. Data for generally comparable properties are used and adjustments made to demonstrate a probable price at which the subject would likely be sold if offered on the market. Due to variation of features between properties, including location and size, and other amenities such as highway frontage, services or other factors that may affect value (either positively or adversely), analyzing several sales from which one can estimate the size of the adjustments is necessary. The appraiser adjusts each sale, reflecting the differences to the subject, based on knowledge of the sold properties and a thorough and detailed analysis of the general area including economics, growth, interviews with buyers, sellers, lenders, Realtors and other individuals knowledgeable of the area.

Income Capitalization Approach to Value

The income capitalization approach is an appraisal technique in which anticipated net income is processed to indicate the capital amount, or total investment which produces the net income. Analysis of the capitalized income gives an indication of market value of the property under consideration. Comparable properties were analyzed for income-producing potential on a share lease basis.

The income approach has been considered in this appraisal based on the income potential of the subject with its current production of dryland hay and grazing. Rental arrangements for irrigated crops and dry crop land in the area are typically on a crop share basis. Grazing land is typically rented on an Animal Unit Month basis.

The formula multiplying gross production times the commodity unit price, less the producers share and typical landlord expenses, is used to determine the net income potential from a lessor-landlord arrangement. It is recognized that this differs from an owner-operator analysis which determines the value of commodities sold and actual operating expenses of the "going concern." Treatment of comparable sales in the market in an identical manner to develop the market capitalization rate ensures valid analytical results using this methodology.

COST APPROACH TO VALUE

In the cost approach, the values of component parts, as they contribute to the value of the property, are estimated. Under their current highest and best uses as recreational or add-on agricultural tracts, the subject parcels have a single component with contributory value: the land. Further, each parcel is entirely range land or dry crop land, uses which have the same values in the subject market area. Typically, in the development of the cost approach, the land is valued by the sales comparison approach, and that value is added to the value of the other components, such as improvements. In the valuation of these subject parcels, the cost approach and the sales comparison approach would produce identical results. Consequently, the cost approach is not developed further herein.

VALUE INDICATED BY THE COST APPROACH

N/A

SALES COMPARISON APPROACH

The sales comparison approach is based on the premise that an informed purchaser will pay no more for a property than the cost of acquiring an existing property with the same utility. In this approach, market value is estimated by comparing the sale prices of recent transactions involving properties similar to the property being appraised. Adjusting sale prices resolves dissimilarities of each comparable, equalizing its attributes with respect to the subject.

The reliability of the sales comparison approach depends on three factors:

1. The availability of sufficient comparable sales data
2. The ability to verify sales data and discern the true motivations of buyers and sellers
3. The existence of market sales that are reasonably comparable...requiring minimal adjustment to approximate the characteristics of the subject.

Of necessity, the estimate of value via the sales comparison approach is based on transactions that have already occurred. When market data are available, this approach is the best reflection of how typically informed and prudent buyers react to the market. The credibility of this approach is proportional to the number of recent comparable sales in the immediate area. These sales must be arms length transactions that include bona fide buyers and sellers.

The comparative analysis in this report focuses on differences between the legal, physical, locational, and economic characteristics of similar properties and the subject and differences in the real property rights conveyed, the dates of sale, the motivation of buyers and sellers and the financing arrangements for each sales transaction. All of the above specifics can account for variations in sale prices and appraisal values.

The appraisers analyzed and considered sales of rural properties in the subject market area which occurred during the past five years for inclusion in the appraisal report. The most recent sales were given the most weight. Older sales assisted in developing necessary adjustments. Five sales were selected in the final analysis because they are the most recent sales and most accurately reflect current market conditions. These sales also bracket the sizes of the subject parcels and effectively demonstrate the predominant impact of size on per acre values of rural tracts in the subject market area.

The initial step in the sales comparison approach is to reduce the total sale price of each sale to a per acre price. This is done by dividing the total sale price of an individual transaction by the total, deeded acres transferred. Then, the 5 primary sales and other, older sales in the subject market area were analyzed to determine the impact, if any, the following characteristics have on per acre prices in the subject market area.

Terms

Sale 2 sold with contract for deed financing. According to the broker, the buyer suggested they may have offered less if contract for deed terms were not available. It is not clear if that

is due to the added cost of using conventional credit (appraisals, origination fees, etc), or because the buyer had poor credit, or to the many other possibilities that would increase transaction costs. This tract sold for about the same price per acre as other, similar tracts closed with conventional financing, and no adjustments area warranted.

Market Conditions

The 5 sales included herein sold between 12/7/2009 and 2/2/2010, a period of less than 60 days. We are not aware of any more recent, comparable sales in the subject market area. These sales are the only valid reflection of current market conditions, and there is no basis from which to adjust these sales for changing market conditions and no adjustments are made.

Land Mix

Often, land with a greater income potential sells for more per acre than other land. Irrigated land typically sells for more than dry crop land, and dry crop land often sells for more than native range land. However, analysis of recent, diverse land sales in the subject area suggest that buyers are paying the same price per acre for dry crop land as they are for native pasture, whether their purpose is for recreational, residential, or agricultural use. Consequently, no land mix adjustment is warranted or made.

Location

The northern and western edges of Wheatland County and the northern edge of Golden Valley County are mountain foothills areas and are more heavily influenced by wealthy recreational users, and those areas are not comparable to properties in the subject market area. Sales in those areas have been excluded from consideration herein, and no location adjustments are warranted or made in the following analysis.

Leases

None of the sales included leases, and no adjustments were necessary.

Improvements

There are no improvements on the subject tracts, and none of the sales had improvements. Consequently, no improvement adjustments were warranted.

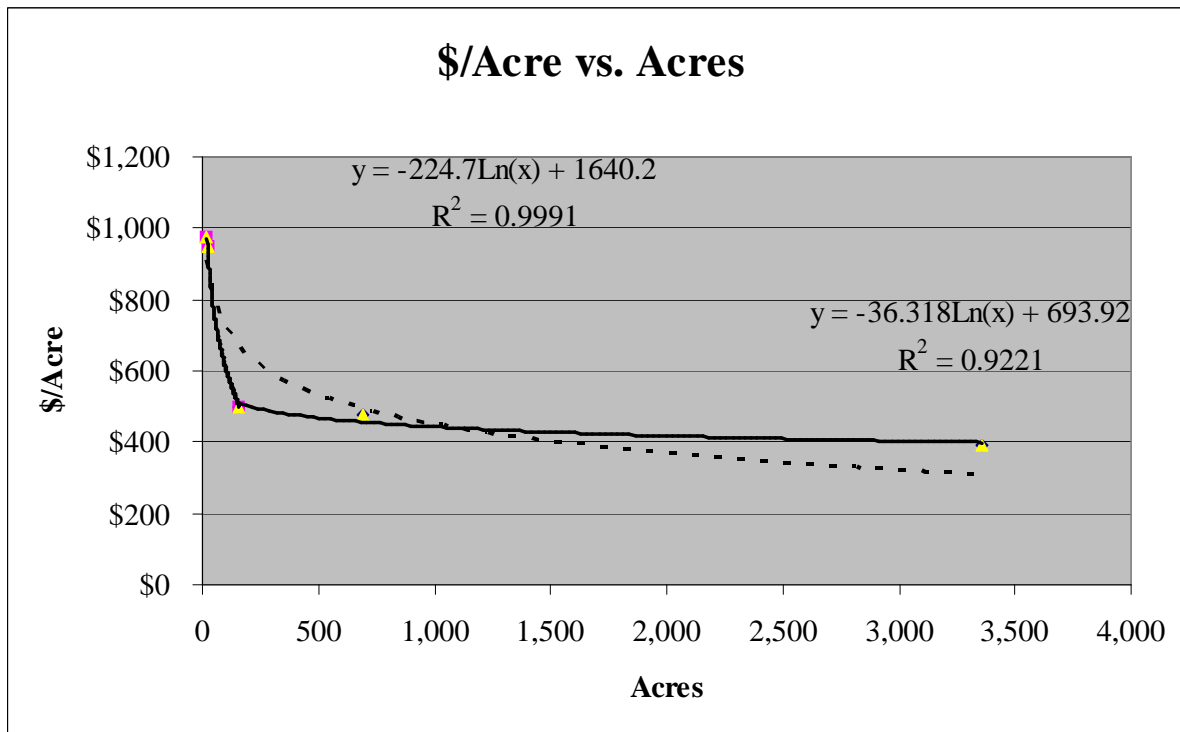
Size

Analysis of current and older sales in the subject market area revealed that the size of the tract had the greatest influence on the per acre price of rural land in the subject market area, regardless of the buyer's intended use of their acquisition. The table below summarizes details of the 5 sales included herein. These sales range in size from 20 acres to 3,360 acres, and sold at prices between \$975 to \$390 per acre.

Ferguson Group (Billings)

<u>Sale #</u>	<u>Sale Date</u>	<u>Sale Price</u>	<u>Total Acres</u>	<u>\$/Acre</u>
Sale 1	12/7/2009	\$19,500	20.00	\$975
Sale 2	2/2/2010	20000	21.13	\$947
Sale 3	12/15/2009	\$80,000	160.00	\$500
Sale 4	1/6/2010	\$330,000	695.00	\$475
Sale 5	12/21/2009	\$1,311,000	3,360.90	\$390

We graphed these sales, comparing the price per acre on the vertical axis to the number of acres in the transaction of the horizontal axis. That process resulted in the dashed line shown in the following graph.



The results of that process appeared reasonable, with an R^2 of over .87 suggesting that nearly all of the variation in prices among these sales could be explained by the differences in their size. However, when comparing prices per acre predicted by the equation of that dashed line to the prices per acre of the actual sales, it was clear that predicted prices were overstated in the 160 to 695 acre range, and understated at the upper end of the range in size. We then graphed the sales from 20 to 160 acres as one segment, and the sales from 160 to 3,360 acres as another segment. The results of that analysis are shown as the solid black lines in the preceding graph. The equations of those lines are shown as well, and the R^2 s of .99 and .92 suggest improved results. That is equally clear from inspecting the graph.

The value of the individual subject parcels was then estimated by replacing the “x” in the equations of the best fit lines shown on the graph above with the acreage of each sale. The market values of those subject parcels with fewer than 70 acres (Sales 574, 578, 580, and 581) were valued using the equation of the upper left line, $y = -224.7 \ln(x) + 1,640.2$. The market values of Sale 575 and 576 were estimated by using the equation of the lower line, $y = -36.318 \ln(x) + 693.92$.

The results of those calculations are summarized in the table below. Based on the preceding analysis, we have concluded that these indications provide a reasonable estimate of the current fair market values of the subject tracts, on a per acre basis (“as if” each has legal access).

Summary of the Sales Comparison Approach:

Sale 574 - 54 +/- acres at \$ 744 per acre = \$ 44,466
Sale 575 - 320 +/- acres at \$ 484 per acre = \$160,000
Sale 576 - 154 +/- acres at \$ 511 per acre = \$ 77,000
Sale 578 - 63 +/- acres at \$ 709 per acre = \$ 50,245
Sale 580 - 45 +/- acres at \$ 785 per acre = \$ 38,435
Sale 581 - 6 +/- acres at \$1,238 per acre = \$ 7,157

Value indicated by the Sales Comparison Approach

Sale 574	\$ 40,000
Sale 575	\$155,000
Sale 576	\$ 80,000
Sale 578	\$ 45,000
Sale 580	\$ 35,000
Sale 581	\$ 7,000

INCOME APPROACH TO VALUE

The income approach to value is an appraisal technique which converts anticipated benefits (dollar income or amenities) to be derived from the ownership of property into a value estimate. The technique considered in this appraisal was to take the income flow from the subject property and "capitalize" that income flow to arrive at an estimate of the subject market value. The "capitalization rate" used in any given situation is derived from the marketplace; more specifically from the income flows and sales prices of properties which have sold that are comparable to the subject. Simply put, the capitalization rate of a sold comparable property is calculated by dividing the annual net operating income (NOI) of that property by its sale price.

The income approach to value was considered for developing an estimate of market value for the subject parcels. Generally, sales of tracts comparable to the subject are being purchased by adjoining or nearby land owners expanding existing operations. These buyers are typically leveraging existing lines of equipment, livestock, and labor, and reduce overhead per unit through such expansion. Their analysis focuses on the additional cash flow to the whole operation, not the income potential from just their new acquisition. We are not aware of any purchases of agricultural properties in the area where the buyer intended to lease the tract to another operator. Consequently, the income approach becomes a mathematical exercise rather than a reliable process measuring buyer and seller attitudes toward income generating real estate.

Due to these factors, valuation of the subject through the income approach to value is not considered a reliable methodology in the valuation of the subject, and development of that approach is not fully documented herein.

VALUE INDICATED BY THE INCOME APPROACH

N/A

VALUATION “AS IS” WITHOUT LEGAL ACCESS

As noted earlier, while the subject parcels are readily accessible physically, there is no apparent legal access to 4 of the 6 parcels except that available to adjoining land owners. Typically, such tracts sell at a discount to an adjoining land owner when the owner decides to sell. Often, the only benefit owners of such tracts receive is an annual property tax expense, and the surrounding owner has free use of the grazing or hunting or other resources and benefits that can be derived from it.

Typically, appraisers consider one or more methods or processes to estimate the value of tracts without legal access. One method is to compare the subject to a similar property in the immediate vicinity of the subject that sold recently, and lacked legal access. Ideally, this would involve sales of properties that sold to buyers who did not own adjoining land. These occur only on extremely rare occasions, and we are not aware of any such sales in the subject market area.

Another method begins with an opinion of value developed in the same manner as summarized in the preceding sections of this report, the value of the subject “as if” it had legal access. Then, an opinion is developed as to the appropriate discount from market value that should be applied to that preliminary estimate. That discount is measured by comparing prices of recent sales of rural land that lacked legal access to the prices of recently sold, similar properties that had legal access. Again, this would involve sales of properties that sold to buyers who did not own adjoining land, and we have only seen one sale, outside the subject market area, where a buyer without adjoining land pursued a property lacking legal access, and closed the deal.

In markets where property values and income differ by use, a reduction in income that might arise from the lack of legal access, or restricted access, is capitalized by some to estimate a loss in value due to the lack of legal access. Development of market rents and capitalization rates from sales of properties lacking legal access is unlikely, with results severely lacking in credibility, and with significant potential to be misleading.

It must be noted that none of these methods is likely to approximate the current fair market value of an undivided 100% interest in the fee simple estate of a property that lacks legal access. First, the fee simple interest implies that all of the bundle of rights are available to the seller to transfer to a prospective buyer. Lack of legal access limits or eliminates a number of the basic rights inherent in the bundle of rights: the right to use the property; the right to lease the property; and the right to enter the property.

Secondly, while not expressly included in the definition of market value at MCA 70-30-313, the concept of market value normally includes the premises that: 1) the buyer and seller are typically motivated; and 2) a reasonable time is allowed for exposure to the open market. While data can often be found to measure the discount applicable to the sale of a landlocked parcel to an adjoining land owner, we have only seen one sale, outside the subject market area, where a buyer without adjoining land pursued a property lacking legal access, and closed

the deal. Following are the results from our efforts to estimate an appropriate discount from the current fair market value of an undivided 100% interest in the fee simple estate of the subject parcels due to their lack of legal access.

1) Direct comparison to similar properties.

We found no recent sales of tracts in the subject market area that could be compared directly to the subject parcels. It should be noted, however, Sale 4 summarized in the preceding portions of this report, did not have legal access to most potential buyers, although an easement may have been available. This did not appear to impact the price in this transaction.

2) Valuation using market derived discounts.

The typical method for valuing tracts without legal access begins by developing an opinion of value of the subject “as if” it had legal access. Then, an opinion regarding an appropriate discount to apply to that value is developed by comparing prices of recent sales of land that lacked legal access to the prices of recently sold, similar properties that had legal access. Usually, the number of these types of transactions, and pairs of transactions, are very limited.

We did not discover any comparable sales of tracts lacking legal access during our investigation of the subject market area. Data from other markets reveals a substantial discount attributable to the lack of legal access, and almost every one of those transactions involved a neighboring land owner acquiring a land locked parcel where less than the full bundle of rights was available for the seller to sell. Other data includes a broad range of indications approximating the “cost to cure” a lack of legal access, primarily based on the personal circumstances of the parties involved. None of these situations provides a direct measure of the current fair market value of an undivided 100% interest in the fee simple estate in a parcel lacking legal access.

RECONCILIATION AND FINAL VALUE ESTIMATE

The appraisal approaches documented in this report have produced the following indications of market value of a 100% undivided interest in the fee simple estate in Sales 574, 575, 576, 578, 580, and 581, “as if” each has legal access, as of August 23, 2010:

Cost Approach	N/A
Sales Comparison Approach	
Sale 574	\$ 40,000
Sale 575	\$155,000
Sale 576	\$ 80,000
Sale 578	\$ 45,000
Sale 580	\$ 35,000
Sale 581	\$ 7,000
Income Approach	N/A

The subject tracts are all unimproved tracts currently used for native or cultivated forage production. Each of the 5 sales include the same land classes, and are similar to the subject in productivity. Analysis of these 5 sales and other, older sales in the vicinity, indicates that the size of the tract is the greatest determinant of the price per acre, making a land mix adjustment unnecessary. Only very recent, vacant sales were used in the analysis, eliminating the need for adjustments to account for market conditions, improvements, and other common adjustments. The subject tract sizes are bracketed by recent sales in the vicinity.

The quantity and quality of the available data leads to credible and strongly supported indications of subject value.

VALUE ESTIMATE OF THE SUBJECT AS A WHOLE:

Sale 574	\$ 40,000
Sale 575	\$155,000
Sale 576	\$ 80,000
Sale 578	\$ 45,000
Sale 580	\$ 35,000
Sale 581	\$ 7,000

CERTIFICATION

The appraiser(s) hereby certify that:

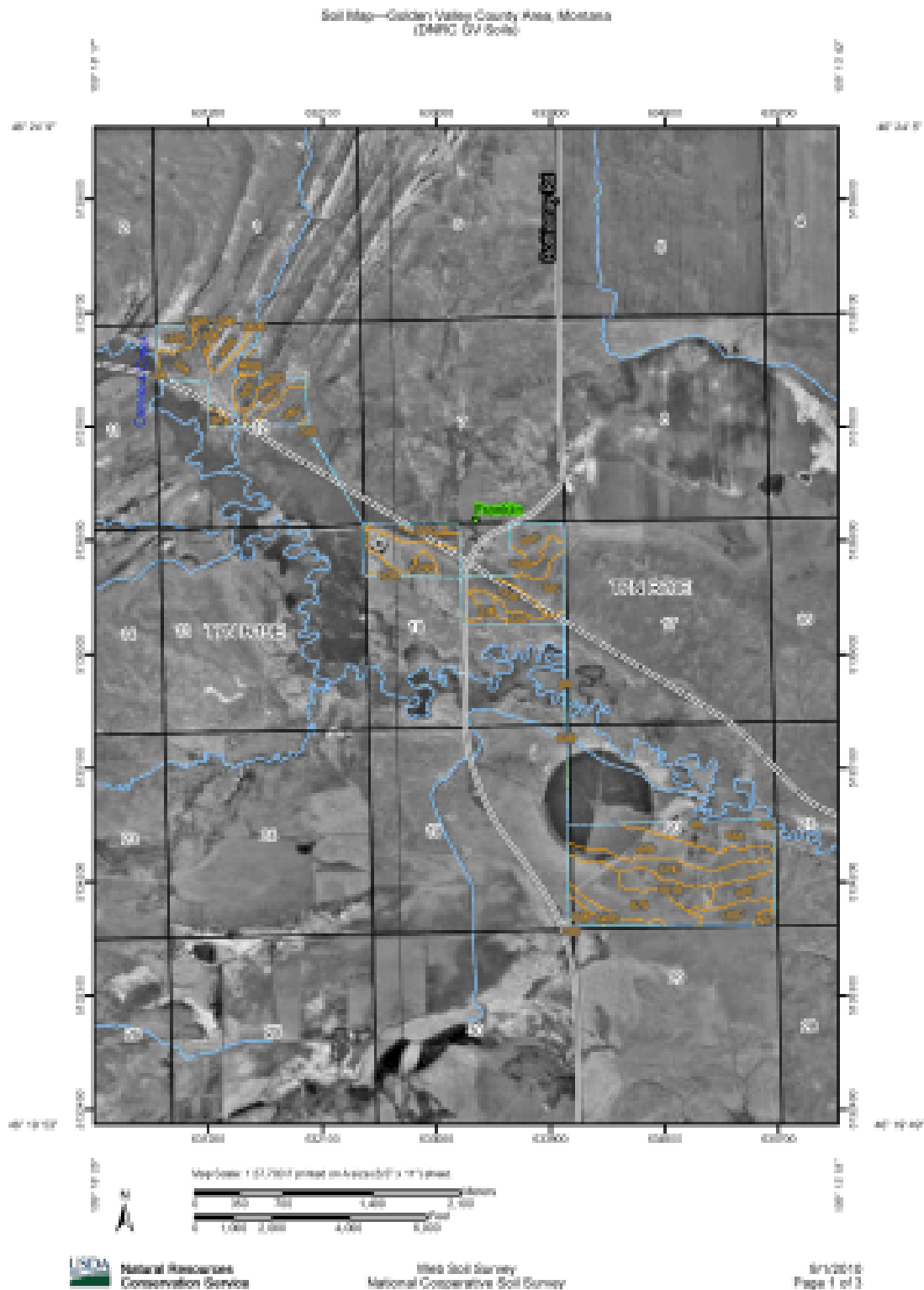
1. I have no present interest in the property appraised; neither the employment to make the appraisal nor the compensation for it is contingent upon the appraised value of the property.
2. I have no personal interest in or bias with respect to the subject matter of the appraisal report or the participants to the transaction. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the prospective owners or occupants of the property appraised or upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
3. I have personally inspected the property and have made an inspection of all comparable sales listed in the report. To the best of my knowledge and belief, all statements and information in this report are true and correct and I have not knowingly withheld any significant information.
4. All contingent and limiting conditions are contained herein.
5. All conclusions and opinions concerning the real estate that are set forth in the appraisal were made by the appraiser whose signature appears on the report. No change of any item in the appraisal report shall be made by anyone other than the undersigned and we shall have no responsibility for any such unauthorized change. This report was prepared by the undersigned appraiser.
6. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
7. The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute and the American Society of Farm Managers and Rural Appraisers, which include the Uniform Standards of Professional Appraisal Practice.
9. The use of this report is subject to the requirements of the Appraisal Institute and the American Society of Farm Managers and Rural Appraisers relating to review by its duly authorized representatives.



Terry L. Rohrer, Fee Appraiser
MT General Certificate #249
Date: September 10, 2010

ADDENDUM

Ferguson Group (Billings)

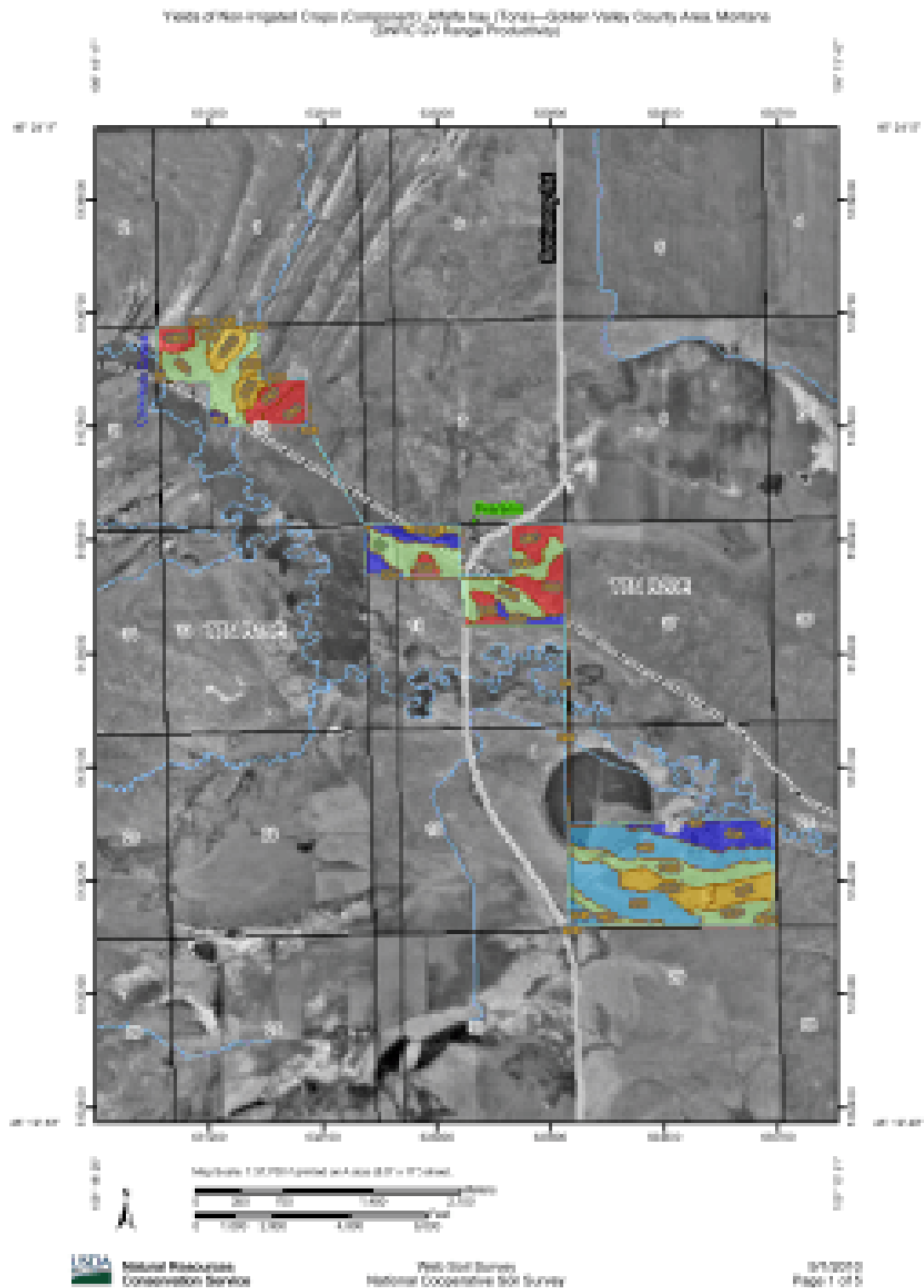




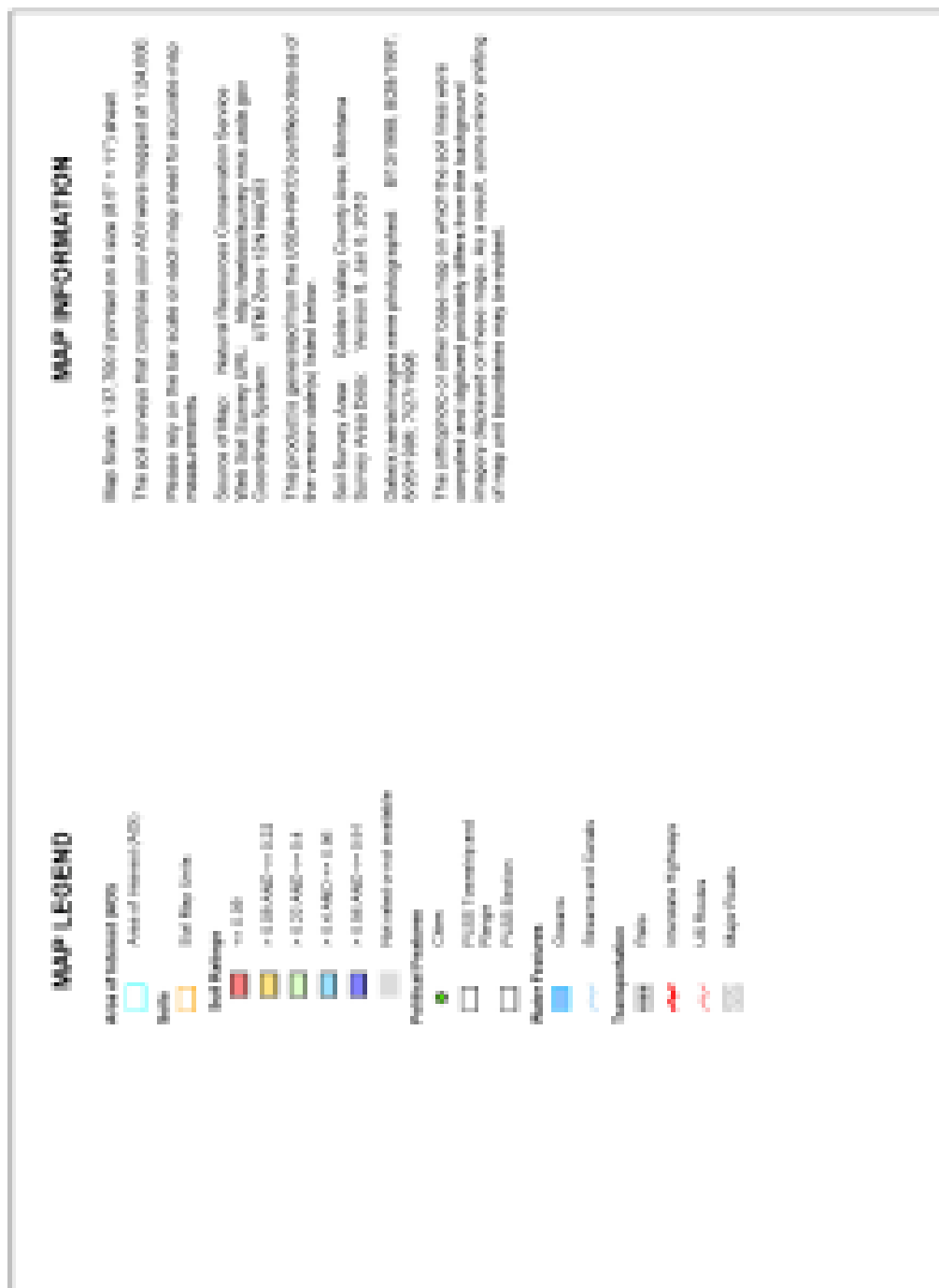
Map Unit Legend

Golden Valley County Area, Montana (MT586)			
Map Unit Symbol	Map Unit Name	Area in AOI	Percent of AOI
6A	Harlow-Harris complex, 0 to 2 percent slopes, occasionally flooded	8.0	1.0%
22B	Mabe-Ashlar complex, 0 to 4 percent	8.0	0.0%
23B	Centurus-Wanda-Creed complex, 0 to 8 percent slopes	28.4	3.0%
32D	Twilight-Blacksheep-Rock outcrop, complex, 4 to 28 percent slopes	8.0	0.1%
33B	Farnesell loam, 2 to 8 percent slopes	1.0	0.1%
38A	Kubase-Zatorite silty clay loams, 1 to 8 percent slopes	88.8	8.7%
63A	Maria silty clay, 0 to 4 percent slopes	88.3	12.4%
64B	Marius silty clay, 0 to 8 percent slopes	76.3	11.5%
68C	Megonch-Wasdin silty clay loams, 4 to 15 percent slopes	78.0	10.2%
68E	Blacksheep-Rock outcrop-Twilight complex, 0 to 45 percent slopes	12.4	1.6%
69C	Cabot-Delpoint-Rock outcrop complex, 4 to 15 percent slopes	3.9	0.6%
69E	Cabot-Delpoint-Rock outcrop complex, 15 to 45 percent slopes	23.8	3.4%
64D	Cabot-Wasdin-Stadland complex, 4 to 35 percent slopes	18.8	2.4%
67B	Delpoint, calcareous-Cabot loams, 2 to 8 percent slopes	63.4	8.2%
132B	Twilight-Blacksheep sandy loams, 2 to 8 percent slopes	8.2	0.0%
140B	Kubase-Megonch silty clay loams, 1 to 8 percent slopes	87.5	12.7%
140C	Kubase-Megonch silty clay loams, calcareous, 1 to 8 percent slopes	62.5	8.1%
181D	Cabot-Crago-Delpoint complex, 4 to 15 percent slopes	33.4	4.6%
182D	Cabot-Delpoint loams, 4 to 15 percent slopes	21.0	3.1%
189B	Rentac-Rock outcrop complex, 15 to 45 percent slopes	14.0	2.0%
680B	Wasdin-Alex complex, 0 to 35 percent slopes	24.4	3.3%
640B	Robase-Gullied land complex, 2 to 8 percent slopes	8.1	0.0%
Totals for Area of Interest		888.2	100.0%

Ferguson Group (Billings)



Yields of Burn Impacted Cores (Component), Wildlife Hwy (Town), Golden Valley County Area, Montana
(2010) (at Range (Yellowstone))



National Resources
Conservation Service

Wildlife Hwy
National Resources Conservation Service

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Yields of Non-Irrigated Crops (Component): Alfalfa hay (Tons)

Yields of Non-Irrigated Crops (Component): Alfalfa hay (Tons)— Summary by Map Unit — Golden Valley County Area, Montana				
Map unit symbol	Map unit name	Feet/ing	Acres in ACP	Percent of ACP
8A	Bar-Me-River complex, 0 to 2 percent slopes, occasionally flooded	0.71	0.0	1.3%
22B	Neoe-Rosier complex, 0 to 4 percent	0.04	0.0	0.0%
22B	Sandwich/Vanda-Crest complex, 0 to 6 percent slopes	0.00	20.6	3.0%
22B	Twilight-Blacksheep-Rock outcrop complex, 4 to 20 percent slopes	0.43	0.0	0.1%
30B	Farnacell loam, 2 to 6 percent slopes	0.01	1.0	0.1%
30A	Rubee-Delmar silt clay loam, 1 to 6 percent slopes	0.40	00.0	0.1%
40A	Marian silt clay, 2 to 4 percent slopes	0.04	00.0	12.4%
40B	Marian silt clay, 2 to 6 percent slopes	0.40	79.2	11.0%
40C	Megmont-Yardville silt clay loam, 4 to 10 percent slopes	0.00	70.0	10.2%
40B	Blacksheep-Rock outcrop/Twilight complex, 2 to 40 percent slopes	0.10	12.4	1.0%
40C	Calburn-Delmar-Rock outcrop complex, 4 to 10 percent slopes	0.20	0.0	0.0%
40B	Calburn-Delmar-Rock outcrop complex, 10 to 40 percent slopes	0.22	20.6	3.0%
40C	Calburn-Yardville-Belland complex, 4 to 20 percent slopes	0.00	10.0	1.4%
41B	Beppert, calcareous-Calburn loam, 2 to 6 percent slopes	0.47	00.4	0.2%
142B	Twilight-Blacksheep sandy loam, 2 to 8 percent slopes	0.47	0.2	0.0%
142B	Rubee-Megmont silt clay loam, 1 to 6 percent slopes	0.20	07.0	12.1%
142C	Rubee-Megmont silt clay loam, calcareous, 1 to 6 percent slopes	0.20	00.0	0.1%
142B	Calburn-Crogo-Delmar complex, 4 to 10 percent slopes	0.10	00.4	4.0%
142B	Calburn-Delmar loam, 4 to 10 percent slopes	0.27	21.0	3.1%
100B	Berkeley-Rock outcrop complex, 10 to 40 percent slopes	0.00	14.0	2.0%
400B	Farnacell-Asol complex, 2 to 20 percent slopes	0.10	24.4	0.5%

Ferguson Group (Billings)

Yields of Non-Irrigated Crops (Component): Alfalfa hay (Tons)—Golden Valley County Area, Montana

DNRC OV Range Productivity

Yields of Non-Irrigated Crops (Component): Alfalfa hay (Tons)— Summary by Map Unit — Golden Valley County Area, Montana				
Map unit symbol	Map unit name	Rating	Acres in AOI	Percent of AOI
6408	Kobese-Graded land complex, 3 to 8 percent slopes	0.50	0.1	0.0%
Totals for Area of Interest			685.2	100.0%

Description

These are the estimated average yields per acre that can be expected of selected nonirrigated crops under a high level of management. In any given year, yields may be higher or lower than those indicated because of variations in rainfall and other climatic factors.

In the database, some states maintain crop yield data by individual map unit component and others maintain the data at the map unit level. Attributes are included in this application for both, although only one or the other is likely to contain data for any given geographic area. This attribute uses data maintained at the map unit component level.

The yields are actually recorded as three separate values in the database. A low value and a high value indicate the range for the soil component. A "representative" value indicates the expected value for the component. For these yields, only the representative value is used.

The yields are based mainly on the experience and records of farmers, conservationists, and extension agents. Available yield data from nearby areas and results of field trials and demonstrations also are considered.

The management needed to obtain the indicated yields of the various crops depends on the kind of soil and the crop. Management can include drainage, erosion control, and protection from flooding; the proper planting and seeding rates; suitable high-yielding crop varieties; appropriate and timely tillage; control of weeds, plant diseases, and harmful insects; favorable soil reaction and optimum levels of nitrogen, phosphorus, potassium, and trace elements for each crop; effective use of crop residue, barnyard manure, and green manure crops; and harvesting that ensures the smallest possible loss.

The estimated yields reflect the productive capacity of each soil for the selected crop. Yields are likely to increase as new production technology is developed. The productivity of a given soil compared with that of other soils, however, is not likely to change.

Rating Options

Crop: Alfalfa hay

Yield Units: Tons

Aggregation Method: Weighted Average

Component Percent Cutoff: None Specified



Natural Resources
Conservation Service

Web Soil Survey
National Cooperative Soil Survey

9/1/2010
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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 comparing 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 lease-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 have sales dates within one year of the appraisal and cannot be over three years old. The comparable sales must be in reasonable proximity to the subject, within the same county or a neighboring county.

QUALIFICATIONS

TERRY L. ROHRER

BUSINESS EXPERIENCE

6/93 - Present: Independent Real Estate Fee Appraiser...Presently self-employed as an independent fee appraiser, contracting with various individuals, lenders and appraisers to appraise single family and multi-family residential properties, vacant land, agricultural properties, recreational properties, special use properties, commercial properties, subdivisions, and businesses.

4/91- 6/93: Lead Residential Appraiser, MT Department of Revenue...responsible for directing 6 appraisers in establishing market values for over 45,000 residential parcels in Yellowstone County valued in excess of \$2.3 billion...including detached, single family residences, condominiums, mobile homes, and vacant land...solely responsible for the development, calibration and application of 8 residential market models to estimate the current market values.

1/90 - 4/91: Ranch Manager...working manager of the Oarlock Ranch for Connecticut Mutual Insurance company. In addition to day to day operations, responsible for estimating proposed capital expenditures, and making various improvements within the established budget.

2/87 - 3/90: Assistant County Supervisor, Farmers Home Administration...primarily responsible for farm and ranch appraisals, single family dwelling appraisals, and property (both real and chattel) inspections to assess the condition and value of loan collateral...for loan liquidations, inventory property management, and new loan making activities.

EDUCATION

2/10	Appraisal Institute, 7-Hour National USPAP Update Course
5/09	Appraisal Institute, Litigation Appraising: Specialized Topics and Applications
2/09	ASFMRA, Wind Leases
2/09	ASFMRA, Water Rights
10/08	ASFMRA, Requirements of UASFLA - The 'Yellow Book'
1/08	Appraisal Institute, Valuation of Conservation Easements
1/08	Appraisal Institute, Hypothetical Conditions and Extraordinary Assumptions
1/08	Appraisal Institute, 7-Hour National USPAP Update Course
1/07	Appraisal Institute, National USPAP Update Course
9/06	Appraisal Institute, Subdivision Valuation
3/06	ASFMRA, A-25 Eminent Domain
3/06	ASFMRA, A-29 Highest and Best Use
1/06	Appraisal Institute, 550 Advanced Applications
12/05	Appraisal Institute, Business Practices and Ethics
12/05	Appraisal Institute, 530 Advanced Sales Comparison and Cost Approaches
10/05	Appraisal Institute, 520 Highest and Best Use and Market Analysis
9/05	Appraisal Institute, 510 Advanced Income Capitalization
5/05	Appraisal Institute, 540 Advanced Report Writing and Valuation Analysis
5/05	Appraisal Institute, 15 Hour National USPAP Online Equivalent Course
4/05	Appraisal Institute, Feasibility, Market Value, Investment Timing: Option Value
4/05	Appraisal Institute, Introduction to GIS Applications for Real

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	Estate Appraisal
3/05	Appraisal Institute, Analyzing Distressed Real Estate
2/05	ASFMRA, A-12 Part III, 7 Hour National USPAP Update Course
4/03	Appraisal Institute, Analyzing Operating Expenses
3/03	Appraisal Institute, Small Hotel/motel Valuation: Limited Service Lodging
3/03	Appraisal Institute, Appraisal of Nursing Facilities
3/03	Valuation of Detrimental Conditions in Real Estate
4/01	The FHA and the Appraisal Process
9/99	IBA 1009, Succession Planning
9/99	IBA 1002, Application of the Market Approach
9/99	IBA 1010, Report Writing and Analysis
9/99	IBA 1012, Appraising for Estate and Gift Tax
9/99	IBA 1003, 10 Advanced Steps to Take Appraisals From Ordinary to Outstanding
9/99	IBA 1004, 12 More Steps to Take Appraisals From Ordinary to Outstanding
8/99	IBA, 8001B-Valuation of Closely Held Businesses
5/99	IBA, 8001A-Valuation of Closely Held Businesses
11/98	BREM, Valuing a Business
11/98	ASB, Uniform Standards of Professional Appraisal Practice
3/97	IRWA Course 401, The Appraisal of Partial Acquisitions
2/97	ASFMRA, Uniform Standards of Professional Appraisal Practice
8/94	ASFMRA A-20, Principles of Rural Appraisal
4/94	Appraisal Standards Board-appraisal Foundation, Uspap Revisions
5/93	ASFMRA A-10, Fundamentals of Rural Appraisal
3/93	IAAO Course II, Income Approach to Valuation
10/92	IAAO Course I, Fundamentals of Real Property Appraisal
11/91	NAIFA Course 5.0, Professional Standards of Practice
8/89	FmHA, Farm and Ranch Appraisal Training
8/89	FmHA, Rural Housing Appraisal Training
10/87	FmHA, Appraisal Training
8/87	FmHA, New Construction Training
5/87	FmHA, Rural Housing Appraisal Training
3/87	FmHA, Farm, Ranch, and Chattel Appraisal Training
1/86-4/86	Montana State University, Graduate School of Economics
9/80-12/85	Montana State University, B.S.-Agricultural Business

ADDITIONAL EDUCATION/EXPERIENCE

1989-Present: Owner and manager of Ferguson Group (Tulsa) Ltd.'s Billings office...The Ferguson Group is a consulting group with offices in 7 states providing management and financial assistance in improving profitability within family owned or closely held small businesses ...community banks...and commercial production agriculture. Besides providing a broad range of professional support services, the FERGUSON GROUP is also active in strengthening local management's business and financial skills via intensive workshop/seminar training.

PROFESSIONAL ASSOCIATIONS

Associate Member-Appraisal Institute

Candidate Member-American Society of Farm Managers and Rural Appraisers

Member-American Society of Agricultural Consultants

Member-National, Montana, and Billings Associations of Realtors

APPRAISER'S STATE CERTIFICATIONS

STATE OF MONTANA Department of Labor and Industry Board of Real Estate Appraisers		Specialty:
This verifies the below named is currently licensed as a Certified General Appraiser		
License #:	249	Active
Expires:	03/31/2011	
TERRY L. ROHRER TERRY ROHRER 629 EGGBRECHT LANE BILLINGS, MT 59106		
<div>VERIFY YOUR LICENSE AT • LicenseLookup.mt.gov RENEW YOUR LICENSE AT • LicenseRenewal.mt.gov</div>		

Permit Number 387	STATE OF WYOMING	NON TRANSFERABLE
CERTIFIED REAL ESTATE APPRAISER PERMIT		No 00095
TERRY L. ROHRER CERTIFIED GENERAL APPRAISER AS PROVIDED FOR BY THE LAWS OF WYOMING.		Issued: 07/24/2009 Expires: 07/23/2011
FERGUSON GROUP (BILLINGS) 1629 AVENUE D, SUITE B-7 BILLINGS, MT 59102		AUTHORIZED BY THE WYOMING CERTIFIED REAL ESTATE APPRAISER BOARD WITNESS MY HAND AND THE OFFICIAL SEAL AT CHEYENNE, WYOMING. <i>Trenton Hogg</i> Trenton Hogg Executive Director