

**SUMMARY REPORT
ON
THE APPRAISAL OF**



**SALES 179, 184, 570, AND 571
GARFIELD COUNTY, MONTANA**

**AS OF:
JUNE 20, 2010**

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

**PREPARED BY
TERRY L. ROHRER**

Ferguson Group (Billings)

Ferguson Group (Billings)

1629 AVENUE D, STE B-7

BILLINGS, MT 59102

(406) 259-2220

(800) 956-9414

June 30, 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 179, 184, 570, and 571 in Garfield County, Montana. The legal description appraised, per your appraisal order, is included in the body of the report.

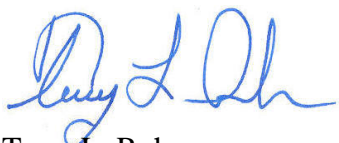
The purpose of this appraisal is to estimate the current fair market value of an undivided 100% interest in the fee simple estate in the subject to be used in support of the decision making process concerning the potential sale of the subject. From my investigation and analysis, it is my opinion that the current fair market value of an undivided 100% interest in the fee simple estate in Sales 179, 184, 570, and 571, as if they have legal access, on June 20, 2010, is:

Sale 179	\$ 36,000
Sale 184	\$ 37,000
Sale 570	\$147,000
Sale 571	\$147,000

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

TABLE OF CONTENTS

LETTER OF TRANSMITTAL

TABLE OF CONTENTS 1

SUMMARY OF SALIENT FACTS 3

SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS 4

ASSUMPTIONS AND LIMITING CONDITIONS 4

FACTUAL DATA

 Client and Intended Users 8

 Intended Use of Appraisal 8

 Purpose of the Appraisal 8

 Definition of Current Fair Market Value 8

 Date of Value Estimate 9

 Property Rights Appraised 9

 Scope of Work 10

 Present Ownership and Identification of the Property 11

 Legal Description 11

 Area Description 13

 Incidental Environmental Screen 14

 Property Description 14

 History 18

 Subject Photographs 18

 Subject Aerial Photographs 20

ANALYSIS AND CONCLUSIONS

 Marketability Analysis 21

 Highest and Best Use 22

 The Appraisal Process 23

 Cost Approach to Value 25

 Sales Comparison Approach 26

 Income Approach to Value 30

 Valuation “As Is” Without Legal Access 31

RECONCILIATION AND FINAL VALUE ESTIMATE 33

CERTIFICATION 34

ADDENDUM 35

SUMMARY OF SALIENT FACTS

- 1. Subject: Sales 179, 184, 570, and 571 in Garfield County, Montana
- 2. Owners of Record: The State of Montana
- 3. Location: Sales 179 and 184 are located about 19 miles west and slightly south of Jordan, and Sales 570 and 571 are located about 29 and 33 miles southwest of Jordan, Garfield 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 June 20, 2010. The report was prepared between April 15, 2010 and June 30, 2010, the date the report was signed
- 6. Property Description: Presently, the four subject parcels are native range land used for livestock grazing. Sales 179 and 184 (157.18 and 160 acres, respectively) are mostly open, rolling terrain. Sales 570 and 571 (640 acres each) range from rolling terrain to steep gumbo and shale bluffs
- 7. Improvements: There are no improvements that contribute to the value of any subject parcel
- 8. Highest and Best Use: Local market conditions, present economics of commercial agriculture, and the subject's physical resources suggest highest and best uses as add-on tracts to larger, commercial ranches predominant in the area

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

Cost Approach	N/A
Sales Comparison Approach	
Sale 179	\$ 36,000
Sale 184	\$ 37,000
Sale 570	\$147,000
Sale 571	\$147,000
Income Approach	N/A

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

Sale 179	\$ 36,000
Sale 184	\$ 37,000
Sale 570	\$147,000
Sale 571	\$147,000

SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS

1. None of the subject parcels appears to 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 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.

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 Garfield County, Montana, as if unencumbered on June 20, 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 June 20, 2010, the date of inspection. Comparable sales were inspected and photographed during 2007 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, although some portions of some tracts were only seen from a distance. Inspection of aerial photographs, satellite images, topographical maps, and other resources supplemented our physical inspection of both the subject parcels and the comparable sales.

The subject parcels are located within about 16 miles of Highway 200 in the south central portion of western Garfield County. We investigated the rural real estate market in Garfield County, and determined that the entire county is the market area for the subject, excluding those areas with the heaviest recreational influences, primarily along the northern and western edges of the county. Differences in location can largely be explained by specific attributes whose impact on value can be measured. 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 eighteen to thirty months were given the greatest consideration, with those nearest the subjects 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 Garfield County, Montana, are reported below:

Sale 179:

Township 17 North, Range 35 East, M.P.M.
Section 7: Lots 3 and 4; E $\frac{1}{2}$ SW $\frac{1}{4}$

Sale 184:

Township 17 North, Range 34 East, M.P.M.
Section 12: SE $\frac{1}{4}$

Sale 570:

Township 14 North, Range 35 East, M.P.M.
Section 16: All

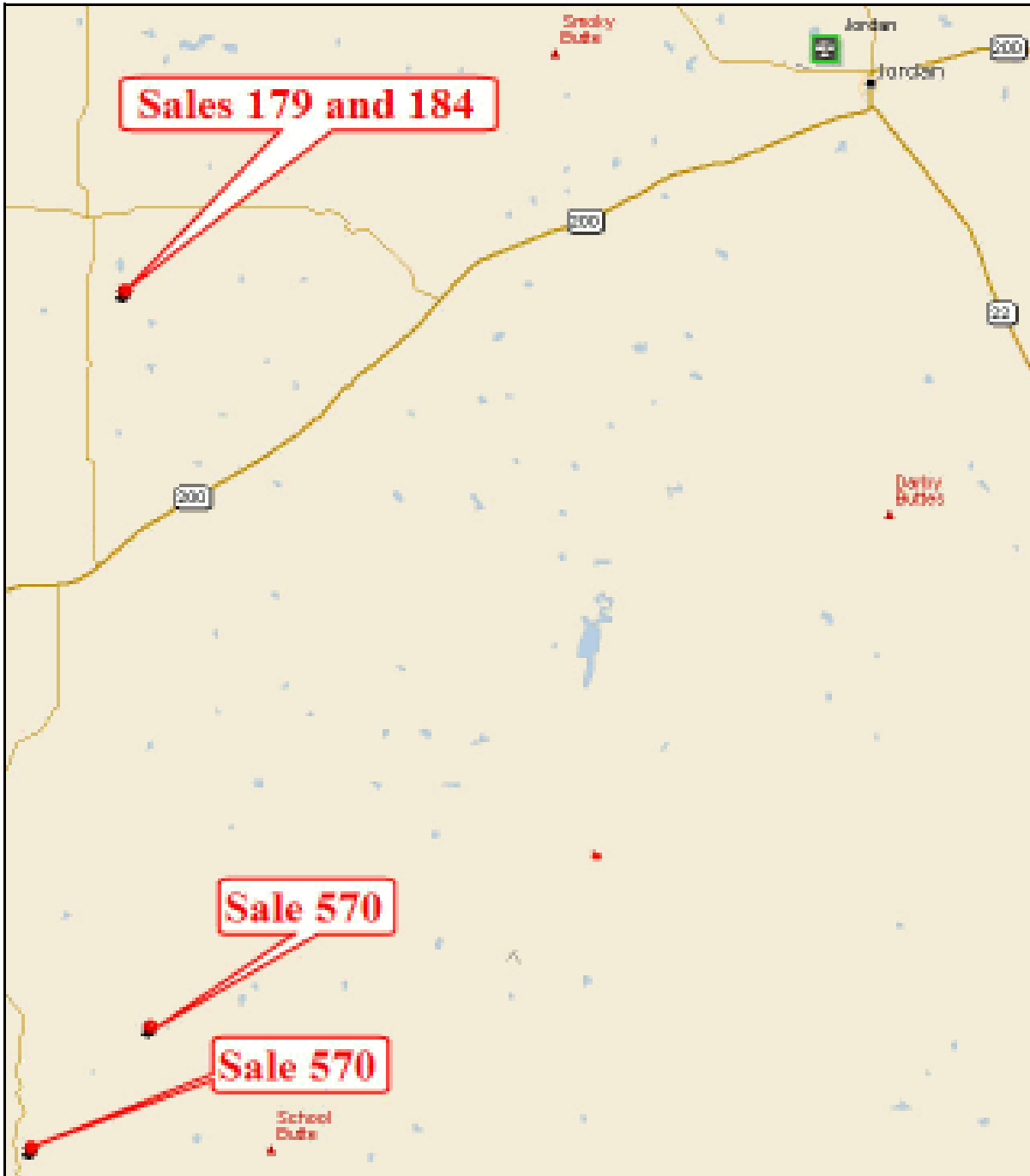
Sale 571:

Township 14 North, Range 34 East, M.P.M.
Section 36: All

The preceding legal descriptions 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 Jordan.

Location Map



AREA DESCRIPTION

The subject parcels lie about 19 miles west and 29 to 33 miles southwest of Jordan, Montana, the Garfield County seat. Garfield County, in east central Montana, encompasses some 2,985,500 acres and extends 83 miles from north to south, and about 90 miles from east to west. Jordan, the largest, community in the county and the County Seat, had an estimated population of 339, according to the 2005 census estimate...about 28% of the county population of 1,199.

Geographical features across Garfield County are fairly uniform, with most of the area lying on the open, rolling plains typical of eastern Montana. The northern portion of the county lies along the Missouri River Valley and Fort Peck Lake. This area of the county is the most remote, and includes the roughest terrain in the county. Most of the land in the county is utilized in agricultural pursuits, with 268 farms/ranches operating on 2,181,755 acres in 2002. The average size of operations in the county is about 8,141 acres, larger than the average size in the remaining fifty five counties in the state, and well above the state average of 2,139 acres per farm/ranch.

Normal precipitation at Jordan is about 13.01 inches. More than seventy five percent of the annual precipitation generally falls during the period from April through September. This coincides with the typical growing season of more than 120 frost free days.

A slumping economy in the area during the latter half of the 1980s began the decline in county population, as Garfield County lost more than four percent of its population between 1980 and 1990. That downward trend accelerated during the 1990s, with an additional (10.7%) loss during 1990 through 1995. No other counties in the state have lost a greater percentage of population during this decade, and most surrounding counties have gained back a small portion of the loss experienced in the 1980s.

Jordan lies about 135 miles north east of Billings, Montana (the state's largest city and the region's most important retail and trade center), and 83 miles north west of Miles City, the major trade center in eastern Montana. Jordan has a small, municipal airport with a 4,799 foot runway utilized by private and charter flights, and is lies along Highway 200, about midway between Lewistown to the west, and Glendive to the east. Highway 59 leads from Jordan southwest to Miles City.

Crop and livestock production are the principle industries in Garfield County. In 2002, agricultural receipts totaled \$36,887,000, including \$6,385,000 in crop receipts, \$25,614,000 in livestock receipts, and \$4,888,000 in government payments. There is little, active gas, oil, or mineral production in the county, and only minimal service and other employment. During 2002, 29 non-farm businesses employed some 158 persons, and retail sales totaled about \$5,718,000 in the county. In 2004, Federal government expenditures in the county totaled \$31,188,000.

Service businesses in Jordan include several restaurant/food establishments, a grocery store, and several motels and gas stations. Area school children are served by grades K-12 in Jordan, and by at least one country school to the north.

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. We noted no evidence that any of the subject parcels had ever been improved, lived on, or used for any purpose other than livestock grazing. A dirt trail through Sale 570 is used to move and transport farm machinery and produce between fields and the operator's headquarters. No apparent, environmental hazards were noted on the subjects or in the immediate vicinity. 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 is relatively easy during dry periods. Sales 179 and 184 are located about 19 miles west and slightly south of Jordan, and are accessed by unimproved ranch trails across surrounding private lands, and the nearest public road is about half a mile to the west.

Sales 570 and 571 are located about 29 and 33 miles southwest of Jordan, and are reached by unimproved ranch trails across surrounding private lands. A minimally improved trail meanders across the western half of Sale 570 after crossing more than a mile across adjoining, private crop land from the nearest county road. Another short trail from the same county road enters the northeast corner of this parcel. Sale 571 is near what appears to be a dirt county road just west of its western boundary, but reaching it from that point requires crossing a narrow strip of private land (note that analysis of aerial photographs suggests these roads crossed just inside the western boundary of this parcel, although whether or not that created legal access is unknown). Another farm trail to the southeastern corner of this tract crosses private land for about 1.5 miles.

Climate

The subjects lie in a 13" precipitation zone, like almost all of Garfield County, with about 75% of the annual precipitation falling between April and September, with May and June

Ferguson Group (Billings)

usually being the wettest months. Normally there are about 115 frost free days in the area. Daily temperatures range from about 0° in January to nearly 90° in July, averaging between 15° and 70°.

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 its value. None of the subject parcels appear to be fenced on more than one or two sides. 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 Garfield County. There are no county wide zoning ordinances in Garfield 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 available to the subject tracts apparent at the time of the inspection, but those amenities appear to be available within 1 to 2 miles of each parcel. While the cost to bring these utilities to each subject tract could be significant, 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 no water rights claims appurtenant to Sales 179 and 184. A claim for stock water was noted appurtenant to Sale 570, provided by a dam across an unnamed tributary of Sand Creek, near the northeast corner of the tract. Another claim, appurtenant to Sale 571, claims stock water from a dam across an unnamed tributary of McGinnis Creek, near the center of the tract.

Ferguson Group (Billings)

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. From the USDA Web Soil Survey, just over a third of the soils on Sales 179 and 184 are Cambeth-Cabbert-Yawdim complex, on 15 to 25% slopes, and typically produce about 955 pounds of forage per acre in a typical year. Nearly another third of the soils on these tracts are Cambeth soils on 8 to 15% slopes that typically produce about 1,290 pounds of forage per acre in a typical year. More than a fourth of the soils on these tracts are Kobase silty clay loams on 4 to 8% slopes that typically produce 1,272 pounds of forage per acre annually. About 1,200 pounds of forage production per acre can be produced from these subject parcels during a normal moisture year.

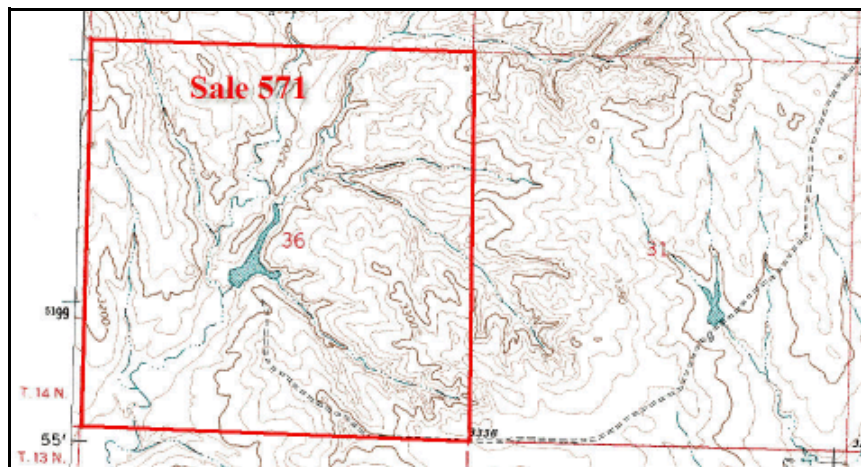
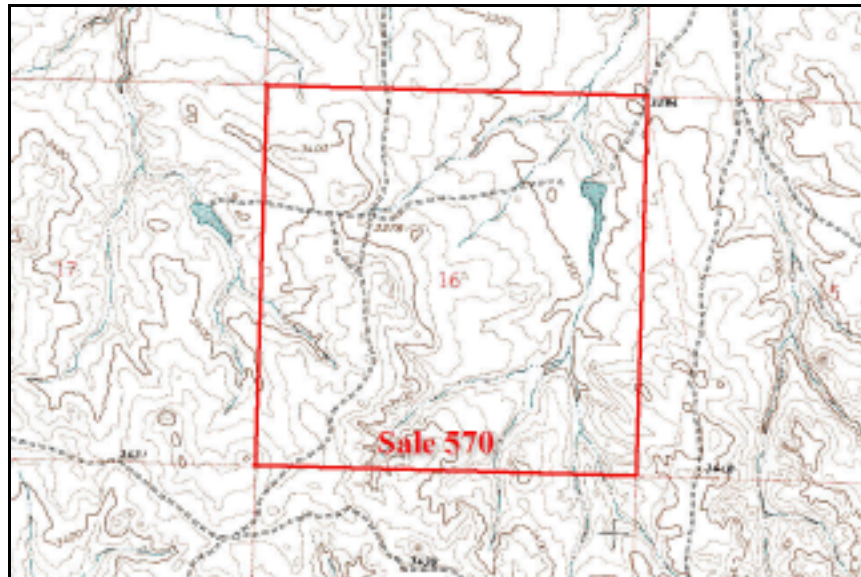
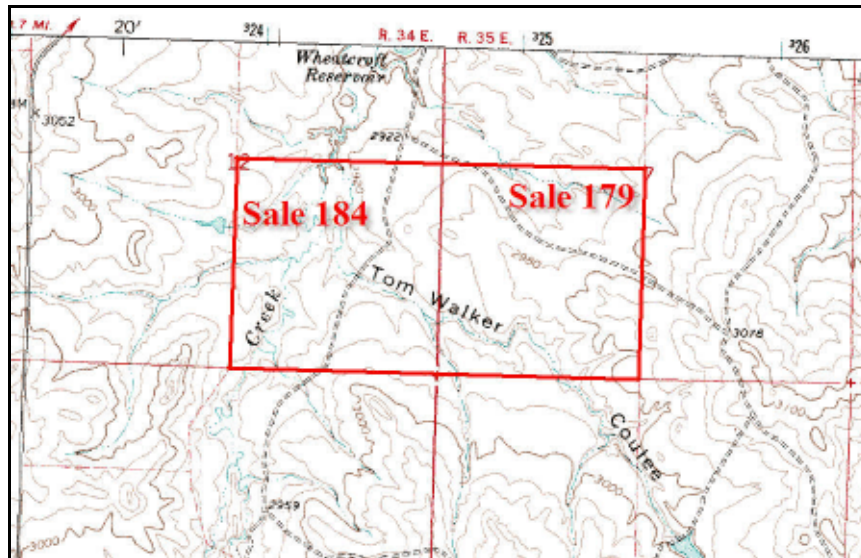
About 28.5% of the soils on Sale 570 are Cambeth-Cabbert-Yawdim complex, on 15 to 25% slopes, and typically produce about 955 pounds of forage per acre in a typical year. About 22% of the soils on this tract are Cambeth soils on 8 to 15% slopes typically producing about 1,290 pounds of forage per acre each year. Another 20% of the soils on this section are Ralph-Brushston silt loams on 2 to 8% slopes that normally yield about 1,430 pounds of forage per acre per year. About 1,200 pounds of forage production per acre can be produced from these subject parcels during a normal moisture year.

About 45% of the soils on Sale 571 are Delpoint-Yamacall-Cabbart loams on 8 to 25% slopes that typically produce about 1,059 pounds of forage per acre in a typical year. About 27% of the soils on this tract are Cambeth-Rock outcrop, soft-Yawdim association soils on 25 to 70% slopes typically producing about 760 pounds of forage per acre each year. About 1,000 pounds of forage production per acre can be produced from these subject parcels during a normal moisture year.

Topography

As shown in the topographical maps below, sales 179 and 184 include rough terrain at the east and west ends, flanking a broad, moderately sloping meadow in the center. The highest elevation of about 3,020 feet is near the southeast corner of Sale 179, and the lowest is slightly less than 2,920 feet along Cherry Creek, which meanders across the west edge of Sale 184. Sale 570 includes a high ridge lying at elevations of 3,400 to 3,480 feet in most of its western half, and those heights drop quickly to less than 3,260 feet near the northeast corner, along an unnamed tributary of Sand Creek. Much of Sale 571 lies at elevations of 3,200 to 3,300 feet, forming most of the drainage of an unnamed tributary of McGinnis Creek that flows through the parcel, and exits near the southwest corner at an elevation below 3,140 feet.

Topographical Maps



Ferguson Group (Billings)

Operation

The subject parcels are currently leased to owners of adjoining/surrounding land for livestock grazing. None of the parcels are fully perimeter fenced. There are no developed sources of water on Sales 179 and 184, although some intermittent water may be available near the west edge of Sale 184, where Cherry Creek meanders to the north. The broad meadow across much of the northern edge of these two sales is mostly a stand of crested wheat grass. According to the tenant/prospective buyer, this was an old prairie dog town, and had never been farmed or seeded to tame pasture since he grew up here. The crested wheat apparently was introduced from surrounding area by prairie dogs or other wildlife.

Sales 570 and 571 each have an established reservoir, and both appear capable of providing livestock water for a greater period than their forage would typically last. In their Environmental Assessment, our client rated the subject parcel's grazing capacity as follows: Sale 179 - 27 aums/acre; Sale 184 - .28 aums/acre; Sale 570 - .20 aums/acre; and, Sale 571 - .18 aums/acre.

Improvements

There are no improvements on the subject parcels.

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 landbanking program), and have not been the subject of offers or contracts for sale, during the past 3 years.

SUBJECT PHOTOGRAPHS



Looking N across E end of Sale 179



Looking NW across Sale 184

Ferguson Group (Billings)



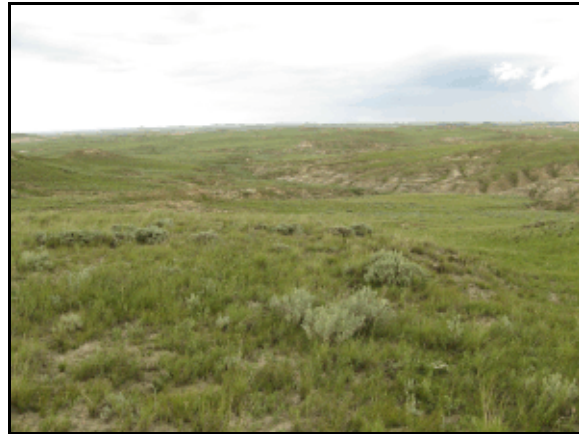
Looking south between Sales 179 and 184



Looking north across west end of Sale 184



Looking south across Sale 570



Looking NE from southern edge of Sale 570

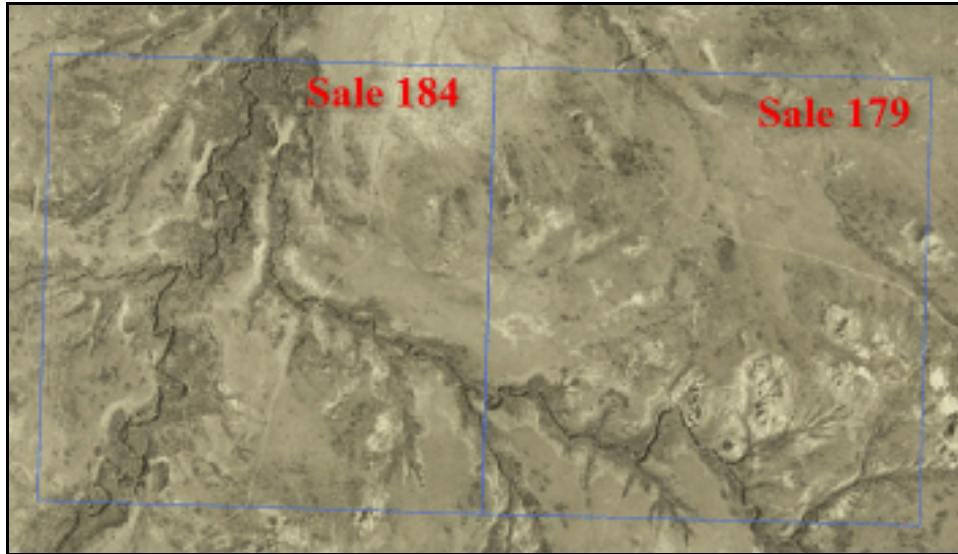


Looking east across north edge of Sale 571



Looking NW from SE corner of Sale 571

SUBJECT AERIAL PHOTOGRAPHS





MARKETABILITY ANALYSIS

The subject market area is typically somewhat sporadic compared to surrounding market areas. During about 2005 through 2007, the market for agricultural tracts in the area was fairly active, while the activity for recreational properties along the northern and western edges of the county was comparatively quiet. Since 2007, there have been very few sales of agricultural properties, but there has been more activity involving recreational sales.

Most of the largest tracts sold in Garfield County in recent years have been heavily influenced by recreational interests, and these sales typically sell at a significant premium over properties not typically of interest to recreational buyers. These less “desirable” properties, lacking recreational amenities that add value, are typically purchased by neighboring agricultural producers adding to existing holdings. While there have been few sales of agricultural type properties in the area during the past 3 years, there has been activity in the surrounding counties. That activity suggests that there are few new buyers moving in to eastern Montana to begin operations, but existing operators have some interest in expansion if properties are reasonably priced. The marketability of the subject tracts is very limited as they are surrounded by only 1 or 2 other landowners. If not sold to these neighbors, it is unlikely that these tracts would sell in a reasonable time because they are not economic units by themselves.

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. These tracts don't include the recreational amenities most commonly sought by recent buyers of recreational tracts, and would not likely be considered by this class of buyer. Demand for residential tracts in the area is all but nonexistent, precluding any rational interest for subdivision in any manner. Potential buyers of the subject tracts are likely limited to parties with adjoining, or very close, agricultural land, and would likely only consider them as livestock grazing tracts. Given current market conditions and the very limited prospects for other uses, the subject parcels have highest and best uses as add-on tracts for neighboring owners in their "as is" condition, lacking legal access. With legal access, subject parcels would have the same highest and best use.

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 add-on agricultural tracts, the subject parcels have a single component with contributory value: the land. Further, each parcel is entirely range land (as opposed to tracts that may have irrigated and/or dry crop land, native range land, farmsteads, etc.). 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. Seven sales include each of the subject components, are in the subject's market area, and are included in this report for direct comparison to the subject.

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, unallocated sale price of an individual transaction by the total, deeded acres transferred. That resulting quotient is reported as the Cash Equivalent Value Per Acre (CEV/Acre) in the adjustment grids presented in the following analysis. As discussed under the subsection titled Terms below, one adjustment could be required between division of the sales price by the acreage and the conclusion of CEV.

Analysis of area market data showed that the following adjustments were appropriate and relevant:

Terms

The method of adjustment used in this report is to adjust contract sales first to a cash basis, or the Cash Equivalent Value (CEV). Each of the 7 sales were financed with conventional loans, or sold for cash, and no adjustments were warranted.

Market Conditions

Analysis of sales in the subject market area suggests that agricultural land prices have been trending flat since about 2005. Sales 5 and 7 occurred in late 2005, and Sales 1 through 4 and 6 occurred in early 2007. Comparing these agricultural sales suggests no trend during that period. Sales in Garfield County since early 2007 have been mostly recreational sales, and those sales have suggested a slight upward trend in values possibly well in to 2009. However, recreational sales in the county are at a higher price level than agricultural sales, and show different impact on pricing due to size and location, and cannot be relied on to estimate market influences on agricultural land. In the following analysis, no adjustments are made as market conditions are stable during the period represented by these sales.

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 typically 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. This appears to be the case where the highest and best use is predominantly recreational, as well as in areas where agricultural production is about the only likely use. Consequently, developing a credible opinion of the subject's current market value relies most heavily on selection of sales with the same highest and best use of the subject, and no land mix adjustment is warranted or made.

Location

Sales along the northern and western edges of Garfield County are most in demand by recreational users, even though most of the area is used for agricultural production. Most buyers in those areas over the past 10 years have been from out of the area, and are seeking a base near the Charles M. Russell Wildlife Refuge, and near Fort Peck Lake, in order to experience the hunting, fishing, and other outdoor recreational opportunities the area is known for nationally. Outside that fringe area, there is no apparent correlation between location and the value of land with agricultural production as its highest and best use. No location adjustments are warranted or made in the following analysis.

Size

We considered closed sales ranging between about 20 and almost 14,000 deeded acres. The smallest and largest of those are recreational sales and are excluded from the following analysis. The 7 sales included herein for direct comparison to the subject parcels range from 297 acres to 1,600 acres. There is no apparent correlation between size and price per acre among these sales, and no size adjustment is made in the following analysis.

Ferguson Group (Billings)

Leases

Two of the sales included public leases. The value of these leases is allocated based on the land component relationships noted above. The total value of the leases in each sale is then divided by the acreage in that sale, and a downward adjustment in that amount is applied to the sale to equate it to the subject.

Improvements

There are no improvements on the subject tracts, and only one of the sales included improvements. Consequently, only one small improvement adjustment was warranted.

Adjustment Grid:

Each subject parcel includes only native range land, and required the same adjustments. Consequently, the following adjustment grid applies to all three subject parcels.

	<u>Sale #1</u>	<u>Sale #2</u>	<u>Sale #3</u>	<u>Sale #4</u>	<u>Sale #5</u>	<u>Sale #6</u>	<u>Sale #7</u>
Size:	1,400.90	640.00	1,018.00	1,600.00	297.56	640.00	943.8
Date:	<u>01/25/07</u>	<u>01/24/07</u>	<u>02/26/07</u>	<u>02/26/07</u>	<u>10/07/05</u>	<u>04/25/07</u>	<u>10/07/05</u>
CEV/Acre	\$269	\$223	\$200	\$214	\$255	\$219	\$275
Time	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Public Leases	(\$12)	\$0	\$0	\$0	\$0	\$0	\$0
<u>Improvements</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$16)</u>
Adjusted Price/Acre	\$257	\$223	\$200	\$214	\$255	\$219	\$259

The adjusted sales suggest subject value ranges from \$200 to \$259 per acre, averaging about \$232 per acre. Sales 1 through 4 sold on the same day at a public auction, and Sales 5 and 7 had sold earlier at a different public auction. Sales 1 and 3, across the road from one another, establish the upper and lower end of the overall range, and the variation between these two sales is rather typical in a given market. The average of these two sales is just slightly below the average of all 7 sales.

Sale 6 is some distance from the other sales, and was purchased by the same buyer as in Sale 2. That buyer indicated that the two areas are similar in productivity, and he paid almost the same price for a section in each location. All 7 adjusted sales average \$232 per acre. When the high low sales are excluded, the remaining 5 sales average an almost identical \$233 per acre. If the two high and the two low sales are excluded, the remaining 3 sales average \$232 per acre.

Little difference was noted among these sales and the subject parcels during the inspection, and all have very similar productive capacities. Some of the subject acreage and some of the acreage on the sales is quite steep, or step and rocky, but overall, these tracts have about the same potential, and the available market data reveals that prices vary significantly even when every other aspect of the sales is as close to identical as it possible. Consequently, all 7 of the sales included herein are weighted equally.

Ferguson Group (Billings)

Based on these sales, we have concluded that the current fair market value of the subject tracts is \$230 per acre (“as if” each has legal access).

Summary of the Sales Comparison Approach:

Sale 179 - 157.18+/- acres at \$230 per acre = \$ 36,151
Sale 184 - 160.0 +/- acres at \$230 per acre = \$ 36,800
Sale 570 - 640.0 +/- acres at \$230 per acre = \$147,200
Sale 571 - 640.0 +/- acres at \$230 per acre = \$147,200

Value indicated by the Sales Comparison Approach

Sale 179	\$ 36,000
Sale 184	\$ 37,000
Sale 570	\$147,000
Sale 571	\$147,000

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 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 any of the 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.

Sales 1 and 3 w/o legal access are comparable to the subject, and suggest values of \$59 to \$80 per acre to adjoining land owners. Sale 2 w/o legal access has a recreational highest and best use than the subject, and cannot appropriately be compared directly to the subject parcels. Note that these comparisons do not provide an indication of the market value of the subject tracts “as is.” Instead, they suggest a typical trading range for similar tracts in the subject market area.

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.

Comparing Sale 1 w/o legal access to Sales 1 through 7 results in an average discount of 75%. Sale 3 w/o legal access is in northern Rosebud County, in a similar setting as the subject parcels. Comparing this sale to auction results from the recent, attempted sale of 10 tracts about 16 miles to the east of this parcel suggests an average discounts of 73% to 76%. Comparing Sale 2 w/o legal access to Sale 8, both with recreational highest and best uses, suggests a discount of about 88% (after adjusting for the difference in size which impacts the per unit prices of recreational tracts in the area). These 3 indicators suggest an average discount due to lack of legal access of about 79%. We did not discover any comparable sales of tracts lacking legal access during our investigation of the subject market area. Applying that level of discount to the estimated \$230 per acre value of the subject tracts as if they had legal access results in a total discount of \$182. Deducting that amount from \$230 per acre results in an indication of \$48 per acre.

Note that data from other markets also 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 179, 184, 570, and 571, “as if” each has legal access, as of June 20, 2010:

Cost Approach		N/A
Sales Comparison Approach		
	Sale 179	\$ 36,000
	Sale 184	\$ 37,000
	Sale 570	\$147,000
	Sale 571	\$147,000
Income Approach		N/A

The subject tracts are all unimproved tracts with a single land use. Each of the 7 sales include the same land class, and are similar to the subject in productivity. Only two sales required very small adjustments to equate them to the subject. The sales comparison approach is valid when a sufficient number of recently sold, similar properties have occurred, and can be identified and verified. Subject characteristics, particularly size, location, and market appeal, are well bracketed and represented in the available market data, resulting in a relatively narrow spread between the most comparable, adjusted sales.

The sales included for direct comparison to the subject tracts average about 40 months old, and there are few agricultural sales in the area more recent than that. Most of the sales in rural Garfield County that have occurred during the past 3 years have been recreational sales and are not comparable to the subject. Sales of agricultural properties in the surrounding areas reveal stable values for similar properties, even during a period when the values of many classes of real estate are falling dramatically.

The quantity and quality of the available data and the relatively stable market provide credible and strongly supported indications of subject value.

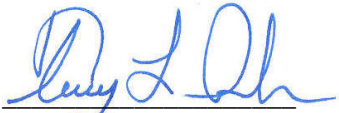
VALUE ESTIMATE OF THE SUBJECT AS A WHOLE:

Sale 179	\$ 36,000
Sale 184	\$ 37,000
Sale 570	\$147,000
Sale 571	\$147,000

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: June 30, 2010

ADDENDUM

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.

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.

**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:

County	Sale #	Acres	Legal	Lessee
Carter	569	320	E1/2, Section 22, T4N-R55E	Ringling Ranch LLP

County	Sale #	Acres	Legal	Lessee
Custer	63	640	ALL, Section 16, T6N-R50E	Steve & Janelle Rieger
Custer	232	752.32	ALL, Section 36, T5N-R51E	Nicholas Powers

County	Sale #	Acres	Legal	Lessee
Fallon	16	320	S1/2, Section 22, T8N-R56E	Steve & Janelle Rieger

Total Acres: 2,032.32

Total # of Parcels: 4

Area Office Contact Information:

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

The following will be located in the body of the contract:

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.

The definition of market value is that as defined in 70-30-313 M.C.A.

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.

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

Ferguson Group (Billings)

	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

Ferguson Group (Billings)

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

VERIFY YOUR LICENSE AT
• LicenseLookup.mt.gov

RENEW YOUR LICENSE AT
• LicenseRenewal.mt.gov

Permit Number 387

STATE OF WYOMING

NON TRANSFERABLE

No 00095

CERTIFIED REAL ESTATE APPRAISER PERMIT

TERRY L. ROHRER
CERTIFIED GENERAL APPRAISER
AS PROVIDED FOR BY THE LAWS OF WYOMING.

Issued: 07/24/2009
Expires: 07/23/2011

AUTHORIZED BY THE WYOMING CERTIFIED
REAL ESTATE APPRAISER BOARD WITNESS MY
HAND AND THE OFFICIAL SEAL AT CHEYENNE,
WYOMING.

FERGUSON GROUP (BILLINGS)
1629 AVENUE D, SUITE B-7
BILLINGS, MT 59102

Trenton Hogg
Trenton Hogg Executive Director