

**SUMMARY APPRAISAL REPORT
of the
MONTANA STATE
LAND BANKING PARCELS**

Big Horn, Yellowstone, & Carbon Counties



**Norman C. Wheeler
&
Associates
Bozeman, Montana**



**SUMMARY
APPRAISAL REPORT
of
MONTANA STATE LAND BANKING
PARCELS**

**Big Horn, Yellowstone, and Carbon
Counties, Montana**

EFFECTIVE DATE: July 11, 2008

Prepared for:

**Tom Konency, Appraiser
Montana DNRC Trust Land Management Division
1625 Eleventh Ave.
P.O. Box 201601
Helena, MT 59620-1601**

Prepared by:

**Andrew A. D. Rahn IV, ARA
Accredited Rural Appraiser
MT Certified General Appraiser #776**

**Norman C. Wheeler and Associates
421 West Mendenhall
Bozeman, Montana 59715**





Real Estate Appraisals

Brokerage

Consulting

Management

Bozeman Office:

N. Clark Wheeler, ARA, Broker/Owner, MT
Certified General Appraiser, MT & WY

Andrew A. D. Rahn IV
Certified General Appraiser, MT
Real Estate Sales Associate, MT

Jill A. Tressler
Appraisal Trainee, MT
Real Estate Sales Associate, MT

Ashley Venhuizen
Administrative Assistant

Missoula Office:

Parac David Neibergs, M.A./ARA
Certified General Appraiser, MT
Real Estate Sales Associate, MT

August 21, 2008

Tom Konency, Appraiser
Montana DNRC Trust Land Management Division
1625 Eleventh Ave.
P.O. Box 201601
Helena, MT 59620-1601

RE: Real estate appraisal of seven Montana State Land Banking Parcels located in Big Horn, Yellowstone, and Carbon Counties, Montana.

Dear Mr. Konency:

Pursuant to your request, I have personally inspected and prepared an appraisal of the real property assets of the seven Montana State Land Banking Parcels located in Big Horn, Yellowstone, and Carbon Counties, Montana. The properties described herein consist of seven separate parcels of native rangeland totaling 1,704 deeded acres. All of the lands appraised are located in rural areas of Montana which have historically been in agricultural markets, and are currently experiencing transitional value influences related to development, recreation, and investment influences in south central Montana.

It is my understanding that you are requesting this appraisal for use in the decision making process concerning the potential sale of said subject properties. The effective date of appraisal is July 11, 2008, which is the last date of inspection. The purpose of the appraisal is to provide the client with a credible opinion of current fair market value of the appraised subject properties.

In consideration of locational attributes and market conditions at this time, I have concluded that a valuation analysis for the subject properties should be set forth in a narrative Summary Appraisal Report in compliance with current Uniform Standards of

421 W. Mendenhall, Bozeman, MT 59715
P.O. Box 1053, Bozeman, MT 59771
Phone: 406/587-7701, Fax: 406/587-2638

ARA - Accredited Rural Appraiser

Building 31, Fort Missoula Rd., Suite 3
Missoula, MT 59804
Phone: 406/829-3773; Fax: 406-829-3964



Web site: ncwheeler.com



Professional Appraisal Practice (USPAP) guidelines. No extraordinary assumptions were made in completing this appraisal, however, two hypothetical conditions were employed as directed by the client. These hypothetical conditions are described in the Scope of Work, as well as through out the report. This appraisal represents a current valuation as defined by the Uniform Standards of Professional Appraisal Practice. The Uniform Standards of Professional Appraisal Practice are the generally accepted standards for professional appraisal practice in the United States. The objective of this analysis is to estimate the market value of the subject properties on an "as-is" basis including land and appurtenances.

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

Respectfully submitted,



Andrew A.D. Rahn, IV, ARA
Accredited Rural Appraiser
MT Certified General Appraiser #776



Table of Contents

Transmittal Letter	1
Table of Contents	3
I. INTRODUCTION.....	5
A. Authorization and Scope of Appraisal	5
B. Summary of Salient Facts and Conclusion.....	9
C. Client and Intended Users of the Report	10
D. Purpose of the Appraisal	10
E. Competency Provision	10
F. Effective Date of the Appraisal	10
G. Property Interest Appraised.....	11
H. Ownership and Sales History	11
I. Legal Description	13
J. Exposure Time	15
II. AREA AND COMMUNITY FEATURES AND DESCRIPTION.....	17
A. Location	17
B. Site Access	17
C. Community.....	17
1) Big Horn County	17
2) Yellowstone County	19
3) Carbon County.....	25
4) Montana General Data.....	27
III. SITE FEATURES AND DESCRIPTION	37
A. Subject Features and Operation.....	37
B. Mineral Rights.....	58
H. Timber Rights	58
I. Recreational Resources	58
J. Zoning	59
K. Easements and Encroachments	59
L. Flood Plain	59
M. Hazards and Detriments	59
N. Environmental Audit.....	59
IV. VALUATION PROCESS	60
A. Introduction.....	60
B. Highest and Best Use	60
1. Market Overview.....	62
2. Highest and Best Use Analysis.....	63
3. Assignment of Highest and Best Use	66
C. Approaches to Value - Definitions.....	66
D. Approach Selection	67
E. Market Observations	68
F. Market Data Presentation	69
1. Time Adjustment.....	69
2. Sale Land Mix / Productivity Analysis.....	70
3. Access.....	70
H. Sales Comparison Approach	72
1. Sale Descriptions and Subject Unit Value Summaries:	73
2. Summary of Value Conclusions	93
J. Reconciliation and Value Conclusion	95
CONTINGENT AND LIMITING CONDITIONS:	97
APPRAISAL CERTIFICATION.....	101

Addenda:

- Exhibit 1 - Sales - Parcel #35
- Exhibit 2 - Sales - Parcels #38, #529, #530, #531
- Exhibit 3 - Sales - Parcel #296
- Exhibit 4 - Sales - Parcel #383
- Exhibit 5 - Leases
- Exhibit 6 - Appraisal Contract & Amendment
- Exhibit 7 - Appraiser Qualifications

I. INTRODUCTION

A. Authorization and Scope of Appraisal

The appraiser was authorized to prepare an appraisal of the subject properties by the Montana Department of Natural Resources & Conservation (DNRC) via contract #87960 and an amendment, both signed by a representative of the DNRC on July 28, 2008. The contract outlined the terms and conditions of the appraisal assignment, and is included in the Addendum of the report.

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

In preparing the appraisal, I conducted research and analysis of the subject properties, the subject area, the general market, and specific sales. This included an inspection of the subject properties on July 10th and 11th, 2008. Background property information was gathered from several sources that included the property lessees as well as personnel associated with governmental agencies including the County Assessor, the County Clerk and Recorder, the USDA Farm Services Agency, the Montana Department of Natural Resources, as well as a personal knowledge of the local and surrounding area. As described, the real property consists of a total of 1,704 deeded acres and is configured in seven separate parcels of land.

The appraiser has studied the market and conducted a highest and best use analysis for the subject properties. All of the available sales data has been evaluated for comparability to the subject properties. All three approaches to value, the Cost, Sales Comparison, and Income Approaches were considered.

There are two hypothetical conditions used in this report, as directed by the client. The first is that the properties are in a fee simple estate, when in fact, they are currently leased and the property owner has a lease fee interest in the properties. The parcels are appraised in this assignment as fee simple estates. Secondly, many of the subject properties do not have legal access. Again, the client has directed the appraiser to value the properties under the hypothetical condition that the properties do have legal access. These parcels will be valued in an "as is" condition, as well as under the hypothetical condition of having legal access.

Montana is a non-disclosure state where the sale prices and terms of rural real estate transactions are not public information. There are no centralized sources of sale data and no obligatory requirements for sale participants to release specific data and many sales are subject to confidentiality statements. The client is hereby notified that it is possible that there are area sales of which I have no knowledge, or for which I could not confirm reliable sale data.

There may also be other sales, which I am aware of, but which are not included for confidentiality reasons. I am active and familiar in the area and am confident that based on the amount of data confirmed, and the historic knowledge of the area, an accurate appraisal valuation can be made. Sale and market data was gathered and confirmed with sources familiar to the transaction (such as buyers, sellers, brokers, attorneys, and/or closing agents) to the best of my abilities.

The market in this area ascribes value in the basis of overall per acre. This represents the standard measurement of value for rural properties and inclusive with this overall value are mineral rights, water rights, and timber rights if existing. Up to this point, buyers have not ascribed separate contributory values to these ownership rights.

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

B. Summary of Salient Facts and Conclusion

Property Owner of Record:	State of Montana DNRC Trust Land Management Division P.O. Box 201601 Helena, MT 59620
Intended Users:	State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).
Property Location:	Various locations in Big Horn, Yellowstone, and Carbon Counties, Montana.
Purpose of the Appraisal:	The purpose of the appraisal is to provide the clients with a credible opinion of current fair market value of the appraised subject properties, and is intended for use in the decision making process concerning the potential sale of said subject property.
Estate Appraised:	The DNRC real property subject to any easements, reservations, conveyances, and encumbrances of record; excluding specific valuation of mineral, water, and timber rights. These items are considered inherent in the land value. No difference for minerals or lack of minerals can be determined in this market.
Effective Date of Appraisal:	July 11, 2008
Zoning:	County Agricultural
Flood Zone:	The subject properties are not located in any federally designated flood zones.
Highest and Best Use:	Multiple – see report.
Property Description:	The subject properties are seven separate, unimproved parcels of native rangeland of varying sizes from 40 to 640 acres. The total acreage of the seven parcels is 1,704 acres. Access to the different units varies, with four of the parcels not having legal access and having poor physical access.
Valuation Conclusion:	Parcel #35 - "as is" with no legal access = \$153,600 - with hypothetical legal access = \$256,000 Parcel #38 - "as is" = \$72,000 Parcel #529 - "as is" = \$70,400 Parcel #530 - "as is" with no legal access = \$32,000 - with hypothetical legal access = \$53,600 Parcel #531 - "as is" = \$24,000 - with hypothetical legal access = \$30,000 Parcel #296 - "as is" with no legal access = \$153,600 - with hypothetical legal access = \$256,000 Parcel #383 - "as is" = \$115,200

C. Client and Intended Users of the Report

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

D. Purpose of the Appraisal

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

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

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

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

E. Competency Provision

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

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

F. Effective Date of the Appraisal

The appraised value as presented in this report is a current valuation of the subject properties as of the effective date of the appraisal. The effective date is July 11, 2008. The subject properties were inspected on July 10th and 11th, 2008 by the appraiser.

G. Property Interest Appraised

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

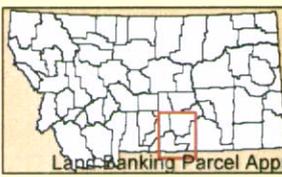
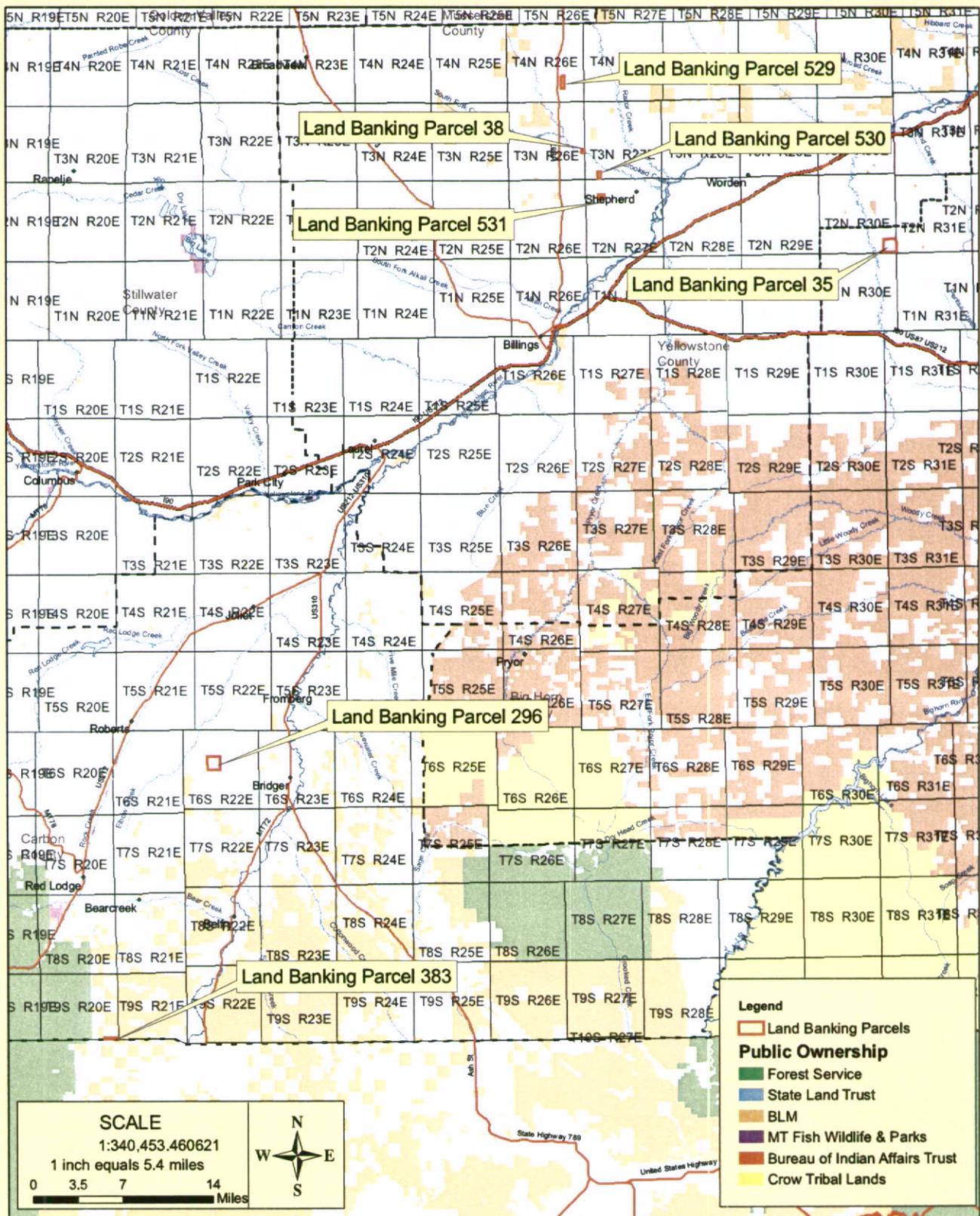
The subject lands are to be appraised as if they are in private ownership and could be sold on the open market and are to be appraised in fee simple interest. All of the subject properties have lease contracts in place, but for analysis purposes are to be appraised with the hypothetical condition the leases/licenses do not exist.

H. Ownership and Sales History

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

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

There has been no recent sales history of these parcels.



Land Banking Parcels

MAP IS INTENDED TO SERVE AS A VISUAL GUIDE
AND ITS ACCURACY IS NOT WARRANTED

June 2008
Norman C. Wheeler
&
Associates
Bozeman, Montana



Norman C. Wheeler & Associates

I. Legal Description

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

Parcel #35 - Big Horn County, Montana

<u>Township 2 North, Range 30 East</u>	<u>Acres</u>
Section 36: All	640

Parcel #38 - Yellowstone County, Montana

<u>Township 3 North, Range 26 East</u>	<u>Acres</u>
Section 24: SE1/4SE1/4	40

Parcel #529 - Yellowstone County, Montana

<u>Township 4 North Range 26 East</u>	<u>Acres</u>
Section 26: E1/2W1/2	160

Parcel #530 - Yellowstone County, Montana

<u>Township 3 North, Range 27 East</u>	<u>Acres</u>
Section 32: W1/2SW1/4	80

Parcel #531 - Yellowstone County, Montana

<u>Township 2 North, Range 27 East</u>	<u>Acres</u>
Section 8: S1/2NW1/4	80

Parcel #296 - Carbon County, Montana

<u>Township 6 South, Range 22 East</u>	<u>Acres</u>
Section 16: All	640

Parcel #383 - Carbon County, Montana

<u>Township 9 South, Range 20 East</u>	<u>Acres</u>
Section 36: Lots 1,2,3 & 4	64.47

Total Acreage = 1,704.47 acres

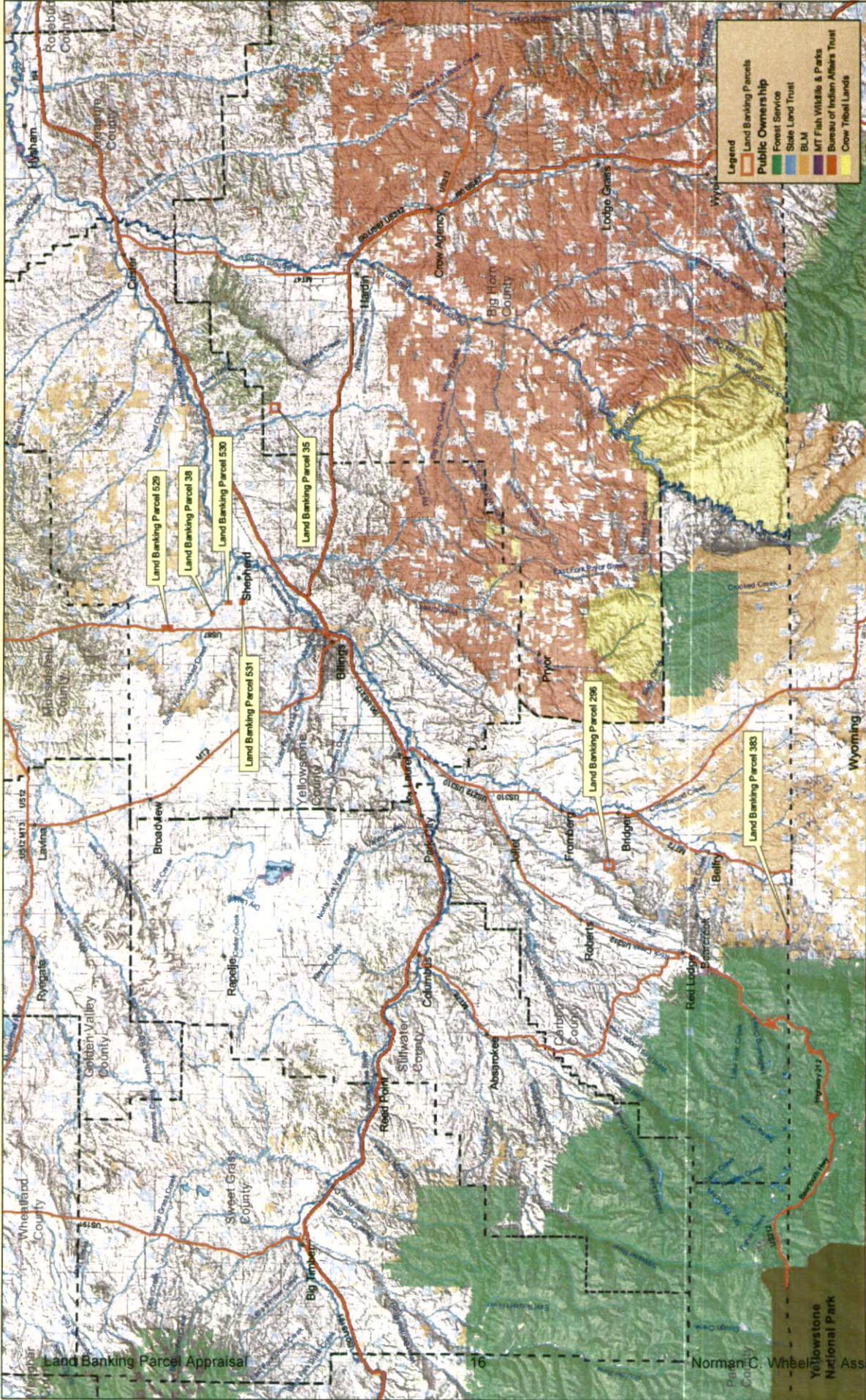
The total deeded acres for these lands can be accurately determined as 1,704 deeded acres more or less based on county assessed acres. This acreage is subject to any existing liens and easements upon, over, or across the properties.

J. Exposure Time

The 2008-2009 revision of USPAP 1-2 (c) requires that an opinion of reasonable exposure time be developed for appraisal assignments whose purpose is to assign market value. Requisite to satisfying the definition of market value is an exposure to a competitive marketplace.

Exposure time is the estimated length of time the property interest being appraised would have been offered in the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; exposure time is always presumed to precede the effective date of the appraisal. Alternatively, "marketing time" is a consulting term, which relates to the amount of time that would be required to sell the property interest at the estimated market value during the period after the effective date of the appraisal. An estimate of marketing time is not intended to be a prediction of date of sale. It may not be appropriate to assume that the value as of the effective date of the appraisal remains stable during a marketing period.

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

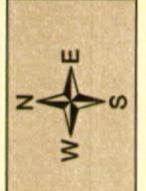


Legend

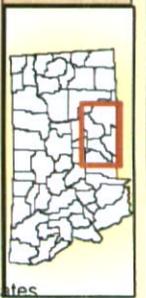
- Land Banking Parcels
- Public Ownership
- Forest Service
- State Land Trust
- BLM
- MT Fish Wildlife & Parks
- Bureau of Indian Affairs Trust
- Cow-Tribal Lands

June 2008
 Norman C. Wheeler
 & Associates
 Bozeman, Montana

MAP IS INTENDED TO BE USED AS A VISUAL GUIDE
 AND ITS ACCURACY IS NOT WARRANTED



Land Banking Parcels



II. AREA AND COMMUNITY FEATURES AND DESCRIPTION

A. Location

The properties being appraised are all located in south central Montana, varying in distance from Billings, Montana. The Yellowstone County parcels are located closest to Billings, and have development and investment value influences relative to the growth of Billings. The other subject parcels are outlying tracts that are influenced more by recreation and the associated investment potential driven by the rural recreation market.

Billings serves as the primary service center for all the subject parcels, with all major services, interstate access, and a major commercial airport.

B. Site Access

As delineated on the facing map, the subject properties are located in a wide geographic range across south central Montana. Access to the individual sites varies substantially, and will be described in the individual parcel descriptions. In fact, four of the seven tracts do not have legal access. Each of these four units have primitive, undeveloped physical access. Accessibility within these parcels is seasonal with unimproved dirt roads which can be impassible in winter due to drifts or in wet conditions due to the heavy clay soils.

The remaining three parcels have full legal access, and good physical access as well.

C. Community

1) Big Horn County

Big Horn County, Montana is one of 56 counties in the state. As of 2004, the estimated population of Big Horn County was 13,005. The county was named for the big horn sheep that inhabited the mountains to the southwest and was founded in 1864. The county seat of Big Horn is Hardin. According to the U.S. Census Bureau, the county has a total of 5,015 square miles, of which 4,995 square miles of it is land and 20 square miles of it is water. Yellowtail dam forms a 70 mile long Big Horn Lake, which is admired for its walleye fishing and water sports. Below the lake is spectacular Big Horn River, known world-wide by serious trout anglers. Most of the county's land area comprises of Indian reservations. The Crown Indian Reservation covers 64.2% of its area, while the Northern Cheyenne Indian Reservation covers another 6.37%. The communities located within Big Horn County are Hardin, Lodge Grass, Busby, Crown Agency, Fort Smith, Muddy, Pryor, St. Xavier, Wyola, and Garryowne.



Bighorn Canyon National Recreation Area was established by an act of Congress on October 15, 1966, following the construction of the Yellowtail Dam by the Bureau of Reclamation. This dam, named after the famous Crow chairman Robert Yellowtail, harnessed the waters of the Bighorn River and turned this variable stream into a outstanding lake.

The 525-foot-high Yellowtail Dam impounds the Bighorn River at Fort Smith, Montana. Yellowtail Dam was completed in 1965 and changed a good warmwater fishery into a high quality tailwater trout fishery below the dam. Its construction created and made accessible Bighorn Lake which lies in a sand- and limestone-walled defile cut between the Bighorn and Pryor Mountains by the Bighorn River. Hundreds of feet down, within the Bighorn Canyon, water is backed up some 41 miles in Montana and 30 miles into Wyoming. In Montana, Bighorn Lake has a surface area of 5574 acres. Yellowtail Dam is used for peaking power with the Yellowtail Afterbay Dam 2 miles downstream functioning as a re-regulating facility. Because of the dam, streamflow in the river is relatively stable with little daily fluctuation. Bighorn Lake, like the river reach it inundated, supports a warmwater fishery. The Recreation Area is composed of 70,000+ acres, which straddles the northern Wyoming and southern Montana borders. There are two visitor centers and other developed facilities in Fort Smith, the Yellowtail Dam is a good sport for trout fishing and wildlife viewing for ducks, geese, and other animals. The Bighorn River below the Afterbay Dam is a world class trout fishing area.



Bighorn Canyon National Recreation Area is a lesser known treasure waiting to be discovered. It boasts breathtaking scenery, countless varieties of wildlife, and abundant recreational opportunities, such as boating, fishing, ice fishing, camping, and hiking.

Another notable location in Big Horn County is the Little Bighorn Battlefield. This area memorializes one of the last armed efforts of the Northern Plains Indians to preserve their way of life. Here in 1876, 263 soldiers and attached personnel of the U.S. Army, including Lt. Col. George A. Custer, met death at the hands of several thousand Lakota and Cheyenne warriors.



Also located within Big Horn County is the Pryor Mountain Wild Horse Refuge. In September, 1968, Secretary of State Stewart Udell announced the creation of the Wild Horse Refuge in the Pryor Mountains. Through the diligent efforts of the Lovell, Wyoming Pryor Wild Horse Association, and many other concerned citizens, this area was set aside to help preserve the unique breed of American Mustang found here. Spotted by Native Americans long before the arrival of European settlers, wild horses can still be seen by visitors.

Dr. Gus Corthran of the Veterinary and Genetics Department of the University of Kentucky blood tested 75 horses from the Pryor Mountain herd and determined that the horses are primarily of "Spanish ancestry". Dr. Phil Sponnenberg of the Veterinary College of Virginia Tech says, "The range of colors of the Pryor horses is consistent with a Spanish origin." Only a few of these original Spanish type horses brought to our country are still in existence today.

2) Yellowstone County

One of the most populated counties in Montana, Yellowstone County is located in the south central part of the state. It was organized in 1883 from a part of Custer County & parts of it were taken to from Carbon, Sweet Grass, Musselshell, Big Horn and Stillwater Counties. In 1919 and in 1925, Yellowstone and Carbon Counties annexed parts of each other off to form these other counties.

The county was named for the Yellowstone River. Yellowstone County is one of 56 counties in Montana. The county is in the Billings metro area. The estimated



population in 2004 was 134,717. This was an increase of 4.15% from the 2000 census

Lakes and reservoirs located in Yellowstone County are Twin Lakes, Alkali Pond, Broadview Pond, Anita Reservoir, and Rattlesnake Reservoir

Streams, rivers, and creeks in Yellowstone County are Hogans Slough, Clarks Fork Yellowstone River, Hibbard Creek, Hay Creek, Sevenmile Creek, Coal Bank Creek, Hamilton Creek, Girl Creek, and Comanche Creek



Employment in the securities and commodity contracts brokerage industry paid the average highest wages in Yellowstone County in the 2nd quarter of 2006. Other top-pay jobs in Yellowstone County, Montana exist in offices of physicians, petroleum and coal products manufacturing, support activities for mining and druggists'

goods merchant wholesalers industries.

Yellowstone County has a colorful and illustrious past. Most of the activity for the county history centers around the city of Billings, although it was not always so. Billings was incorporated March 10, 1885. At that time there were 800 residents. The city was created by an 'edict' of the Northern Pacific Railroad, and was referred to as a "fiat city", and almost immediately tents, frame buildings, brick and stone structures spark up from the bare land known as 'Clark's Fork Bottom'. Before that time it was hoped by many that the small town of Coulson would be given the nod for greatness, but it wasn't to be. Billings was given the nickname "Magic City" as a result of over 300 buildings being erected within six months.

Today Billings is still the major business hub of Yellowstone County with over 100,000 residents. Billings provides all of the necessary amenities including shopping, government agencies, a commercial airport, a great health system, and vast school system.

Yellowstone County is situated between the Great Plains and the Rocky Mountains. The climate takes on some of the characteristics of both regions. The climate is semi-arid. The favorable seasonable distribution of rainfall in the spring and fall months, along with irrigation, makes it possible to raise a variety of crops. The average annual rainfall is 15.09 inches, with an average of 57 inches of snow. Forty percent of the precipitation



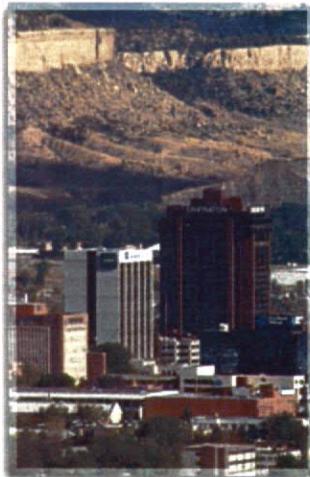
falls in the wet spring months of April, May and June. Winters are cold, but usually not severe. January's average maximum is 30 degrees and minimums average 12 degrees. Summers are warm with good sunshine and low humidity, but the nights are generally cool. July's average maximum is 87 degrees and average minimum is 58 degrees.

Billings, MT

Billings, Montana, with an estimated population of 98,721, is the county seat of Yellowstone County. Billings is the largest city in Montana and the commercial, cultural, and industrial center of a large region of the northern Rocky Mountains. Known as the "Magic City," Billings has grown phenomenally since its founding in 1882, until 1970 doubling in size every 30 years. The city is also the processing and distribution hub for a rich agricultural area that encompasses more than 125,000 miles. Excellent road, rail, and air transportation networks helped the region's retail trade to reach \$1.9 billion in 2000. Billings is located in southern Montana in the fertile Yellowstone River valley, with mountains on three sides. The Yellowstone River flows along the eastern boundary of the city. The mountains shelter the city from the most severe winter weather, but blizzard conditions are not uncommon in the spring and fall. Moist air from the Pacific Ocean, called "Chinook winds," often brings surprisingly warm weather in the winter and cooler temperatures in the summer. Spring features the most unpredictable weather, and summers are typically dry with cool nights.



Agriculture has been one of the leading economic forces in Billings since its founding, and it continues to play a major role today. Because of extensive irrigation, the Yellowstone Valley and the northern Great Plains are some of the nation's most fertile agricultural regions. The city is the transportation, processing, and packaging center for this large, productive area. The main agricultural products include sugar beets, grain, and livestock such as cattle and sheep.



The energy industry (oil, natural gas, and coal) is also an important part of the economic picture in Billings. The mountains around the city and throughout eastern Montana are a rich source of coal, oil, and natural gas. A number of refineries and purification plants are located in the Billings area to process the raw materials into usable energy resources.

Billings is the retail and wholesale trade center for a vast area of land in the northern Rocky Mountain states and a primary and secondary market population of almost half a million people, reaching from Denver, Colorado, to

Calgary, Alberta, and from Minneapolis, Minnesota, to Seattle, Washington. Billings is also the medical and educational capital of the region. The city's medical community, including two major hospitals (Deaconess Medical Center and the St. Vincent Healthcare) and more than 40 clinics, provides the most advanced health care in the four-state area. Three major colleges and a highly-rated public school system provide jobs and a well-trained workforce. It is also difficult to underestimate the impact of tourism and recreational diversity on the area's economy. The proximity of nearby Yellowstone National Park, as well as a wide array of other wilderness territories, mountain trails, rivers, and streams in the area bring much-needed tourist dollars and act as a magnet to companies and workers looking to relocate.



Billings has an extensive school system, with 24 school buildings in total. Billings has three public High Schools, Billings West, Billings SR., and Skyview High School, in total enrolling 5,601 students, grades 9-12. They also have four private High Schools, Billings Central Catholic, Billings Christian School, Yellowstone Academy, and New Life Assembly School, enrolling a total of 644 students. Billings has four middle schools, Castle Rock, Lewis & Clark, Riverside, and Will James. These middle schools enroll only students from grades 7 and 8, with a total enrollment of 2,430 students. Lockwood school is a public middle school enrolling 429 students in grades 6-8. Billings has four public grade schools, Eagle Cliffs, Meadowlark, Big Sky, and Sandstone. In total, these schools enroll 1,950 students in grades PK- 6. Lockwood Primary school enrolls children ages PK-02, with 439 students in total.



Billings also has seven private primary/middle schools, all differing in the number of grades they have. St. Francis Primary School has 283 students in grads PK-2; St. Francis School- Intermediate has 185 students in grades 3-5; and St Francis Upper School has 243 students in grades 6-8. Trinity Lutheran School, Billings Montessori School, Central Acres SDA School, and Apostles Lutheran School all have grades KG-8 with a total of 386 students in all.

Along with all of the Grade Schools and High Schools, Billings also has Montana State University- Billings (MSUB). MSUB was established in 1927 and is located on a 112 acre campus. They offer over 100 programs of study, and with an enrollment of 4,600, they have an average class size of 25.

Huntley, MT

Huntley, Montana, with an estimated 2000 population of 411 lent its name to the Huntley Project, a federal irrigation project that began delivering water to the arid district in 1907.

Today, Huntley is an eastern suburb of Billings and is located east of Shepherd and west of Worden.

This settlement in arid Crow Indian country was named for S.O. Huntley, a partner in the stagecoach firm of Clark & Huntley. It was located at the head of navigation on the Yellowstone River. The first steamboat, the packet *Josephine*, arrived June 6, 1875, but river trade was infrequent. A U.S. post office was established in March 1878. The 1880 Census found only 37 people living in Huntley.



Surveying for a railroad led to the so-called "Baker Battle" between Sioux Indians and Army engineers in 1872. The Northern Pacific Railroad arrived in 1882, connecting the town to the new city of Billings. Three years later the town called "Huntley Station" had two stores, a hotel, and a blacksmith. German immigrants were prominent among the new settlers, who established Lutheran and German Methodist churches.

In 1905 the United States Bureau of Reclamation began an irrigation project, called the Huntley Project, on lands that had been part of the Crow Indian Reservation until 1904. The town of Huntley was incorporated into the project along with the new railroad towns of Ballantine, Worden, and Pompey's Pillar, all founded in 1907.

Worden, MT

Worden, Montana, with an estimated population of 506 is located along Highway 312 in Yellowstone County.

Worden is located on land designated in 1868 as part of the Crow Indian Reservation. When the Northern Pacific Railroad was surveyed and built in the early 1880s, a station called "Clermont" was supposedly built 21 miles from Billings, just across the tracks from present-day Worden.



The town of Worden was mapped out in 1907 as part of the Huntley Project.

Irrigation transformed the area into an agricultural district and attracted immigrants. The town had a German Congregational church and a Methodist church. A newspaper, *The Yellowstone*, was based there.

Worden is home to a number of restaurants, bars, stores, churches, and other services. It is also the home of the Huntley Project School System, consisting of an elementary,



junior high, and high school. Huntley Project High School's team name is the "Red Devils." The Huntley Project School System enrolls 782 students in total.

Both the closest hospital and the closest commercial airport are located in Billings, about 20-25 miles away.

Ballantine, MT

Ballantine, Montana, with an estimated population of 346, is located in Yellowstone County and is approximately 29 miles from Billings, the county seat. Ballantine was founded in 1907 as a town site within the Huntley Project, formerly part of the Crow Indian Reservation. Irrigation slowly changed the sagebrush landscape into farms growing sugar beets, alfalfa, and other crops. The population grew slowly and included many European immigrants. Both Catholic and Lutheran religious services were held here, and a Congregational Church was built.



Huntley Project was authorized in 1905 by the Secretary of the Interior. Initially the project consisted of a series of canals with no diversion structure. However, increased water demands and expansion in the area necessitated the construction of Huntley Diversion Dam in 1934. The dam itself extends over 300 feet to cross the south main channel of the Yellowstone River.

Huntley Project supplies water to a little over 30,000 acres of agricultural land as well as providing the communities of Huntley, Ballantine, Worden, and Pompeys Pillar with municipal water (Bureau of Reclamation and Montana Fish Wildlife and Parks 1999).

While agriculture is the most prominent industry in the Ballantine area, other popular industries include Construction, Sales, Health Care, Education, and Coal and Petroleum Production. The closest hospital and commercial airport are located in Billings, along with all other primary services, such as government office, shopping, and education.

3) Carbon County

Carbon County is located in south central Montana. Carbon County was created on March 4, 1895 from portions of Park and Yellowstone counties and includes an area of 2,066 square miles and a population density of 4.8 per square mile. In the last three decades of the 1900s its population grew by 34.9%. On the 2000 census form, 99.0% of the population reported only one race, with 0.3% of these reporting African-American. The population of this county is 1.8% Hispanic (of any race). The average household size is 2.32 persons compared to a country average family size of 2.86 persons.



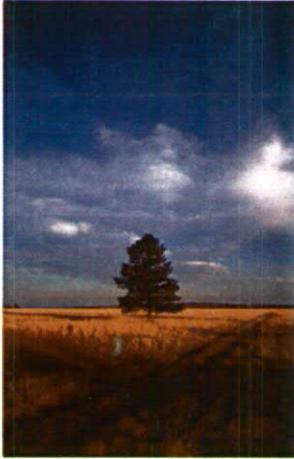
The county seat is located in Red Lodge; other towns located within Carbon County include Bearcreek, Belfry, Bridger, Fromberg, Edgar, Silesia, Joliet, Boyd, Roberts, Luther and Roscoe. As of 2000, the population was 9,552. To the south and west lie the scenic Beartooth Mountains whose lofty peaks include Montana's highest, Granite Peak with an elevation of 12,799 feet. Flowing from the mountains, the Clark's Fork of the Yellowstone River meanders through central portions of the county. On the eastern edge of the county are the Pryor Mountains and the Big Horn River. Carbon County borders Wyoming on its south edge, and was named for the abundant coal life found within its borders.

Lakes located within Carbon County are Sky Pilot Lake, Crazy Lakes, Russell Lake, Marker Lake, Cradle Lake, Mariane Lake, Kookoo Lake, and Gravel Lake. Other notable streams and creeks located within the county are Hoodoo Creek, Hogan Creek, Hemingway Creek, Clear Creek, Seeley Creek, Heifer Creek, Senia Creek, Harney Creek, and Ellis Creek.



Carbon County has five State Parks located within its boundaries and they are Pryor Mountains Historical Marker, Pryor Mountain Wild Horse Range, Jim Bridger Mountain Man Historical Marker, Cooney Reservoir State Park, and Smith Mine Disaster Historical Marker.

The top industries which are providing employment within Carbon County are Educational, health and social services, Agriculture, forestry, fishing and hunting, and mining, Arts, entertainment, recreation, accommodation and food services. The fastest growing occupations in Carbon County are social and human service assistants, computer software engineers, milling and planning machine setters, and hunters and trapper. The fastest growing industries in Carbon County are Education Support Services, Technical and Trade Schools, Leather and Allied Production Manufacturing, Compute and



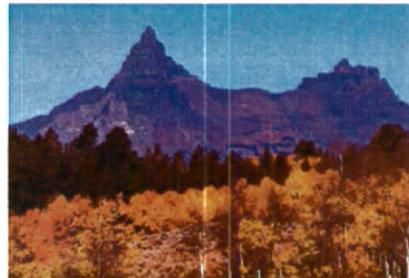
Electronic Production, and Machinery Manufacturing. As of January of 2007, the number of employed citizens was 5,231, with an unemployment rate of 3.0%.

Carbon County has twelve School Systems, which are Belfry K-12, Boyd Elementary, Bridger K-12 schools, Edgar Elementary, Fromberg Elementary, Fromberg High School, Joliet Elementary and High School, Luther Elementary, and Red Lodge Elementary and High School.

Carbon County has six medical facilities located within its boundaries. These are Billings Clinic- Red Lodge, Carbon County Memorial Hospital, Carbon County Memorial Nursing Home, Cedar Wood Villa, Clarks Fork Medical Center, and Mountain View Medical Center. Most of these facilities are located within Red Lodge.

Red Lodge, MT

Red Lodge, Montana, with an estimated population of 2,177 is a resort and ranching community with a colorful past that looks onto 28 peaks rising over 12,000 feet. This small alpine town is nestled in the foothills of the Beartooth Mountains and is surrounded by Custer National Forest. Many of the downtown businesses are locally owned and listed on the National Register of Historic Places. Many of the buildings housing these businesses were built between 1880 and 1915.



Carbon County Historical Society Museum highlights historic Red Lodge with Greenough rodeo collection, extensive historical gun collection, interactive coal mine exhibit and more. The museum is a valuable resource for those who have an interest in looking into the coal mining activities of this country. Mining defined Red Lodge, and this small town tucked away in the middle of the mountain ranges managed to become an important source for coal in the early part of this century. Annually celebrated for over 50 years, the Red Lodge Festival of Nations continues to honor its roots as a coal mining town through the diverse ethnic groups that worked and settled the area.



Red Lodge Mountain Resort is known for its friendly people, great spring skiing, and its 18-hole public golf course beneath the Beartooth Mountains.

Red Lodge's Beartooth Nature Center is a nonprofit, educational center with over 100 native wild animals

that cannot be returned to the wild. This is the only facility of its kind in the state. View and pet native wild and domestic animals such as elk, deer, pronghorns, bears, mountain lions, wolves, bobcats, foxes, farm animals and more.

Designated a National Scenic Byway, the Beartooth Highway is one of the most beautiful drive in America. Reaching heights of nearly 11,000 feet, this 53.7-mile, three-hour drive offers sky top views of snowcapped peaks, glaciers, alpine lakes and plateaus. Recreation opportunities are abundant in the area traversed by the Byway. Visitors can cross-country ski in June and July; hike across the broad plateaus; view and photograph wildlife.



The more popular industries in Red Lodge include Construction, Services, Retail Trade, Manufacturing, and Wholesale Trade. The top four employers in Red Lodge are the Red Lodge Mountain Resort, Beartooth Hospital and Health Care, Rock Creek Resort, and Beartooth IGA. The two fastest expanding companies in Red Lodge are the Freemont Motors and National Park Reservations.

Red Lodge has one High School, one Middle School, and two elementary schools, Mountain View and Roosevelt; in total they enroll 425 students.

4) Montana General Data

Montana is a state in the Western region of the United States of America. The western two-thirds of the state have numerous mountain ranges (approximately 77 named) of the northern Rocky Mountains; thus the state's name, derived from the Spanish word montaña 'mountain.' The state nickname is the "Treasure State." Other nicknames include "Land of Shining Mountains", "Big Sky Country", and the slogan "the last best place". The state ranks fourth in area, but 44th in population, and therefore has the third lowest population density in the United States. The economy is primarily based on agriculture and significant lumber and mineral extraction. Tourism is also important to the economy, with millions of visitors a year to Glacier National Park, the Battle of Little Bighorn site, and three of the five entrances to Yellowstone National Park.

With a land area of 145,552 square miles (376,978 km²) the state of Montana is the fourth largest in the United States (after Alaska, Texas, and California). To the north, Montana and Canada share a 545 mile (877 km) border. The state borders the Canadian provinces of British Columbia, Alberta, and Saskatchewan, more provinces than any other state. To the east, the state borders North Dakota and South Dakota. To the south is Wyoming and to the west and southwest is Idaho.

The topography of the state is diverse, but roughly defined by the Continental Divide, which runs on an approximate diagonal through the state from northwest to south-central, splitting it into two distinct eastern and western regions. Montana is well known for its

mountainous western region, part of the northern Rocky Mountains. However, about 60% of the state is actually prairie, part of the northern Great Plains. Nonetheless, even east of the Continental Divide and the Rocky Mountain Front, there are a number of isolated "Island Ranges" that dot the prairie landscape.

The Bitterroot Mountains divide the state from Idaho to the west with the southern third of the range blending into the Continental Divide. Mountain ranges between the Bitterroots and the top of the Continental Divide include the Cabinet Mountains, the Missions, the Garnet, Sapphire, Flint Creek, and Pintlar ranges.

The northern section of the Divide, where the mountains give way rapidly to prairie, is known collectively as the Rocky Mountain Front and is most pronounced in the Lewis Range located primarily in Glacier National Park. Due to the configuration of mountain ranges in Glacier National Park, the Northern Divide (which begins in Alaska's Seward Peninsula) crosses this region and turns east in Montana at Triple Divide Peak. Thus, the Waterton, Belly, and Saint Mary rivers flow north into Alberta, Canada, joining the Saskatchewan River and ultimately emptying into Hudson Bay.

East of the Divide, several parallel ranges march across the southern half of the state, including the Gravelly Range, the Tobacco Roots, the Madison Range, Gallatin Range, Big Belt Mountains, Bridger Mountains, Absaroka Mountains, and the Beartooth Mountains. The Beartooth Plateau is the largest continuous land mass over 10,000 feet (3,000 m) in the lower 48 states and contains the highest point in the state, Granite Peak, 12,799 feet (3,901 m) high.

Between the mountain ranges are many scenic valleys, rich in agricultural resources and rivers, and possessing multiple opportunities for tourism and recreation. Among the best-known areas are the Flathead Valley, Bitterroot Valley, Big Hole Valley, and Gallatin Valley.

East and north of this transition zone are expansive sparsely populated Northern Plains, with rolling tableland prairies, "island" mountain ranges, and scenic badlands extending into the Dakotas, Alberta, Saskatchewan, and Wyoming. The isolated island ranges east of the Divide include the Castle Mountains, Crazy Mountains, Little Belt Mountains, Snowy Mountains, Sweet Grass Hills, Bull Mountains. The Pryor Mountains South of Billings and, in the southeastern corner of the state near Ekalaka, the Long Pines and Short Pines.

The area east of the divide in the north-central portion of the state is known for the dramatic Missouri Breaks and other significant rock formations. Three stately buttes south of Great Falls are familiar landmarks. These buttes, Square Butte, Shaw Butte, and Crown Butte, are made of igneous rock, which is dense and has withstood weathering for many years. The underlying surface consists of shale. Many areas around these buttes are covered with clay surface soils. These soils have been derived from the weathering of the Colorado Formation. Farther east, areas such as Makoshika State Park near Glendive, and

Medicine Rocks State Park near Ekalaka also highlight some of the most scenic badlands regions in the state.

Montana also contains a number of rivers, many of which are known for "blue-ribbon" trout fishing, but which also provide most of the water needed by residents of the state, as well as being a source of hydropower. Montana is the only state in the union whose rivers form parts of three major North American watersheds: The Pacific Ocean, the Gulf of Mexico, and Hudson Bay which are divided atop Triple Divide Peak in Glacier National Park.

West of the divide, the Clark Fork of the Columbia (not to be confused with the Clarks Fork of the Yellowstone River) rises in the Rocky Mountains near Butte and flows northwest to Missoula. There it is joined by the Blackfoot River and Bitterroot River and further downstream by the Flathead River before entering Idaho near Lake Pend Oreille, becoming part of the Columbia River, which flows to the Pacific Ocean. The Clark Fork discharges the greatest volume of water of any river exiting the state. The Flathead River and Kootenai River also drain major portions of the western half of the state.

East of the divide, the Missouri River, formed by the confluence of the Jefferson, Madison, and Gallatin rivers, crosses the central part of the state, flows through the Missouri breaks and enters North Dakota. The Yellowstone River rises in Yellowstone Park in Wyoming, flows north to Livingston, Montana, where it then turns east and flows across the state until it joins the Missouri River a few miles east of the North Dakota boundary. The Yellowstone River is the longest undammed, free-flowing river in North America. Other major Montana tributaries of the Missouri include the Milk, Marias, Tongue, and Musselshell Rivers. Montana also claims the disputed title of possessing the "world's shortest river," the Roe River, just outside Great Falls, Montana. These rivers ultimately join the Mississippi River and flow into the Gulf of Mexico.

Water is of critical importance to the state for both agriculture and hydropower. In addition to its rivers, the state is home to Flathead Lake, the largest natural fresh-water lake in the United States west of the Great Lakes. Man-made reservoirs dot Montana's rivers, the largest of which is Fort Peck Reservoir, on the Missouri river, contained by the largest earth-filled dam in the world.

Vegetation of the state includes ponderosa pine, lodgepole pine, larch, fir, spruce, aspen, birch, red cedar, ash, alder, rocky mountain maple and cottonwood trees. Forests cover approximately 25% of the state. Flowers native to Montana include asters, bitterroots, daisies, lupins, poppies, primroses, columbine, lilies, orchids and dryads. Several species of sagebrush and cactus and many species of grasses are common. Many species of mushrooms and lichens are also found in the state.

Montana contains Glacier National Park and portions of Yellowstone National Park, including three of the Park's five entrances. Other federally recognized sites include the Little Bighorn National Monument, Bighorn Canyon National Recreation Area, Big Hole National Battlefield, Lewis and Clark Caverns, and the National Bison Range. Montana

has eight National Forests and over 20 National Wildlife Refuges. The Federal government administers 36,000,000 acres (146,000 km²). 275,000 acres (1,100 km²) are administered as state parks and forests.

Several Indian reservations are located in Montana: Fort Peck Indian Reservation, Fort Belknap Indian Reservation, Northern Cheyenne Indian Reservation, Crow Indian Reservation, Rocky Boy's Indian Reservation, Blackfeet Indian Reservation, and the Flathead Indian Reservation.

Climate

Montana is a large state with considerable variation in geography, and so the climate is equally varied. The western half is mountainous, interrupted by numerous large valleys. Eastern Montana is plains, badlands, broken by hills and isolated mountain ranges, and has a continental climate. The Continental Divide runs north-south through the western mountainous half, and has a large effect on the climate. It restricts the flow of warmer air from the Pacific from moving east, and cooler, drier continental moving west. West of the divide the climate is described as modified northern Pacific coast climate, with milder winters, cooler summers, less wind, and a longer growing season. In the winter Valley fog and low clouds often form in the valleys west of the divide, but this is rarely seen in the east.

Average daytime temperatures vary from 28 degrees in January to 84.5 degrees in July. The variation in geography leads to great variation in temperature. Hot weather occurs in the eastern plains on occasion; the highest observed being 117° at Glendive on July 20, 1893, and Medicine Lake on July 5, 1937. Throughout the state summer nights are generally cool and pleasant. Temperatures decrease with altitude, and hot weather is unknown above 4,000 ft (1,200 m). Snowfall is not unknown any month of the year in the central part of Montana, but is quite rare in July and August.

The coldest temperature on record for Montana is the coldest temperature for the entire continental U.S. On January 20, 1954 -70 °F was recorded at a gold mining camp near Rogers Pass. Temperatures vary greatly on such cold nights, and Helena, 40 miles (64 km) to the southeast had a low of only -36 °F (-37.8 °C). Winter cold spells last a week or so. They are the result of cold continental air coming south from Canada. The front is often well defined, causing a large temperature drop in a 24 hour period. Conversely, air flow from the southwest results in "Chinooks". These steady 25-50mph (or more) winds can suddenly warm parts of Montana, especially areas just to east of the mountains, where temperatures sometimes rise into the 50's and 60's.

Average annual precipitation is 15 inches (380 mm), but great variations are seen. The mountain ranges block the moist Pacific air, holding moisture in the western valleys, and creating rain shadows to the east. Heron in the west receives the most precipitation, 34.70 inches. On the east side of a mountain range the valleys are much drier; Lonepine averages 11.45, and Deer Lodge 11.00 inches of precipitation. The mountains themselves can get over 100 inches (2,500 mm), for example the Grinnell Glacier in Glacier National

Park gets 105 inches (2,700 mm). Perhaps the driest is an area southwest of Belfry that averaged only 6.59 inches (167 mm) over a 16 year period. Most of the larger cities get 30 to 50 inches (1,300 mm) of snow each year. Mountain ranges themselves can accumulate 300 inches (7,600 mm) of snow during a winter. Heavy snowstorms can occur as early as September or as late as May, but most snow falls from November to March.

The climate has become warmer in Montana and continues to do so. The glaciers in Glacier National Park have receded and are predicted to melt away completely in a few decades. Many Montana cities set heat records during July 2007, the hottest month ever recorded in Montana. Winters are warmer, too, and have fewer cold spells. Previously these cold spells had killed off bark beetles which are now attacking the forests of Western Montana. The combination of warmer weather, attack by beetles, and mismanagement during past years has led to a substantial increase in the severity of forest fires in Montana.

History

Native Americans were the first inhabitants of the state of Montana. Groups included the Crow in the south-central area, the Cheyenne in the southeast, the Blackfeet, Assiniboine and Gros Ventres in the central and north-central area and the Kootenai and Salish in the west. The smaller Pend d'Oreille and Kalispel tribes lived near Flathead Lake and the western mountains, respectively.

Montana east of the continental divide was part of the Louisiana Purchase in 1803. Subsequent to the Lewis and Clark Expedition and after the finding of gold and copper (see the Copper Kings) in the state in the late 1850s, Montana became a United States territory (Montana Territory) on May 26, 1864, and the 41st state on November 8, 1889.

Fort Shaw (Montana Territory) was established in Spring 1867. It is located west of Great Falls in the Sun River Valley and was one of three posts authorized to be built by Congress in 1865. The other two posts in the Montana Territory were Camp Cooke on the Judith River and Fort C.F. Smith on the Bozeman Trail in south central Montana Territory. Fort Shaw, named after Colonel Robert Gould Shaw, who commanded the 54th Massachusetts, one of the first all African-American regiments, during the American Civil War, was built of adobe and lumber by the 13th Infantry. The fort had a parade ground that was 400 ft² (120 m²), and consisted of barracks for officers, a hospital, and a trading post, and could house up to 450 soldiers. Completed in 1868, it was used by military personnel until 1891.

After the close of the military post, the government established Fort Shaw as a school to provide industrial training to young Native Americans. The Fort Shaw Indian Industrial School was opened on April 30, 1892. The school had at one time 17 faculty members, 11 Indian assistants and 300 students. The school made use of over 20 of the buildings built by the Army.

The revised Homestead Act of the early 1900s greatly affected the settlement of Montana. This act expanded the land that was provided by the Homestead Act of 1862 from 160 acres (0.6 km²) to 320 acres (1.3 km²). When the latter act was signed by President William Howard Taft, it also reduced the time necessary to prove up from five years to three years and permitted five months' absence from the claim each year.

In 1908, the Sun River Irrigation Project, west of Great Falls was opened up for homesteading. Under this Reclamation Act, a person could obtain 40 acres (16 ha). Most of the people who came to file on these homesteads were young couples who were eager to live near mountains where hunting and fishing were good. Many of these homesteaders came from the Midwest and Minnesota.

Montana was the scene of the Native Americans' last effort to keep their land, and the last stand of U.S. Army Lieutenant Colonel George Armstrong Custer was fought near the present day town of Hardin. Montana was also the location of the final battles of the Nez Perce Wars.

Cattle ranching has long been central to Montana's history and economy. The Grant-Kohrs Ranch National Historic Site in Deer Lodge Valley is maintained as a link to the ranching style of the late 19th century. It is operated by the National Park Service but is also a 1,900 acre (7.7 km²) working ranch.

Demographics

As of 2006, Montana has an estimated population of 997,670, which is an increase of 8,750, or 0.9%, from the prior year and an increase of 33,475, or 3.7%, since the year 2000. This includes a natural increase since the last census of 13,674 people (that is 58,001 births minus 44,327 deaths) and an increase due to net migration of 21,074 people into the state. Immigration from outside the United States resulted in a net increase of 2,141 people, and migration within the country produced a net increase of 18,933 people. 16,500 of state residents are foreign-born, accounting for 1.8% of the total population.

According to the 2000 U.S. Census, 94.8% of the population aged 5 and over speak English at home.

While German ancestry is the largest reported European-American ancestry in most of Montana, residents of Scandinavian ancestry are prevalent in some of the farming-dominated northern and eastern prairie regions. There are also several predominantly Native American counties, mostly around each of the seven Indian reservations. The historically mining-oriented communities of western Montana such as Butte have a wider range of ethnic groups, particularly people of Eastern European and Irish ancestry, as well as people who originally emigrated from British mining regions such as Cornwall. Montana is second only to South Dakota in U.S. Hutterite population with several colonies spread across the state. Many of Montana's historic logging communities originally attracted people of Scandinavian and Scots-Irish descent. Montana's Hispanic

population is particularly concentrated around the Billings area in south-central Montana, and the highest density of African-Americans is located in Great Falls.

Economy

The Bureau of Economic Analysis estimates that Montana's total state product in 2003 was \$26 billion. Per capita personal income in 2003 was \$25,406, 47th in the nation. However, this number is rapidly increasing. According to the Missoulian, the economy has grown rapidly since 2003; in 2005, Montana ranked 39th in the nation with an average per capita personal income of \$29,387.

The economy is primarily based on agriculture--wheat, barley, sugar beets, oats, rye, seed potatoes, honey, cherries, cattle and sheep ranching -- and significant lumber and mineral extraction (gold, coal, silver, talc, and vermiculite). Tourism is also important to the economy with millions of visitors a year to Glacier National Park, Flathead Lake, the Missouri River headwaters, the site of the Battle of Little Bighorn and three of the five entrances to Yellowstone National Park.

Montana's personal income tax contains 7 brackets, with rates ranging from 1% to 6.9%. Montana has no sales tax. In Montana, household goods are exempt from property taxes. However, property taxes are assessed on livestock, farm machinery, heavy equipment, automobiles, trucks, and business equipment. The amount of property tax owed is not determined solely by the property's value. The property's value is multiplied by a tax rate, set by the Montana Legislature, to determine its taxable value. The taxable value is then multiplied by the mill levy established by various taxing jurisdictions -- city and county government, school districts and others.

Transportation

Railroads have been an important method of transportation in Montana since the 1880s. Historically, the state was traversed by the main lines of three east-west transcontinental routes: the Milwaukee Road, the Great Northern, and the Northern Pacific. Today, the BNSF Railway is the state's largest railroad, its main transcontinental route incorporating the former Great Northern main line across the state. Montana RailLink, a privately-held Class II railroad, operates former Northern Pacific trackage in western Montana.

In addition, Amtrak's Empire Builder train runs through the north of the state, stopping in the following towns: Libby, Whitefish, West Glacier, Essex, East Glacier Park, Browning, Cut Bank, Shelby, Havre, Malta, Glasgow, and Wolf Point.

Montana's three largest commercial airports serve Bozeman, Billings, and Missoula; smaller airports in Kalispell, Helena, and Butte also serve multiple commercial carriers. Eight smaller communities have airports designated for commercial service under the Essential Air Service program.

Historically, the primary east-west highway route across Montana was U.S. Route 10, which connected the major cities in the southern half of the state. Still the state's most important east-west travel corridor, the route is today served by Interstate 90 and Interstate 94. U.S. Routes 2 and 12 and Montana Highway 200 also traverse the entire state from east to west.

Montana's only north-south Interstate Highway is Interstate 15. Other major north-south highways include U.S. Routes 87, 89, 93 and 191.

Law and government

The current Governor is Brian Schweitzer (Democrat) who was sworn in on January 3, 2005. Its two U.S. senators are Max Baucus (Democrat) and Jon Tester (Democrat). Montana's congressional representative is Denny Rehberg (Republican).

The state was the first to elect a female member of Congress (Jeannette Rankin) and was one of the first states to give women voting rights (see suffrage). Despite its sizable American Indian population, Montana is one of the most homogenous states — nearly 90% of its residents are of European descent, with a large number of immigrants of German, Irish, Welsh, English, Italian, Slovak and Scandinavian heritage arriving in the late 19th and early 20th centuries. A significant portion of Chinese (Cantonese) immigrants also came and left an indelible mark on the state, especially in the mining cities of Helena, Butte, and Anaconda.

Politics

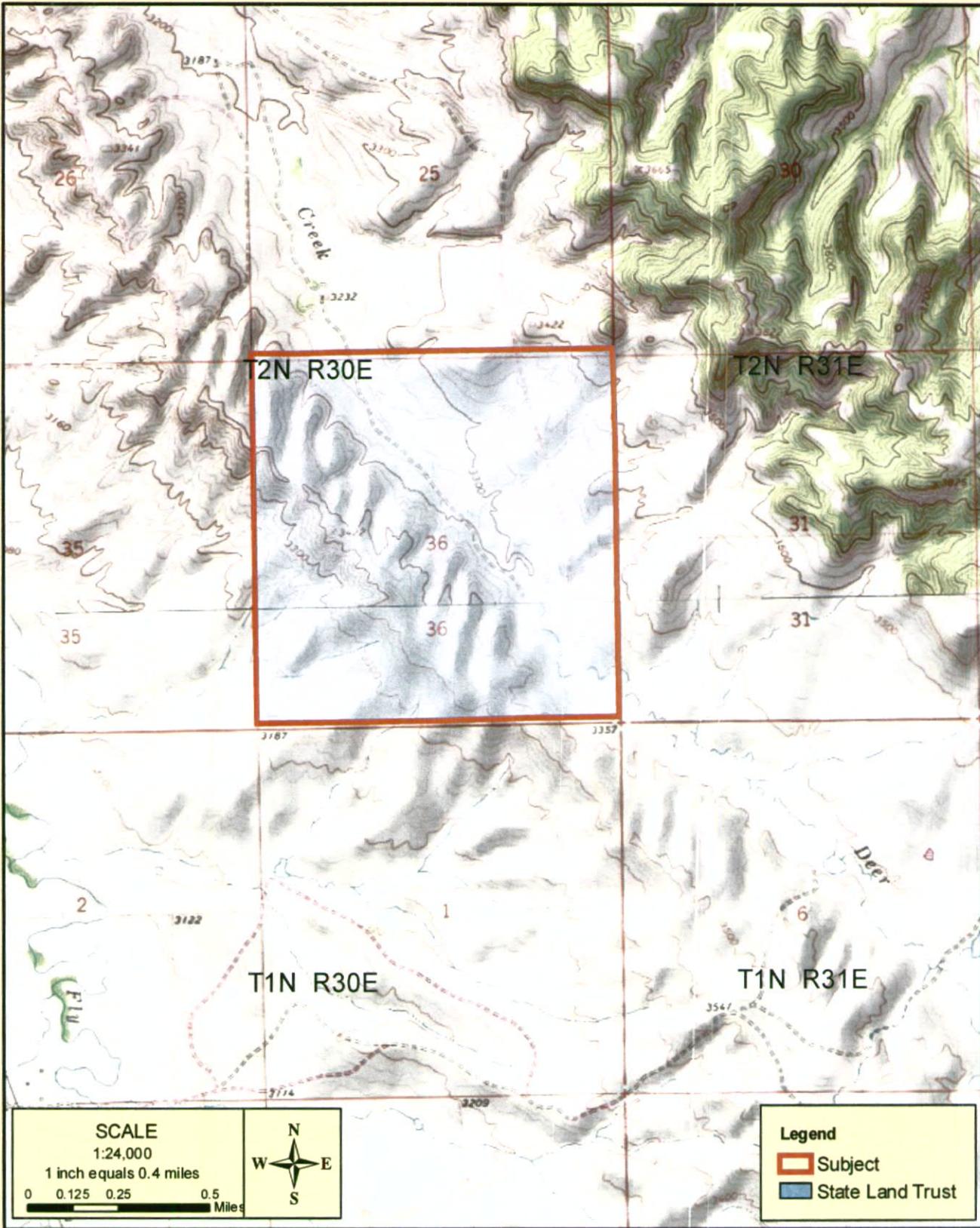
Historically, Montana is a Swing state of cross-ticket voters with a tradition of sending "conservatives to Helena (the state capital) and liberals to Washington." However, there have also been long-term shifts of party control. During the 1970s, the state was dominated by the Democratic Party, with Democratic governors for a 20-year period, and a Democratic majority of both the national congressional delegation and during many sessions of the state legislature. This pattern shifted, beginning with the 1988 election, when Montana elected a Republican governor and sent a Republican to the U.S. Senate for the first time since the 1940s. This shift continued with the reapportionment of the state's legislative districts that took effect in 1994, when the Republican Party took control of both houses of the state legislature, consolidating a party dominance that lasted until 2004. The state last supported a Democrat for president in 1992, Bill Clinton's first election.

In recent years, Montana has been classified as a Republican-leaning state, and the state supported President George W. Bush by a wide margin in 2000 and 2004. However, since the 2000 reapportionment plan went into effect in 2004 the state currently has a Democratic governor (Brian Schweitzer), elected in 2004. In the 2006 midterm elections, Democratic candidate Jon Tester narrowly defeated (by only 3000 votes) incumbent Republican Senator Conrad Burns, one of several crucial races that allowed the Democratic Party to win the majority in the U.S. Senate. Montana's lone US

Representative, Republican Denny Rehberg, easily won reelection. The state Senate is (as of 2007) controlled by the Democrats and the State House of Representatives is controlled by the Republicans.

On April 17th, 2007, Montana became the first state to pass legislation against the federal government's Real ID Act. Gov. Schweitzer signed a bill banning the Montana Motor Vehicle Division from enforcing the new regulations.

(Montana General Data sourced from Wikipedia)



SCALE
 1:24,000
 1 inch equals 0.4 miles
 0 0.125 0.25 0.5 Miles



Legend
 [Red Box] Subject
 [Blue Box] State Land Trust



Land Banking Parcel Appraisal

Land Banking Parcel #35 Big Horn County, Montana

MAP IS INTENDED TO SERVE AS A VISUAL GUIDE
 AND ITS ACCURACY IS NOT WARRANTED

June 2008
 Norman C. Wheeler
 &
 Associates



Bozeman, Montana associates

III. SITE FEATURES AND DESCRIPTION

A. Subject Features and Operation

The subject properties are all isolated tracts of Montana State DNRC Trust lands that vary from 40 to 640 acres. There are a total of seven parcels all located in south central Montana, which span three counties; Big Horn, Yellowstone, and Carbon.

PARCEL #35 - BIG HORN COUNTY

This a square mile, 640-acre parcel of rangeland located about 30 miles east of Billings, south of Pompeys Pillar. The property is open with a few juniper trees on the hillsides, and an occasional cottonwood along the bottom. The southwestern portion of the parcel is the eastern edge of the Fly Creek valley. The parcel is bisected by a ridgeline of gentle hills running northwest to southeast, with a seasonal drainage valley to the east, and foot slopes to the west. This seasonal drainage valley is bordered to the east off the property by a steeper ridgeline of timbered hills which are part of the Pine Ridge Hills. This tract is grassland used for livestock grazing.

This parcel does not have legal public access, and the physical access is undeveloped and considered seasonal and primitive. Recreational amenities on the property are minimal, as there is very little cover for wildlife habitat, and the location is too remote.



Parcel #35



SCALE
1:24,000
1 inch equals 0.4 miles
0 0.125 0.25 0.5 Miles



Legend
 Subject
 _____ Parcels
 State Land Trust



Land Banking Parcel Appraisal

Land Banking Parcel #35 Big Horn County, Montana

MAP IS INTENDED TO SERVE AS A VISUAL GUIDE
AND ITS ACCURACY IS NOT WARRANTED

June 2008
Norman C. Wheeler
&
Associates



Bozeman, Montana associates

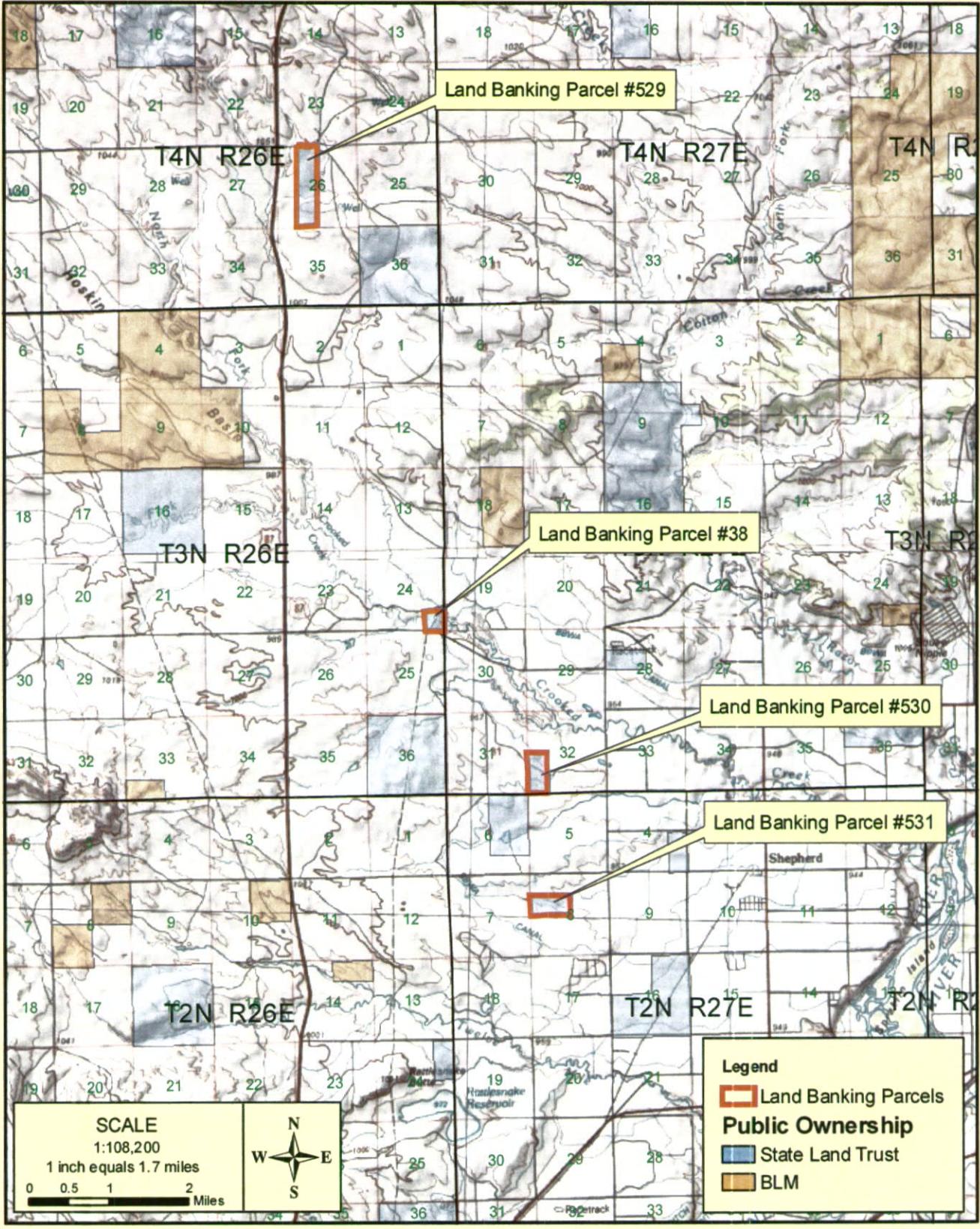
PARCEL #38 - YELLOWSTONE COUNTY

This is the smallest subject parcel at 40 acres. The property is located approximately ten miles north of Billings along Mailbox Road, which is a county maintained year-round gravel road. The parcel is bisected by Crooked Creek, a meandering seasonal creek, which adds relief to the topography, and provides some potential habitat and recreational amenities. An internal access road crosses the entire property with a bridge across the creek.

This parcel has development potential as a rural recreational lot, due to the small size and close proximity to Billings. A buyer could build a home and other buildings, and support a few animals such as horses. The property is close to its terminal use, in that its likely highest and best use is as a single rural residential recreational tract.



Parcel #38



**Land Banking Parcels #38, #529, #530, #531
Yellowstone County, Montana**

MAP IS INTENDED TO SERVE AS A VISUAL GUIDE
AND ITS ACCURACY IS NOT WARRANTED

June 2008
Norman C. Wheeler
&
Associates
Bozeman, Montana





Parcel #38

PARCEL #529 - YELLOWSTONE COUNTY

Parcel #529 is a 160-acre parcel of rangeland located approximately 15 miles north of Billings, just ½ mile east of Highway 87. This parcel was reported to the appraiser to not have legal access, although the appraiser was able to access the parcel from Lindstrom Road across the north boundary of subject. The appraiser believes the parcel does in fact have legal access, and will appraise the property under that condition.

This parcel is bisected by a large power transmission line from east to west through the center of the parcel. There is an access and maintenance easement associated with this power line. The property also includes a portion of a feed lot, which extends much further into the surrounding property. The entire feed lot is approximately 220 acres, with about 25 acres located on the property. Fencing, some boards and paneling for rough feed bunks, and some water development are the extent of the improvements located on the subject parcel associated with the feed lot. These improvements, while having utility for the current operation of the property, do not have an contributory value to the property.



Parcel #529



Parcel #529

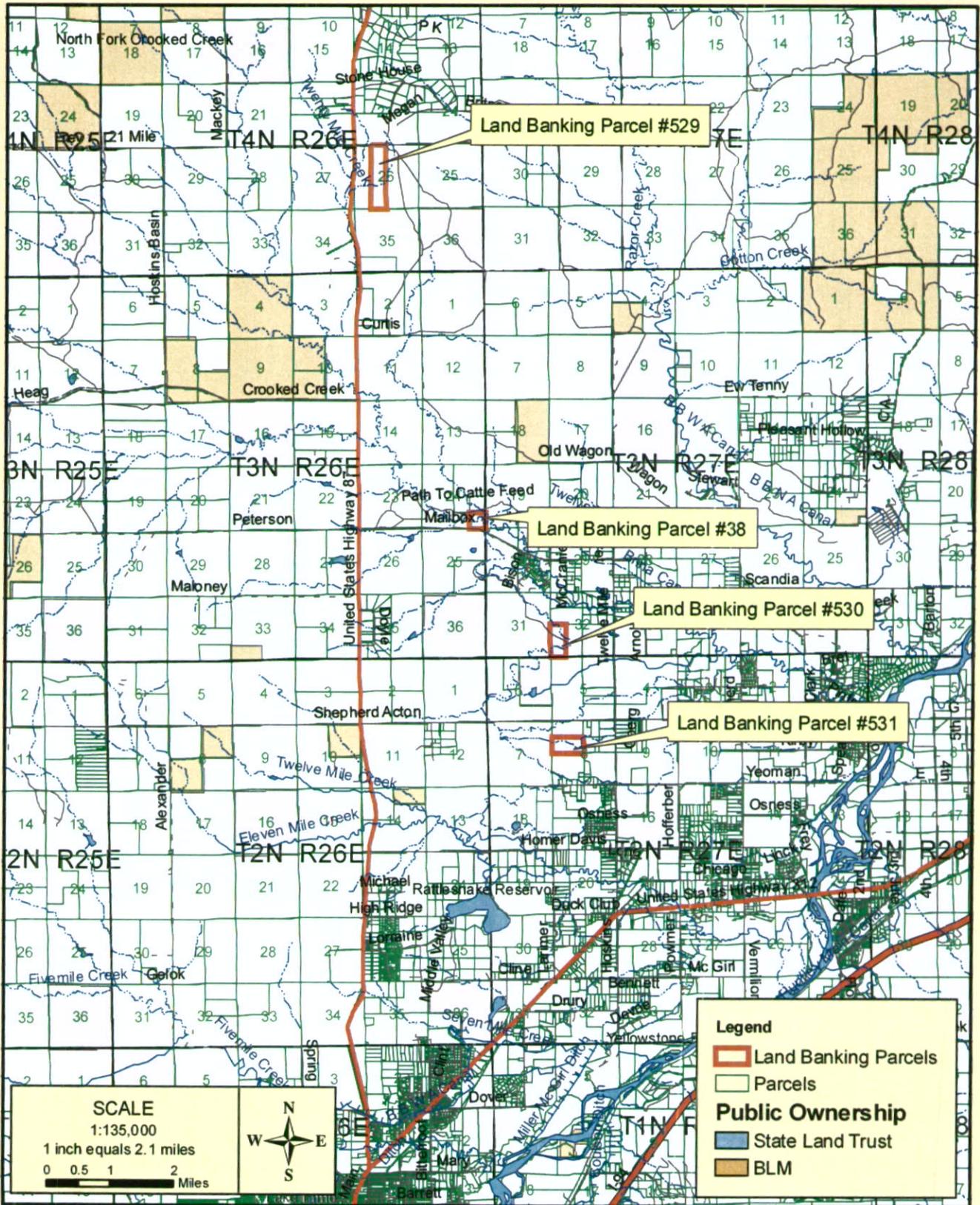
PARCEL #531 - YELLOWSTONE COUNTY

This is another 80-acre parcel of rangeland located about one and a half miles south of Parcel #530. However, this parcel has an extensive amount of alkali. A drainage swale winds across the property, and most of the low lying area is covered in alkali.

There has been recent housing development directly to the southeast of the subject, though this area is higher elevation cropland and not affected by alkali. This parcel also lacks legal access, though county roads and private subdivision roads are close by.



Parcel #531



**Land Banking Parcels #38, #529, #530, #531
Yellowstone County, Montana**

MAP IS INTENDED TO SERVE AS A VISUAL GUIDE
AND ITS ACCURACY IS NOT WARRANTED

June 2008
Norman C. Wheeler
&
Associates



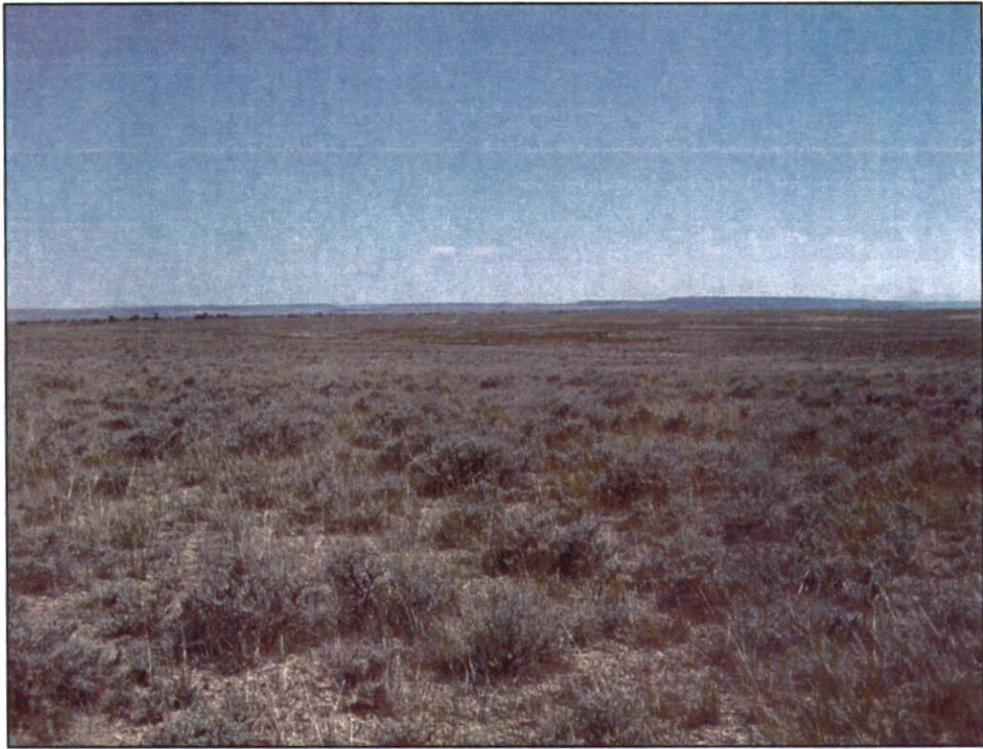
Bozeman, Montana



Parcel #529

PARCEL #530 - YELLOWSTONE COUNTY

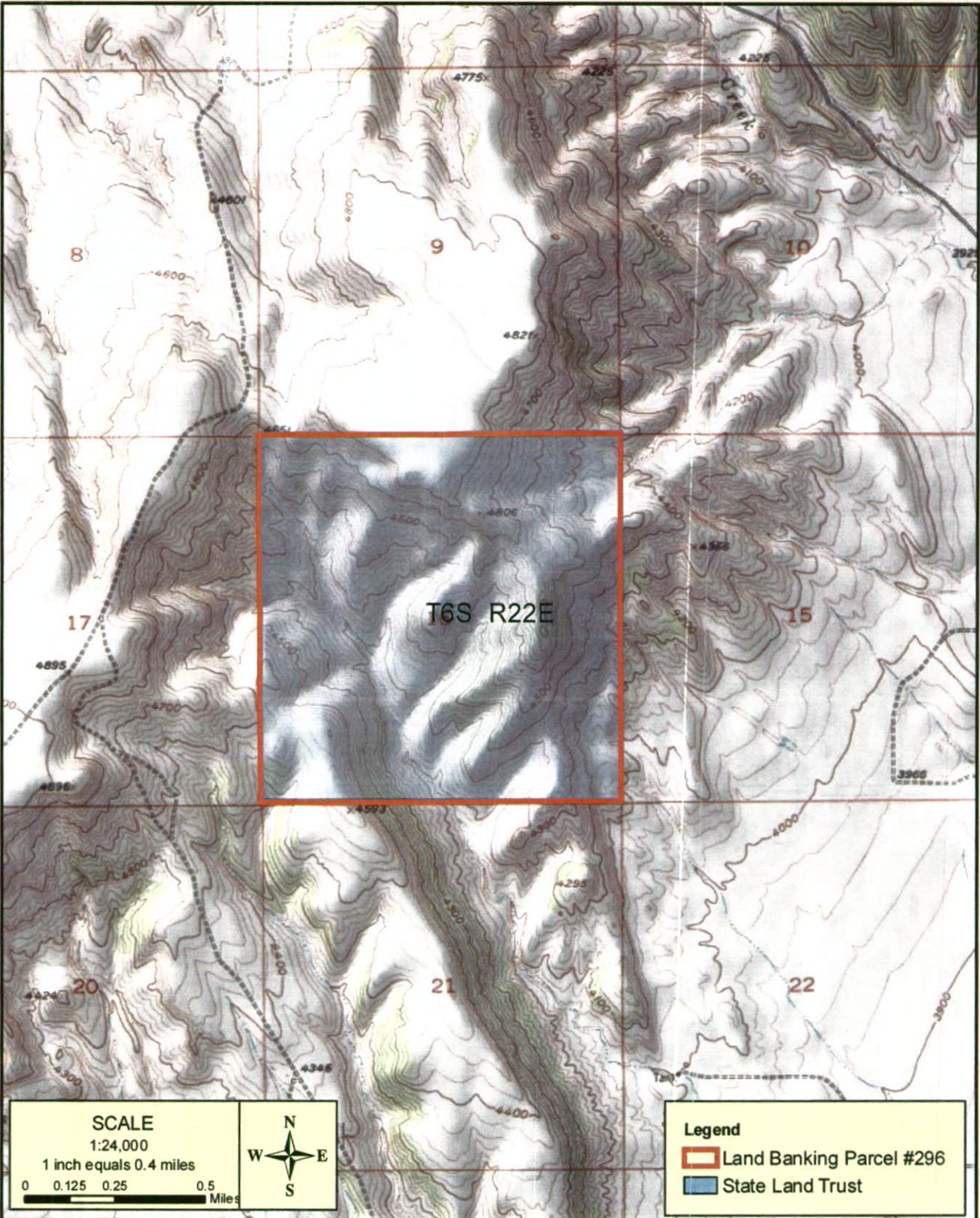
This parcel is an 80-acre tract of rangeland that is not fenced, and is part of a larger pasture, located approximately three miles north of Billings. There is no legal access to the property, and physical access is primitive and undeveloped. An irrigation canal crosses the property in two places, and though the property has no water rights associated with this canal, the canal adds wildlife habitat and aesthetics to the parcel. There is a small area of alkali below the canal on the southeast corner of the property. The property is open, and mainly covered with sage and grasses.



Parcel #530



Parcel #530



Land Banking Parcel #296 Carbon County, Montana

MAP IS INTENDED TO SERVE AS A VISUAL GUIDE
AND ITS ACCURACY IS NOT WARRANTED

June 2008
Norman C. Wheeler
&
Associates



Bozeman, Montana

Land Banking Parcel Appraisal

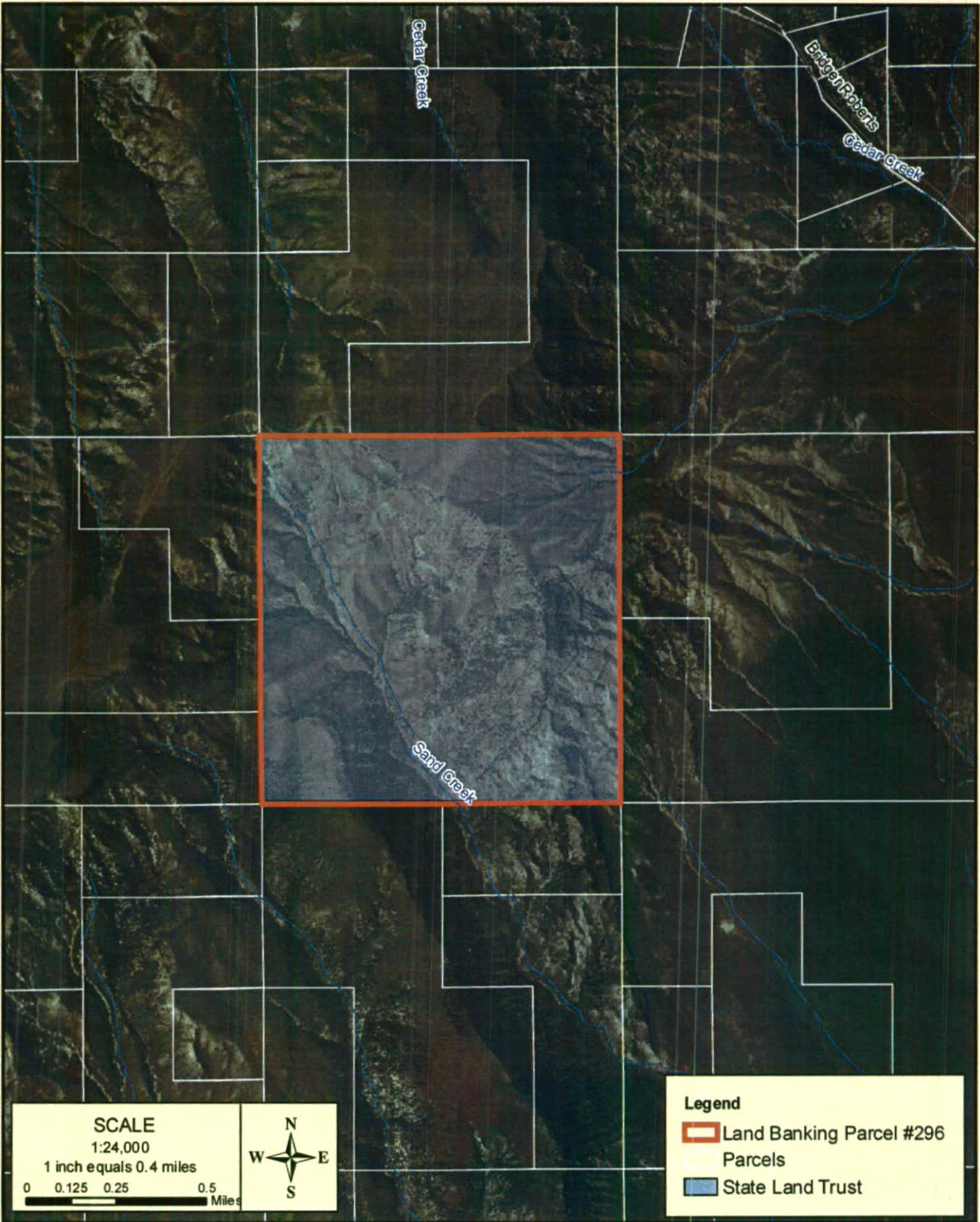


Parcel #531

PARCEL #296 - CARBON COUNTY

Parcel #296 is a 640-acre remote, high elevation timbered mountain unit located approximately 14 miles northeast of Red Lodge. Much of the topography is steep, and access is a few miles of primitive ranch trails through neighboring property. There is no legal access. The roads within the property are very primitive.

The parcel has not been grazed for many years, as there is no stock water on the property, and the forage production value is low. This is a dry area, with low annual precipitation, and shallow mountain soils. This property however has good recreational amenities. Elk frequent the property, and the views are dramatic.



SCALE
1:24,000
1 inch equals 0.4 miles
0 0.125 0.25 0.5 Miles



Legend
 Land Banking Parcel #296
 Parcels
 State Land Trust



Land Banking Parcel #296 Carbon County, Montana

MAP IS INTENDED TO SERVE AS A VISUAL GUIDE
AND ITS ACCURACY IS NOT WARRANTED

June 2008
Norman C. Wheeler
&
Associates



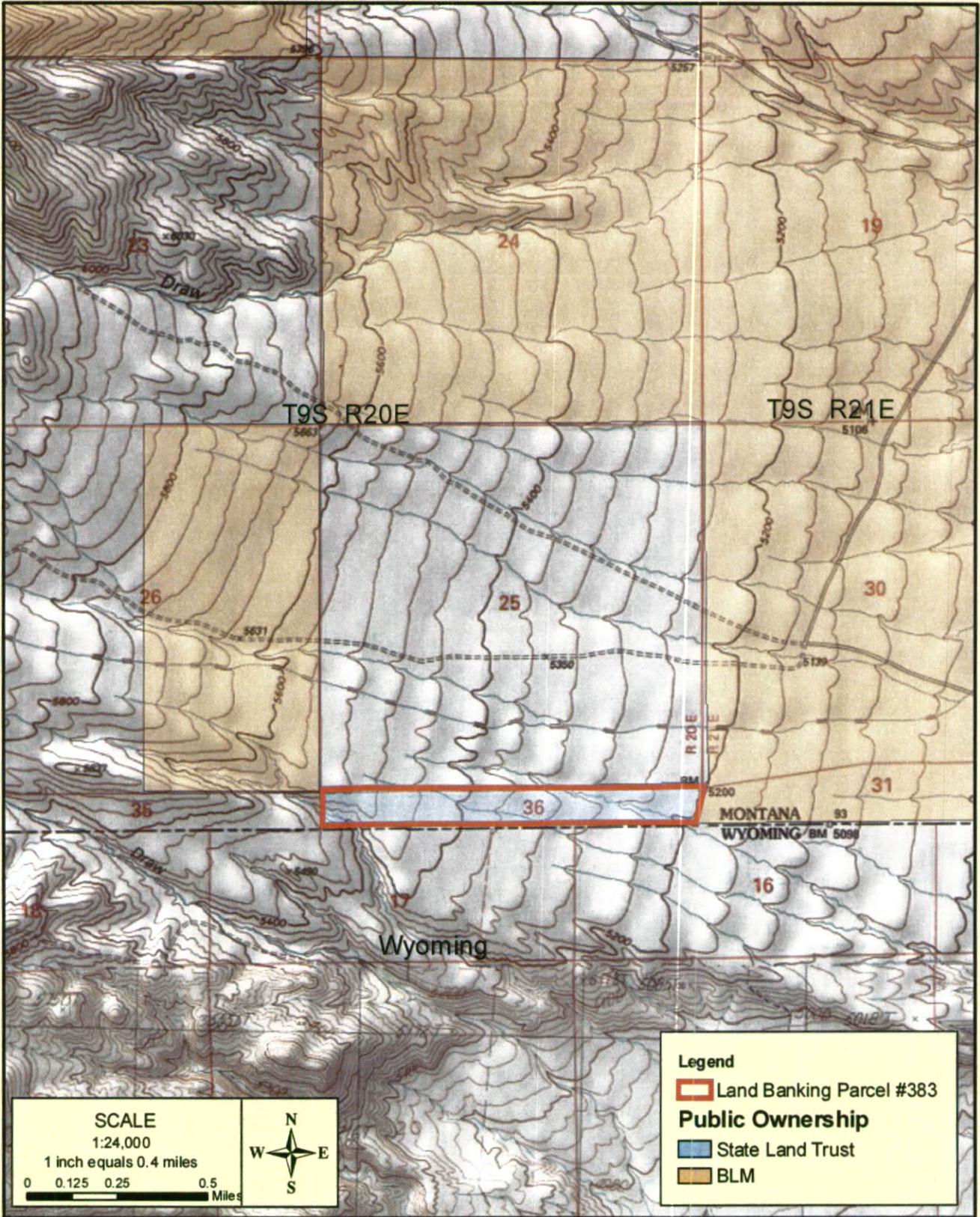
Bozeman, Montana



Parcel 296



Parcel 296



Land Banking Parcel #383 Carbon County, Montana

MAP IS INTENDED TO SERVE AS A VISUAL GUIDE
AND ITS ACCURACY IS NOT WARRANTED

June 2008
Norman C. Wheeler
&
Associates



Bozeman, Montana

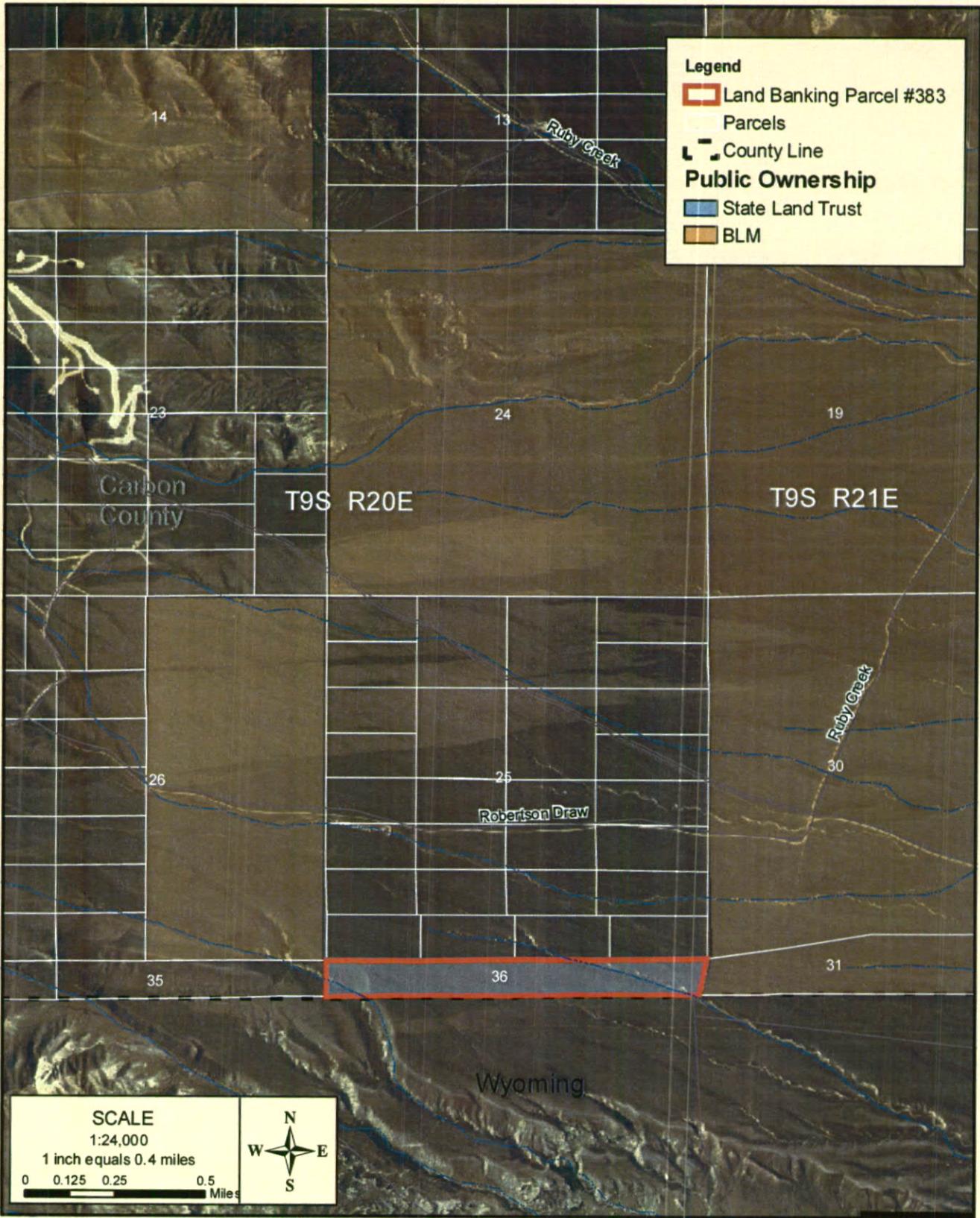


Parcel 296

PARCEL #383 - CARBON COUNTY

This parcel is a 64.47-acre tract of rangeland at the base of the Beartooth Mountains, lying on the Montana/Wyoming border. The property itself is marginal rangeland with no water. However, the proximity to the east face of the Beartooth Mountains is dramatic.

The subject is located approximately 15 miles south of Belfry, Montana, in an area which has experienced substantial small-tract rural development. The area has large tracts of federal BLM lands with sections or smaller areas of private lands. These lands have been subdivided into mostly 20-acre tracts that have been marketed and sold as undeveloped recreational lots. The lots typically do not have water, and access is legal but not physically developed. The subject parcel has legal access only through adjoining BLM land.



Legend

- Land Banking Parcel #383
- Parcels
- County Line
- Public Ownership**
- State Land Trust
- BLM

SCALE
 1:24,000
 1 inch equals 0.4 miles
 0 0.125 0.25 0.5 Miles



**Land Banking Parcel #383
 Carbon County, Montana**

MAP IS INTENDED TO SERVE AS A VISUAL GUIDE
 AND ITS ACCURACY IS NOT WARRANTED

June 2008
 Norman C. Wheeler
 &
 Associates



Bozeman, Montana associates

J. Zoning

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

K. Easements and Encroachments

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

L. Flood Plain

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

M. Hazards and Detriments

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

N. Environmental Audit

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

IV. VALUATION PROCESS

A. Introduction

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

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

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

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

B. Highest and Best Use

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

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

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

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

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

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

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

1. Market Overview

Land in south central Montana has been influenced in value and use by the area's locational, aesthetic, and recreational amenities, and the area has experienced some rural property development that reflect non-agricultural highest and best use considerations. The western inter-mountain United States, particularly Colorado, Wyoming, Idaho, and Montana have been affected by significant rural property development because of the region's geographic, aesthetic, and recreational amenities. Throughout the region, increased demand has depleted supplies of unimproved land. The market has been out of balance and prices continue to rise as demand increases and supply decreases. The area around the subject properties is experiencing increasing investment buying, and is being strongly influenced by 1031 exchange buyers trading into large agricultural operations in the area. This investment buying from outside the historic market is also a factor in highest and best use.



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

older, historic ownerships with low tax bases. Finally, alternative investments are not yielding high rates of return.

Buyers in this area are investors, developers, agricultural expansion buyers, or recreational buyers. Agriculture is still a common land use, and existing agricultural operators will and do purchase expansion lands, though the underlying value is recognized to be the investment value as opposed to agricultural production value. Also, recreational buyers are purchasing lands for the development of recreational farms and ranches. These properties often are then improved with a substantial residence, and become a rural recreational unit.

The larger subject property parcels do have the potential to be subdivided and developed, as does any large parcel. The value of such a property can not be predicated on its theoretic subdivision potential. A subdivision analysis of the property would require a detailed analysis of absorption rates and bulk discount rates and many extraordinary assumptions related to levels of allowed use, which are subject to a complicated and often unclear legal and zoning process. The sales used for valuation herein all have this inherent characteristic and are reflective of how the market views development on larger parcels. The appraisal of each subject parcel is based on the property as a larger parcel.

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

Legally Permissible Uses: The subject parcels are currently comprised of seven separate legal parcels, ranging in size from 40 to 640 acres, all of which are legally conveyable with no further regulatory review process. The two larger 640-acre parcels could be divided further into 160 increments without subdivision review. None of the subject parcels are subject to any zoning or legal land restrictions other than the State of Montana's subdivision regulations that state that subdivision of a property into parcels less than 160 acres in size must pass through a subdivision review process and requires local governmental approval. These subdivisions must also meet general state sanitation requirements.

On the whole, varied uses are legally permissible for the subject parcels and these uses include industrial, commercial, and limited development along with agricultural, recreational, and investment uses.

Physically Possible Uses: Of the legally permissive uses, only a few are generally physically possible on portions of the appraised properties.

Physical qualities influencing utility or appeal of the properties include:

- 1) No contrary easements present physical problems for the subject parcels. Parcel #529 is bisected by a large electrical power transmission line and the associated easements for the maintenance and service of this line. The power

line and its easements do limit the development potential of this parcel, but has a minimal effect on the present agricultural use.

- 2) Each of the subject parcels are individual contiguous units.
- 3) Accessibility varies for the different subject parcels in regards to both legal and physical access. Legal access refers to the legal right for an owner to access a property through or around the neighboring properties. Physical access refers to the physical condition of the access road. Parcels #35, #296, #530, and #531 do not have legal access. Parcel #383 has legal access only through the bordering BLM land, and has no physical road access. Only Parcels #38 and #529 have good physical and legal access.
- 4) The topography of the subject parcels varies from riparian corridor to nearly level dry pastures, to steep and rough foothill rangeland and badlands. The steep slopes do limit some uses, though there is enough level ground to accommodate any and all legal uses.
- 5) The vegetation on the subject parcels consists of mostly open grasslands with some tree cover on the hills, but none of which would hamper alternative uses.
- 6) The some parcels have low-lying riparian corridors with high potentially water tables and is within the flood zone of seasonal creeks and drainages. Building development would be limited in these areas.
- 7) Electrical and telephone utilities are only available to the parcel with good physical access. Generally. The parcels do not have access to utilities.
- 8) The sales data suggests that most of the surface uses in the area are agricultural and recreation oriented. Hay and grazing operations dominate agricultural use.
- 9) There is no apparent mineral development in the subject areas. Sales in this market do not reflect additional consideration for minerals.
- 10) There are no building structures on the subject parcels. The subject properties each have multiple potential building sites.

Commercial, industrial, and many levels of development can be eliminated has uses on the subject parcels do to the physical limitations of access, availability of utilities, and remote locations distance from population centers. Only limited rural developments are physical possible. The physical uses capable on the properties include limited development, investment, recreation, and agricultural uses.

Financially Feasible Uses: Strictly agricultural uses would be eliminated under the financial feasibility test. My research of Montana and the surrounding market area

reveals that values paid for similar properties in the area are exceeding the value that could be sustained solely by agricultural income as evidenced by the capitalization rates of -0.05% to 2.0% on some of the lands. Lands that continue to be more agriculturally oriented are seeing returns of 3.0% to 5.0% annually. This would indicate that the areas with lower capitalization rates are in a state of transition from agriculture to recreational and investment, while the lands with higher capitalization rates are still more agriculturally oriented. The subject parcels are in transitional areas, but are still influenced by agriculture given surface uses in the area. Appreciation rates on these types of tracts continue to average 10% per year. These buyers use agricultural income as a complementing source of income to pay the taxes and maintenance with the augmenting use of investment.

Based on land use in the area, rural recreational and/or residential development could be possible, but without a specific subdivision approval any such analysis would be speculative. It appears that financial feasibility use revolves around investment as an interim agricultural land holding asset with appreciation potential related to recreation and rural development potential. The subject parcels have development potential similar to many of the sales.

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

Maximally Productive Use: A review of the area surrounding the appraised properties reveals that the primary uses of property are typically for agriculture, recreation, and investment. The use of these properties may remain in either traditional agricultural ranching operations or as a combination development/agricultural unit where it is common for a portion of the developed lands to be left in open space and ranched.

The historic agricultural use of many of these properties is often viewed as secondary (at best) to recreation and investment features. As is the case in many areas of Montana, the land use of these rural properties continues to be used for some agricultural purposes even when values required to purchase lands for this use exceed the agricultural income producing capacities of the land. It is apparent that although these properties can remain in agricultural use, the income potential and capability of these properties is often viewed as secondary to their investment potential. Physical use and management provides for the caretaking of the property and maintains the asset for value appreciation. Recreational hunting as a source of operating income may supplement and complement the agricultural income, but is not a basis of market value. These properties have a strong component of speculation.

In my opinion, the use that survived the above tests and would be considered maximally productive is land investment where the properties are transitioning from agriculture to some higher use such as recreation, development, or investment. The physical use is owner directed and not specifically market driven. An owner may choose to develop or hold.

3. Assignment of Highest and Best Use

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

Relative to overall market value, none of the subject parcel's use as an agricultural operation is a basis for market value. But as stated previously, most agricultural and recreational properties in this market are not viable on an income producing basis, and the value is understood to lie in the appreciation of the land as an investment. Demand for such properties is driven by this investment potential, as well as other intangible features such as aesthetics and recreational amenities.

In consideration of the features, location, and indications of the market, I would conclude that the highest and best use of the subject properties are transitioning from agriculture to investment, relative to recreation and development potential. The individual parcels are in different states of this transition. The two smaller parcels, Parcel #38 and Parcel #296, are near or at their terminal highest and best use. The remaining parcels are in transition, where the ultimate highest and best use is unknown. As development proceeds outward from Billings, development will become increasingly possible as a use, but the ultimate level of such development is highly speculative. These parcels are in transition, where the value is higher than the potential for return on agricultural production, and is based on speculative future development potential that is not immediate and is well into the future.

Therefore, as of July 11, 2008, the highest and best use of the subject properties, is as follows:

- Parcel #35 = Transitional Agriculture
- Parcel #38 = Rural Residential
- Parcel #529 = Transitional Agriculture
- Parcel #530 = Transitional Agriculture
- Parcel #531 = Transitional Agriculture
- Parcel #296 = Recreational Investment
- Parcel #383 = Recreational Small Tract Development

C. Approaches to Value - Definitions

There are three traditional approaches to value: the Cost Approach, the Sales Comparison Approach, and the Income or Earnings Approach. A general discussion of the approaches is followed by an analysis of the appropriateness of each of the approaches for the subject properties.

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

The Sales Comparison Approach indicates the value of a property from a direct comparison of the subject property to sales of similar properties on a single, overall unit of measure. In applying this approach, the appraiser employs the principle of substitution: a prudent buyer is assumed to not be willing to pay more for a property than it would cost him or her to buy another property with equally desirable characteristics. Conversely, a seller will sell a property for no less than what similar properties are selling for. The measure used in this approach is a per acre measure.

The Income Approach in appraisals is based on the principle of anticipation and is a value indication of a property based on its anticipated ability to generate income. This method is employed by processing the anticipated net income of the subject property with a capitalization rate determined from the market. Proper application of the Income Approach to development properties requires a complete subdivision plan and analysis.

D. Approach Selection

When practical and appropriate, the appraiser uses all three recognized approaches to value: the Sales Comparison Approach, the Cost Approach, and the Income Approach. As stated in the previous definitions section, the use of more than one approach provides additional support, as the approaches are independent conclusions of value which are reconciled for a final value conclusion.

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

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

The Cost Approach to value is most applicable when the subject has differing land classes and/or significant building improvements. In this assignment, all of the subject properties are unimproved, and have only one land class; native rangeland. With the transition from agriculture to recreation and investment, this market sees the land as having one overall use or value as related to recreation and investment features. The proportion and productivity of agricultural land classes does not play as significant a role in value as does the factors and amenities relative to recreation, development, and investment uses. Buyers simply do not recognize or evaluate property based on its land class mix or productivity, but instead look at overall aesthetic and recreational features which have a stronger impact on value in this market. The fact that the subject properties are comprised of only one land class and have no building improvements reduces the applicability of the Cost Approach.

The Sales Comparison Approach is deemed the most appropriate approach to value for estimating a market value of the subject properties. Buyers in this market are using a direct comparison of property to sales of similar properties on a single, overall unit of measure, being dollars per acre. Only the Sales Comparison Approach will be used by the appraiser in this assignment.

The exclusion of the Cost and Income Approaches to value does not constitute a departure as allowed under the Uniform Standards of Professional Appraisal Practice. With consideration of peers, the characteristics of the properties, and the intended use of this report, these approaches would not enhance the credibility of this report.

E. Market Observations

The appraiser has completed a wide review of the market in order to ascertain activity and value under market conditions for similar-sized properties as of July 11, 2008. The overall market area is defined herein as south central Montana, with smaller sub-markets used for each subject parcel. These sub-markets are within as close of a proximity to the subject properties as possible. Sales used are all rangeland properties similar to the subject properties.

The overall market area, though still largely remaining in agriculture use, is increasingly transitioning into development and investment oriented around recreational use. This area has substantially transitioned from agriculture to investment and recreation based values. Properties such as the subject properties are typically in an interim agricultural use with investment or recreational potential being a strong factor of value.

F. Market Data Presentation

The sales selected for analysis in this assignment are presented in summary form in the following pages of this report and will be followed by the application of the Sales Comparison Approach to value. Individual sale data sheets are shown in the Addenda of this report under Exhibit 1. There are a total of thirty sales described in this valuation. All of the sales used took place between June of 2004 and July of 2008.

1. Time Adjustment

A time adjustment is appropriate given that sales over six months old are utilized to value the subject properties. Through 2006, land appreciation rates generally had been strong in south central Montana. The favorable rates of return on land investment had attracted new, out of state buyers which in turn had supported and in some cases contributed to the elevation of these annual appreciation rates. Sales activity has slowed in 2007 and 2008, though high-amenity recreational properties and some development properties have appeared to continue appreciating. Overall sales volume is down, but value appreciation has remained strong in these segments of the market. Through 2006, agricultural sales were showing rates of 5% to 10%, with recreational and development properties being 10% and higher.

None of the subject properties are high-amenity recreational properties, or properties with high development potential. The smaller Yellowstone County tracts near Billings are influenced by development and investment based value appreciation relative to ex-urban growth from Billings. However, they are not located close enough to town, and lack amenities such as water or tree cover, to be considered good development properties. Properties in the area with desirable amenities have been in demand and developed successfully in the past, but that market has diminished since 2006, and these subject properties are inferior and not competitive in regard to development potential. The sales used to value these properties will be time adjusted 10% annually up through 2006, to reflect the development and investment influence of value in the area. Through 2007 and 2008, no appreciation will be applied. Though there has been very little direct sales data to document time appreciation since 2006, there is significant evidence to indicate that the market has slowed, and sale prices have plateaued. In this appraiser's opinion, it is prudent to not apply appreciation rates to sales in this area past 2006.

The two 640-acre parcels in Big Horn and Carbon County (Parcels #35 and #296) are remote, outlying grazing tracts with some recreational influence. Overall however, they are not high amenity parcels and the primitive seasonal access limits their value as

recreational tracts. These properties are part of the outlying tract market, which shows appreciation more indicative of the overall south central Montana agricultural market. These sales will be adjusted 5% annually for time, through the effective date of appraisal. There is evidence to support that these outlying properties are continuing to appreciate. The 5% annual compound appreciation is considered to be a representative overall rate for these types of properties.

The smaller 65-acre Carbon County parcel (Parcel #383), is located in an area with substantial small recreational tract development. These are remote rural tracts without services such as power and telephone, and varying degrees of access. The base asking price for these 20-acre tracts was \$60,000 up through 2006, which then dropped to \$40,000 in 2007, a drop of 33%. The sales of tracts before and after the price reduction document the discount. The sales prior to 2007 will be discounted 33%.

2. Sale Land Mix / Productivity Analysis

In an agricultural market, land productivity and the relative acreage of the differing land classes comprising a property have a significant impact on value. In this assignment, each of the subject properties is comprised solely of native rangeland. And though the productivity of the various subject properties, as well as the comparable sales, may vary, this agricultural productivity is not the basis of value in the current market. As such, no productivity analysis is warranted.

3. Access

The level of available access to the various subject properties differs considerably. The right and ability for an owner to access a property can be described in terms of physical and legal access. Legal access refers to an owner's legal right to access a property regardless of the physical status of the roads. Physical access is the physical ease of accessing a property.

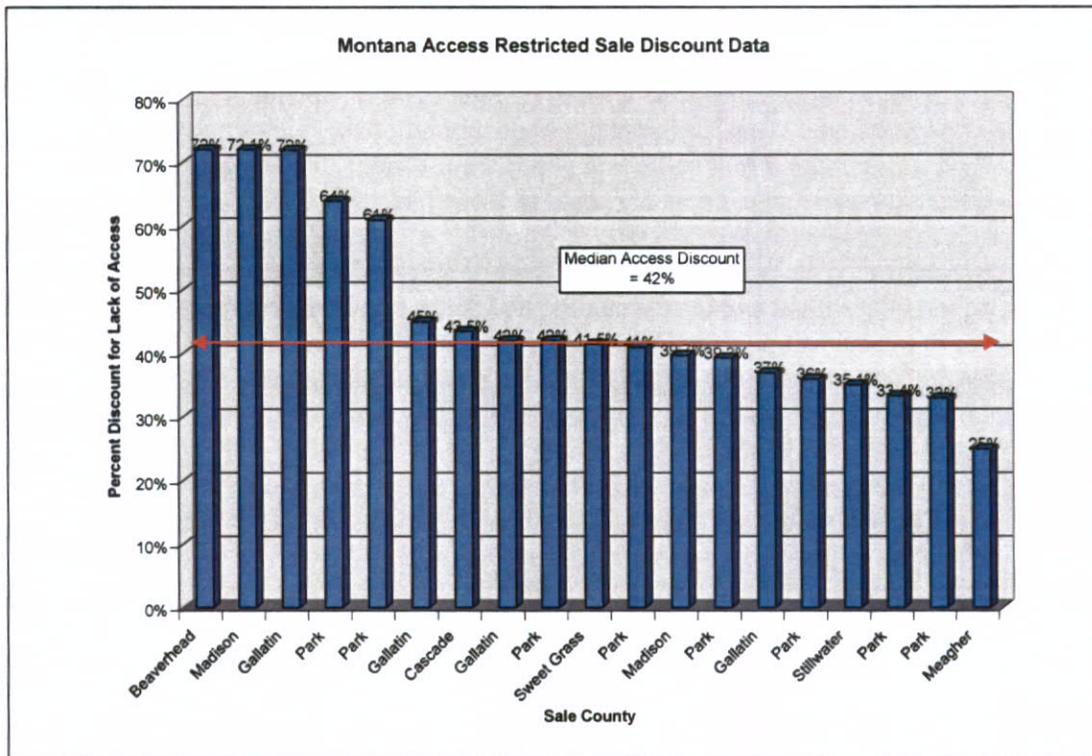
Of the two, a lack of legal access has the strongest influence on value. If a property has legally restricted access, this substantially limits the utility and therefore the value of the property. Buyers discount such properties for the cost and uncertainty of curing the access problem, or for the permanent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

The other form of access restriction, is the limitation to physically accessing a property. An owner may have the full legal right to access a property, but physical access is undeveloped and limits the ability to reach the property. Considerable expense may be required to develop access to a usable level. Rural foothill properties often have what is considered seasonal access. Accessing these properties in winter with deep snows and drifts, or in the spring with muddy conditions, can be difficult or impossible.

Many rural, end-of-the-road recreational ranch properties in Montana have seasonal physical access and may have undefined legal access. Often, access is based on long-standing verbal agreements between neighbors to cross private lands. While these agreements do have legal standing, often referred to as "historic use," the status is

somewhat tenuous as a new owner could dispute the agreement which can result in a high expense to resolve the issue. The same holds true for historic access through public lands. The policies and management of government agencies is subject to change, which adds uncertainty and risk to the status of legal access for such a property.

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



The appraiser has not been able to find individual access restricted sales, located in the same area and similar to the subject properties from which to make pairings to determine discounts to apply directly to the subject parcels which lack access. However, the appraiser maintains a database of access pairings across the state, which shows a range of 25% to 72% discounts for lack of access, with a fairly consistent median of about 40%. This median 40% percentage has been checked with other appraisers, real estate agents, buyers, and sellers who generally concur with the discount as being an accurate discount for lack of legal access. These are pairings of properties where the seller conveys the property with no legal right to access, to properties with full legal access. In most of these cases, a neighbor who adjoins the property and therefore has access will be the

buyer, but will purchase at a discount because no other potential competing buyer would have legal access. In this report, a 40% discount for lack of legal access will be applied to the properties without legal access.

H. Sales Comparison Approach

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

A total of thirty sales have been selected for use in the sales comparison approach. Overall, the sales reflect a range in unadjusted value of from \$350 to \$4,313 per acre. This range in value can be attributed to many different and independent factors such as location, time, size, land class, and aesthetics and amenities like views and overall site appeal. This wide range in sale values suggests that the range can be narrowed through an analysis and possible adjustment for some of these factors.

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

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

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

Rights conveyed: The sales were transferred as fee simple, exclusive of reservations of record. Some had all of their mineral rights and some had partial mineral rights. There is no indication in this market that sales with partial mineral rights are discounted. No adjustment is necessary for rights conveyed.

Time: A time adjustment is appropriate given that sales over three months old are referenced. A discussion, analysis, and conclusion of an appropriate annual time adjustment was presented earlier in this report.

Land Classes: As the subject properties and all of the sales are comprised of only one land class, native rangeland, a land class analysis is not necessary.

Improvements: The subject properties have no improvements.

1. Sale Descriptions and Subject Unit Value Summaries:

In order to determine values for the seven subject parcels, the parcels will be divided into four separate market areas based on location. Each parcel has a unique market area, with the exception of the four Yellowstone County parcels. The Yellowstone parcels are each located within close proximity to each other and are a part of the same market area.

What follows, by each market area, is a brief narrative description of each of the sales used as direct comparables to the subject properties. For each sale, the unadjusted land values are shown as well as the adjusted land values along with the factors of adjustment. After the sale descriptions, a value summary and conclusion is described for each parcel.

a. PARCEL #35 - SALES

Sale 1 - \$462/acre unadjusted, \$512/acre adjusted for time. Sale #1 is located approximately 27 miles northwest of the subject, and about 21 miles northeast of Shepherd, Montana. The property is a square section, though it is an adjustment section totaling only 581 acres, rather than the typical 640 acres. The sale took place in July of 2006. This is an unimproved property located on a gravel county road containing approximately 160 acres of dry cropland and 481 acres of native rangeland. The topography is rolling with a few steeper ridges with some scattered timber. Mostly the property is open. Borders extensive BLM land on the east and north sides. Both the sellers and buyers are from out of the area, and the property was not actively listed on the market, though it is considered a market transaction. The property has previously been enrolled in the CRP program. Power is available at the road.

Sale 2 - \$350/acre unadjusted, \$388/acre adjusted for time. This sale is located approximately 14 miles southwest of the subject, and about 20 miles east of Billings. It took place in June of 2006, and totals 2,946 acres. A dry crop and grazing property, with rolling topography and some steep buttes. There is no tree cover, and the property is bisected by multiple seasonal drainages, some of which have been dammed for stock water. The sale is also bisected by highway 87. Includes a basic set of farm improvements.

Sale 3 - \$493/acre unadjusted, \$556/acre adjusted for time. This 760 acre sale took place in March of 2006, and is located approximately 24 miles northeast of the subject. The property is located just west of Custer, Montana, and is close to Interstate 94 and the Yellowstone River. A dry crop and native range tract with steep and rough ravines that have some sparse timber. Access is gravel county road, and utilities are available.

Sale 4 - \$753/acre unadjusted, \$914/acre adjusted for time. Sold as the T Lazy S Ranch in August of 2004. Approximately 7,200 acres of the total 8,500 are under a limited conservation easement with three building sites reserved. Located approximately five miles northeast of the subject and 35 miles east of from Billings, Montana. The ranch is irregularly shaped and all contiguous and includes one State of Montana section. Extensive pine covered hills and canyons with and large creek bottoms. Sand Creek runs the length of the ranch. Abundant game and wildlife. The ranch is located at the end of the road with no access through the property for total privacy. Large ranches adjoin the property with little or no hunting allowed. Improvements include a 4,000 sq ft. home, a 2,500 sq ft, guest house, shops, barns, corrals, airplane hanger and two air strips. A high amenity recreational property.

Sale 5 - \$545/acre unadjusted, \$667/acre adjusted for time. Sale #5 took place in June of 2004 and is located approximately 10 miles northwest of the subject and 20 miles northeast of Billings, just south of Ballantine, Montana. The property is located just of Interstate 94. The sale totals deeded 550 acres, and was sold to a buyer who put one residence on the property. Comprised of open and rolling dry pasture.

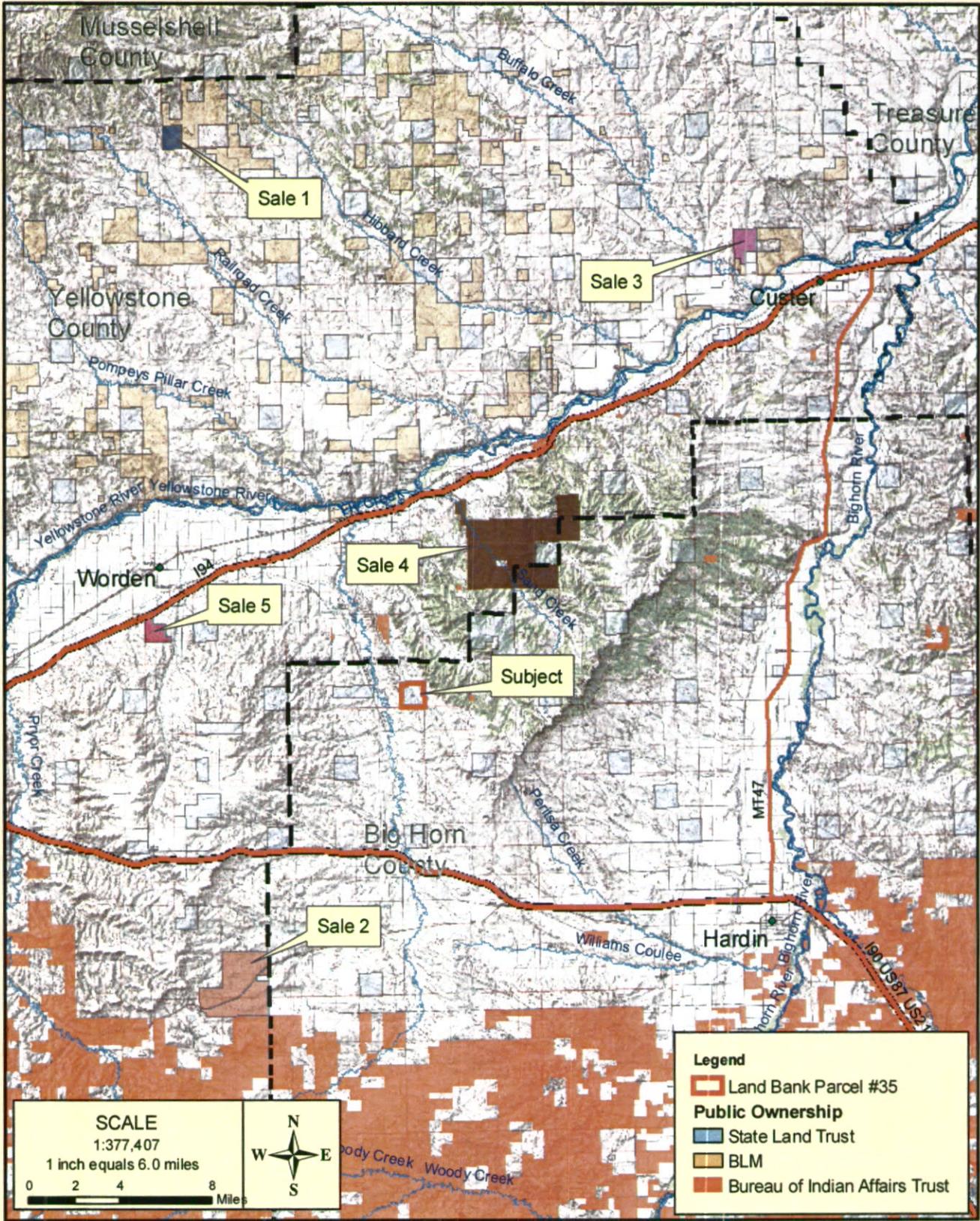
b. PARCEL #35 - VALUE CONCLUSION

The following graph shows the five comparable sales for Parcel #35. These five sales utilized for direct comparison in this analysis show an adjusted range in value of \$388 to \$914 per acre.

Sale #1 is located a considerable distance north of the subject, but in a remote area similar to that of the subject's. The sale has superior physical access and availability of utilities. Aesthetically, the sale is slightly inferior to the subject. Also, the sale borders extensive BLM lands which is a recreational enhancement. Overall, the sale is considered to superior to the subject. Based on this comparable sale, the value of the subject would be expected to be lower than \$512 per acre.

Sale #2 is a large dry crop and grazing ranch property southwest of the subject, which has the lowest per acre value of the comparable sales. This lower value is due primarily to size. The access is superior, but overall, the sale is considered inferior due to size. Sale #3 is a similar property to the subject in land type, though the access and location is superior. This property is located near the Yellowstone River and the interstate. Also, the property has access and utilities to the edge of the property. This sale is considered superior to the subject due to access and location.

Sale #4 is located closest to the subject of all the comparable sales and is the highest valued sale. However, it is a highly recreational property and is far superior to the subject and the other comparable sales. The property has extensive timbered hills and canyons that supports elk as well as many other game and wildlife species. The property is encumbered with a deed of conservation easement, and still its per acre value is the



Land Banking Parcel #35 Comparable Sales

MAP IS INTENDED TO SERVE AS A VISUAL GUIDE
AND ITS ACCURACY IS NOT WARRANTED

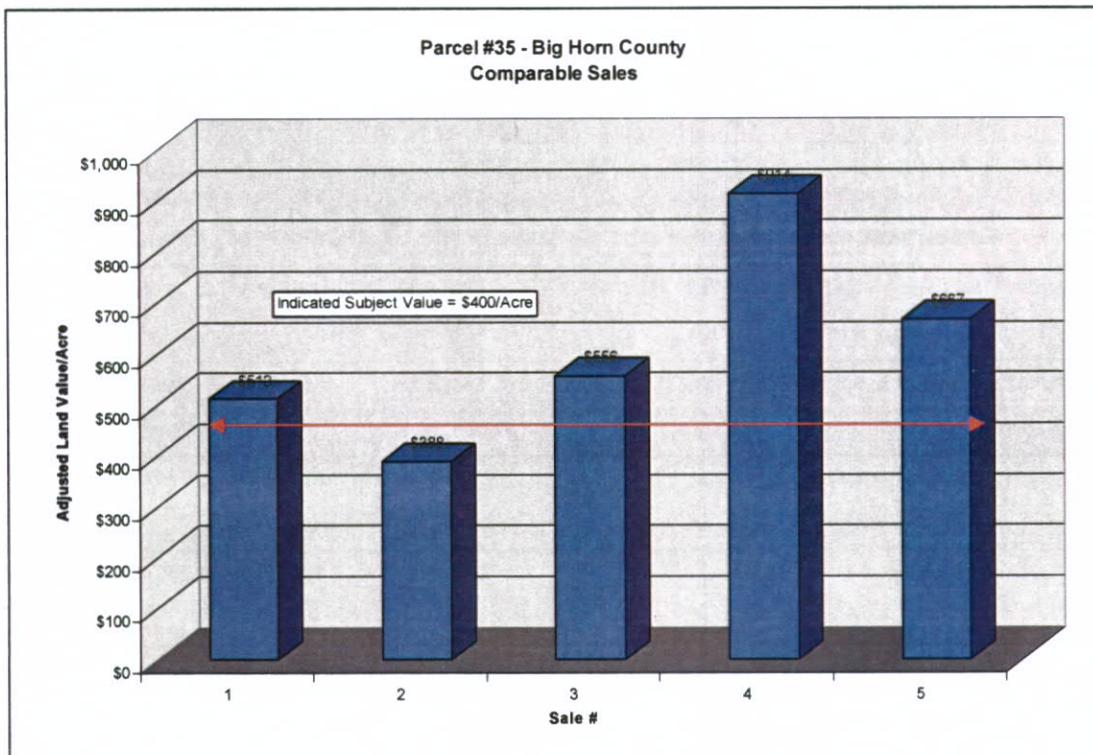
July 2008
Norman C. Wheeler
&
Associates



Norman Wheeler & Associates

highest of the comparable sales. Sale #5 is superior in access and location, being located closer to Billings, near the Yellowstone River, and right off the Interstate.

There are also two sales of large grazing properties north of the interstate that took place in 2007. The properties are each about 10,000 acres of native rangeland that indicate a value of about \$275 per acre. While this value could be considered to be an indication of the value of native rangeland in this market, the values are affected by the large sizes of the sales. A value of \$275 per acre is considered to be below the appropriate market value for the subject property, because of the smaller size of the subject property.



Through the preceding comparability analysis of the five sales, the value of the subject property is determined to be between \$388 and \$512 per acre. Sale #1 at \$512 per acre is considered to be the most comparable sale, though superior to the subject. In the professional opinion of the appraiser, a value of \$450 per acre is the most appropriate value for the subject property. As of July 11, 2008, the Sales Comparison Approach as herein applied indicates a value of \$4,241,000 for the Parcel #35 as illustrated below.

640 deeded acres, with hypothetical legal access @ \$400/acre = \$256,000

The value conclusion however, is based on the hypothetical condition that the subject has legal access, which in fact it does not. The appraiser has been directed to value the subject under this hypothetical condition, as well as in the "as is" condition with no legal access. A 40% discount for lack of legal access, as discussed earlier in this report, would need to be applied to the subject in order to estimate a true "as is" value.

640 deeded acres, "as is" with no legal access @ \$240/acre = \$153,600

c. PARCELS #38 - #529, #530, AND #531 – SALES

Sale 1 - \$375/acre unadjusted. Sale #1 took place in July of 2008 and is located approximately 14 miles northwest of Billings. The property totals 80 deeded acres and is comprised of dry cropland and native rangeland. The property slopes to the north, with the north portion being at the base of a steep 200 foot sandstone bluff. The property has no water, and wells are deep and of poor quality in this area. Access is ½ mile on the county gravel road.

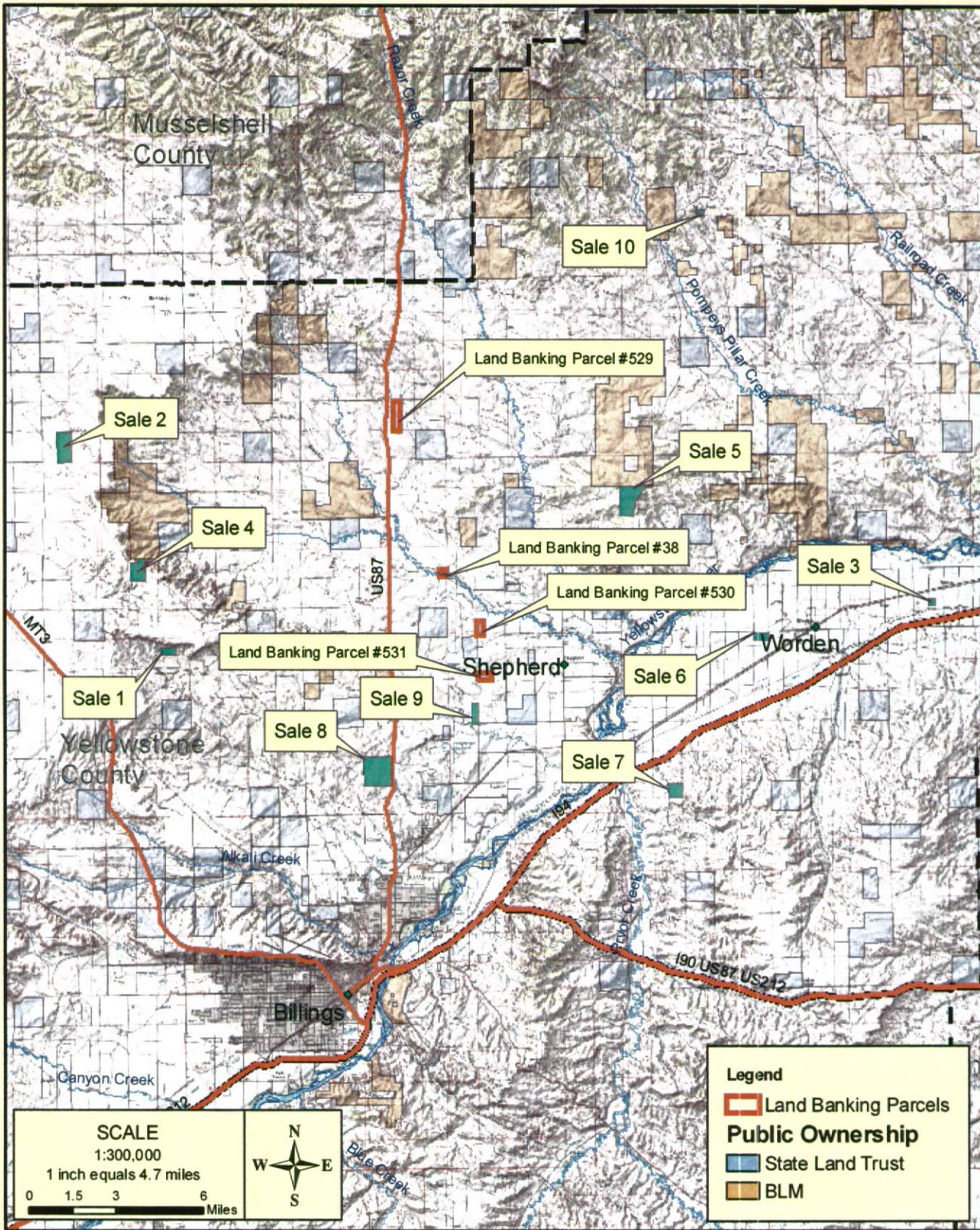
Sale 2 - \$438/acre unadjusted. Sale of an unimproved dry crop tract with unfenced grass in the coulees, approximately 21 miles northwest of Billings, and about ten miles southeast of Broadview, Montana. Took place in April of 2004 and totals 320 acres. Purchased by young farmers in the area. Seller is an investor from out of area. Oswald Road for access. Property is bisected by a very large power transmission line. Had been in CRP, but buyers will convert it back to crop. Level to undulating topography. Electricity available at the road.

Sale 3 - \$4,313/acre unadjusted. This is a sale of a 40-acre tract of irrigated cropland; located approximately 25 miles northeast of Billings, and five miles east of Worden, in the Yellowstone River valley. The sale took place in January of 2008. The tract had septic approval, which made it ready for rural residential development. Access is by gravel county road.

Sale 4 - \$1,527/acre unadjusted. A dry cropland property with steep wooded breaks on the north end that backs up to 3,600 acres of BLM land. Totals 220 acres and took place in September of 2007. Located approximately 15 miles northwest of Billings. Part of a rural subdivision which has road and fence improvements, and telephone and electricity at property. Access is private gravel road.

Sale 5 - \$1,300/acre unadjusted. Sale #5 is a dry land ranchette located approximately twenty miles northeast of Billings. The property totals 396 acres and sold in June of 2007. The property borders a large BLM recreational area to the north. The topography is rolling with scattered timber throughout. There is significant small tract rural development to the south and southwest of the property. The access, CA Road, runs along the east edge of the property and is a county maintained gravel road.

Sale 6 - \$3,125/acre unadjusted. Sale #6 is an unimproved 80-acre irrigated farm tract located approximately 20 miles northeast of Billings in the Yellowstone River valley. The sale took place in May of 2007. The parcel is one legal parcel comprised of two 40-acre fields. The west field is bisected from southwest to northeast by an irrigation canal. Access is county gravel road.



**Land Banking Parcels #38, #529, #530, #531
Yellowstone County, Montana**

MAP IS INTENDED TO SERVE AS A VISUAL GUIDE
AND ITS ACCURACY IS NOT WARRANTED

June 2008
Norman C. Wheeler
&
Associates
Bozeman, Montana



Sale 7 - \$1,169/acre unadjusted. This sale is a 160-acre tract of rangeland and some dry cropland located approximately 14 miles northeast of Billings, and three miles southeast of Huntley, Montana. The sale took place in January of 2007. The topography is open and rolling. There has been some rural residential subdivision to the south and west of the property. Access is a private dirt road, ½ mile from the county gravel road.

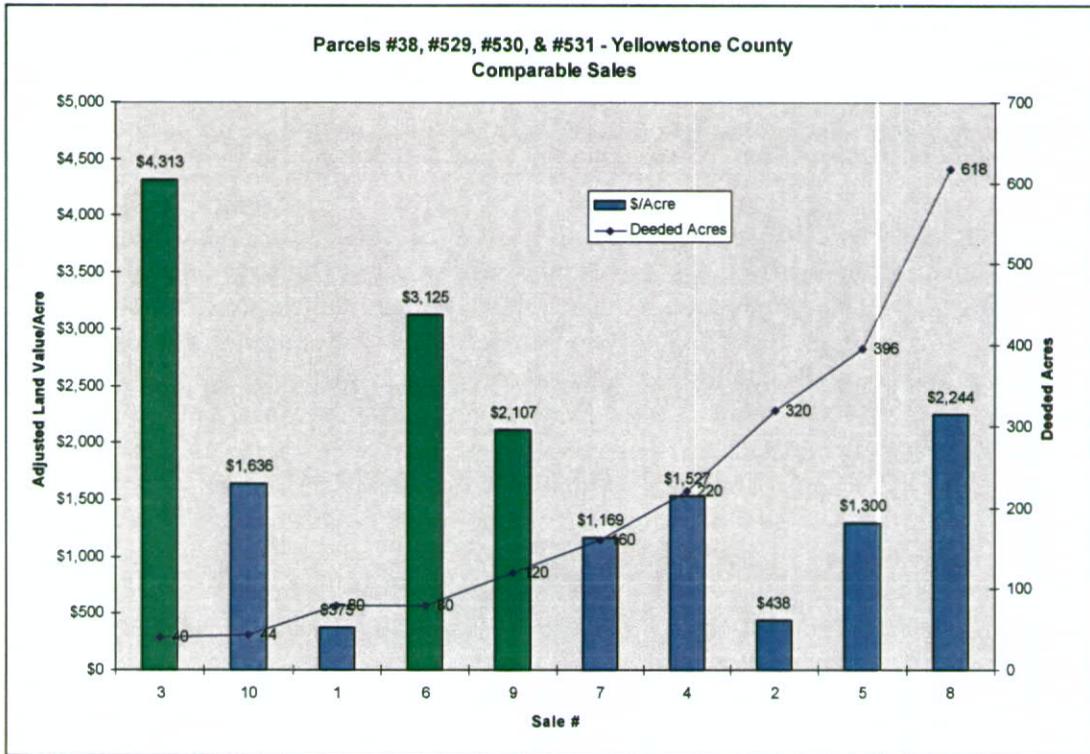
Sale 8 - \$2,184/acre unadjusted, \$2,244/acre adjusted time. Sale of an unimproved 618-acre tract on Highway 87, eight miles north of downtown Billings. Sold in May of 2006, and comprised of dry cropland and native rangeland. The property had been listed as 160-acre tracts and also as 34-acre tracts pending subdivision approval, which was not received. Reportedly, the buyers of the entire tract planned on a large subdivision development of small (one-acre) tracts. They are developers from out of state with no experience in Montana. Considered a over-priced sale based on unrealistic development expectations. Electricity, phone, and natural gas are available at the highway, and there is a well in the area. No manufactured homes, mobiles, or modular homes allowed. Seller financed with a down payment of \$400,000.

Sale 9 - \$2,000/acre unadjusted, \$2,107/acre adjusted time. Sale #9 is a 160-acre parcel of partially irrigated farmland located approximately 12 miles northeast of Billings. The tract is a long narrow piece measuring ½ miles east to west, and ¾ of a mile north to south. The property sold in June of 2006. Unit is bisected by two irrigation canals. Includes a farmstead with multiple older structures and a refurbished older farmhouse.

Sale 10 - \$1,500/acre unadjusted, \$1,636/acre adjusted time. This is the sale of a remote 44-acre recreational homesite sale located approximately 30 miles northeast of Billings. Includes a substantial log home and shop. Parcel is partially timber rolling rangeland. of a log home, north of Shepherd and north of the feedlot. Tract shape is irregular. Access is county gravel road.

The ten comparable sales just described individually will be used to determine values for the four separate subject parcels. These parcels, while similar in location, do vary in size, access, physical features, and highest and best use. Separate analysis and conclusions will be determined for each unit, utilizing appropriate sales from the ten sales herein described.

The sales on the following graph are ordered by size, with the solid bars representing adjusted value per acre and the blue line representing size in deeded acres. The sales with the green solid bars are irrigated properties which are superior to the subject units.



d. PARCEL #38 - VALUE CONCLUSION

Parcel #38 is the smallest of the subject parcels, and is also the closest to its terminal highest and best use, which is as a rural residential site. The property has good access off Mailbox Road, and is bisected by a meandering seasonal creek bed. The creek bed limits some areas for building, but adds variation, habitat and aesthetics to what otherwise would be a dry tract.

Sales #3 and #10 are the most comparable by size. Sale #3, being irrigated, is far superior. Sale #10 is a superior site in terms of aesthetics and recreational amenities, though the location is more remote and further from Billings. Overall, this sale is inferior due to location. Sale #9 is located close to the subject, and is generally superior because its irrigated, and it is larger and inferior due to size. Overall, the sale is considered superior to the subject. Based on the comparable sales, the subject value lies between \$1,636 per acre (the value of Sale #10) and \$2,107 per acre (the value of Sale #9). The appraiser concludes a value of \$1,800 per acre for Parcel #38

$$40 \text{ acres "as is"} @ \$1,800 \text{ per acre} = \$72,000$$

e. PARCEL #529 - VALUE CONCLUSION

Parcel #529 is the furthest north of the Yellowstone County parcels, the farthest distance from Billings. Though the parcel is located just off of the highway, the parcel has limitations for development or recreation. A large power transmission line bisects the

parcel, which especially limits the development potential. There are no significant recreational amenities or features on this unit.

Sale #2 is bisected by the same large power transmission line as the subject, and as such is the most comparable sale. The location of the sale is more remote than the subject, but the land type of the sale is superior being comprised of cropland. The subject is smaller, 160 acres rather than the 320-acre sale, the shape of the subject is a long and narrow tract which reduces the effective utility of the parcel. Overall, Sale #2 is considered to be comparable to the subject property, showing a value of \$438 per acre.

160 acres "as is" @ \$440 per acre = \$70,400

f. PARCEL #530 - VALUE CONCLUSION

This 80-acre parcel is an isolated tract with no legal access and primitive undeveloped physical access. The parcel has many good potential building sites, and is bisected by an irrigation canal which enhances the property aesthetically and provides some wildlife habitat. Sale #1 is an 80-acre tract that also lacks legal access and has poor physical access. The sale lies at the foot of a sandstone rimrock cliff, which has some aesthetic and recreational appeal, but is limited for development or investment by the restricted access and lack of available water. As a comparable for the subject in its "as is" condition, that being lacking legal access and having poor physical access, the sale is considered only slightly inferior to the subject in regard to location. The area of the subject is more desirable than the area of the sale, primarily due to the presence and availability of water. Based on this comparable sale, a value of \$400 per acre is determined for the subject parcel.

80 acres "as is" @ \$400 per acre = \$32,000

Under the hypothetical condition that the subject property had legal access, a higher value would be appropriate. As discussed previously in this report, a 40% discount has been documented by the sales data to be the market discount for lack of legal access. Based on this data, the subject parcel would be expected to have a value of about \$670 per acre.

Sale #9 has legal access and is located in close proximity to the subject. This sale is far superior to the subject in that the sale property is irrigated and has very good physical access. With hypothetical legal access, it is reasonable to expect the subject property to be valued in the market at about one third of the value of Sale #9. Therefore, a value of \$670 per acre is a reasonable conclusion for the subject property in the hypothetical condition of having legal access.

80 acres, with hypothetical legal access @ \$670 per acre = \$53,600

g. PARCEL #531 - VALUE CONCLUSION

Parcel #531 is located close to and is similar to Parcel #530, with the exception that this parcel is made up of a large percentage of alkali. The property is bisected by a low lying swale that has a high percentage of alkali, and as such, the utility of this parcel is severely limited. The agricultural productivity is marginal, and the development potential is also limited. Much of the parcel is not buildable due to the high water table associated with the alkali, and the remaining buildable portions of the parcel are not desirable for development because of the nearby alkali. This parcel is inferior to all of the comparable sales. In the opinion of the appraiser, a value of \$300 per acre is appropriate for the subject parcel.

80 acres "as is" @ \$300 per acre = \$24,000

Due to the negative impacts of the alkali on this parcel, the appraiser believes that curing the legal access would not necessarily increase the value of the subject to the extent it would a non-alkali impacted property. Given the strong impact of the alkali on the value of the parcel, the lack or presence of legal access does not have as large an affect on value. The appraiser believes a 20% discount for lack of legal access for a negatively impacted property such as the subject is more accurate. Based on this assertion, a value of \$375 per acre is determined for the value of the subject parcel with a hypothetical condition of legal access.

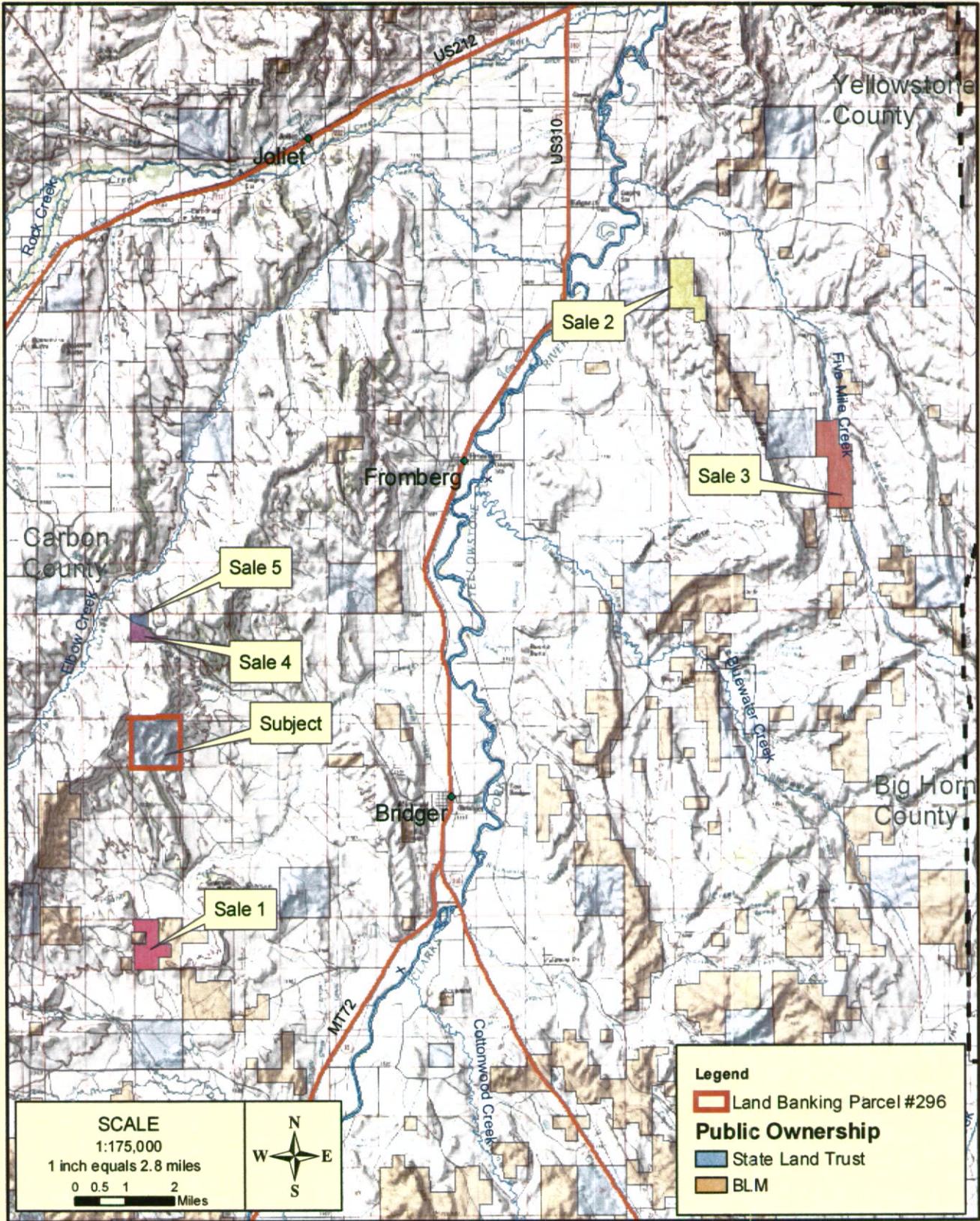
80 acres, with hypothetical legal access @ \$375 per acre = \$30,000

h. PARCEL #296 – SALES

Sale 1 - \$359/acre unadjusted, \$363/acre adjusted for time. Sale # 1 is an isolated tract of open native rangeland located approximately three miles south of the subject. The sale totals 320 acres, and took place in May of 2008. This property has legal, but primitive access, is located over a mile from available utilities, and has questionable water availability. Drilling for water may or may not be possible in this area. The topography is rolling, with some steep ridged with very sparse and limited timber. BLM lands border the property on the east and west. Overall, a remote recreational property with limited recreational features.

Sale 2 - \$600/acre unadjusted, \$620/acre adjusted for time. This is a sale of a 392-acre unimproved open pasture tract located approximately 14 miles northeast of the subject. The sale took place in November of 2007. Access is through adjoining lands owned by the seller, and the property is located within about one mile of the Clark's Fork of the Yellowstone River, and about two miles from the highway. Two Bear Ridge runs through the property. The topography is a high plateau, with ravines and some steep slopes. Stock water is provided by a well located off the subject. State land section adjoins to the west.

Sale 3 - \$477/acre unadjusted, \$500/acre adjusted for time. Sale #3 is located approximately four miles southeast of Sale #4, and approximately 15 miles northeast of the subject. The sale is a 600-acre tract of native rangeland bisected by Five Mile Creek



SCALE
 1:175,000
 1 inch equals 2.8 miles
 0 0.5 1 2 Miles



Legend
 Land Banking Parcel #296
 Public Ownership
 State Land Trust
 BLM



Land Banking Parcel #296 Carbon County, Montana

MAP IS INTENDED TO SERVE AS A VISUAL GUIDE
 AND ITS ACCURACY IS NOT WARRANTED

June 2008
 Norman C. Wheeler
 &
 Associates



Bozeman, Montana

which took place in July of 2007. The property is long and narrow, essentially taking in the Five Mile River valley. Questionable access is by county easement. Borders state land on the northwest, and a small piece of BLM land on the southeast.

Sale 4 - \$860/acre unadjusted, \$911/acre adjusted for time. Sale #4 is located one and a half miles due north of the subject, along the Bridger Roberts Road. It totals 116 acres of open native rangeland and sold in May of 2007. The property spans the divide between the Elbow Creek drainage to the west, and the unnamed tributaries that drain Clark's Fork of the Yellowstone to the east. The topography is open and rolling, with some season drainages.

Sale 5 - \$1,798/acre unadjusted, \$1,908/acre adjusted for time. Sale #5 borders Sale #4 to the north, across and adjoining the Bridger Roberts Road. This sale is smaller at 50 acres, but also sold in May of 2007. The topography is open and rolling, with a timbered slope to the east.

i. **PARCEL #296 - VALUE CONCLUSION**

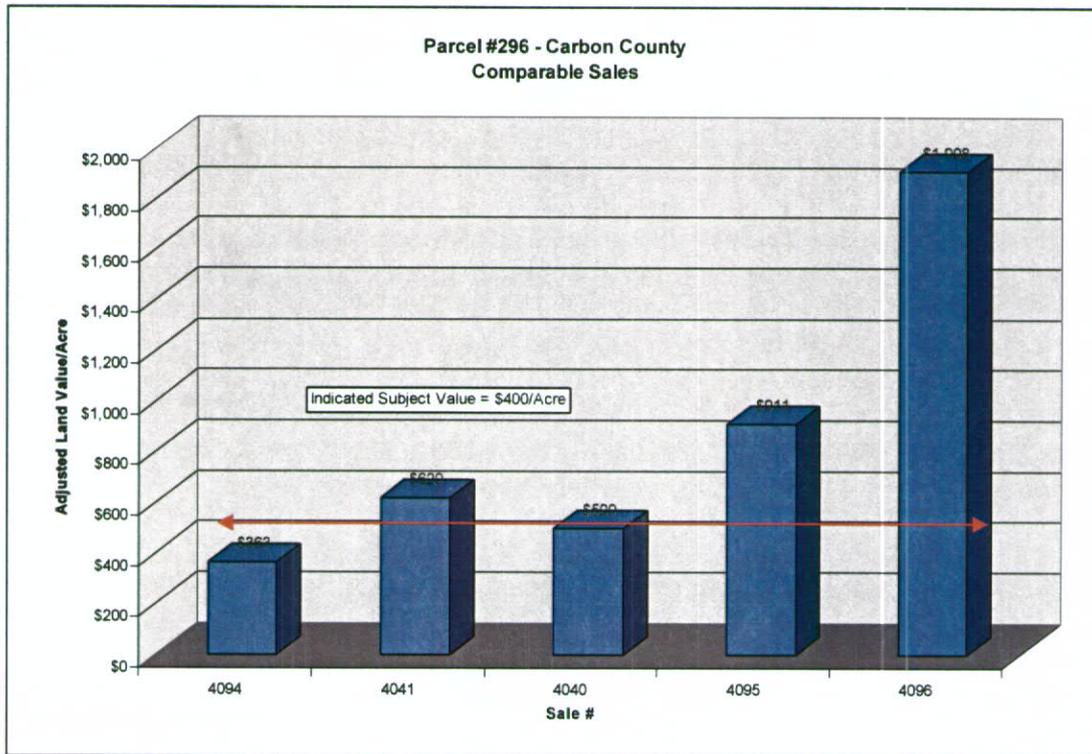
Parcel #296 is a remote 640-acre parcel with no legal access and primitive undeveloped physical access. Were the parcel to have legal access, the property would have value as a recreational tract. It is an aesthetic mountain tract with good habitat for game and wildlife, including elk. Agriculturally, the grazing value is poor, as the rainfall is low and there is no stock water available.

Sale #1 is a similar remote tract, however the sale has legal access. Otherwise, the sale is inferior to the subject in regards to aesthetics and recreational amenities. The property has less variations in topography and very little tree cover.

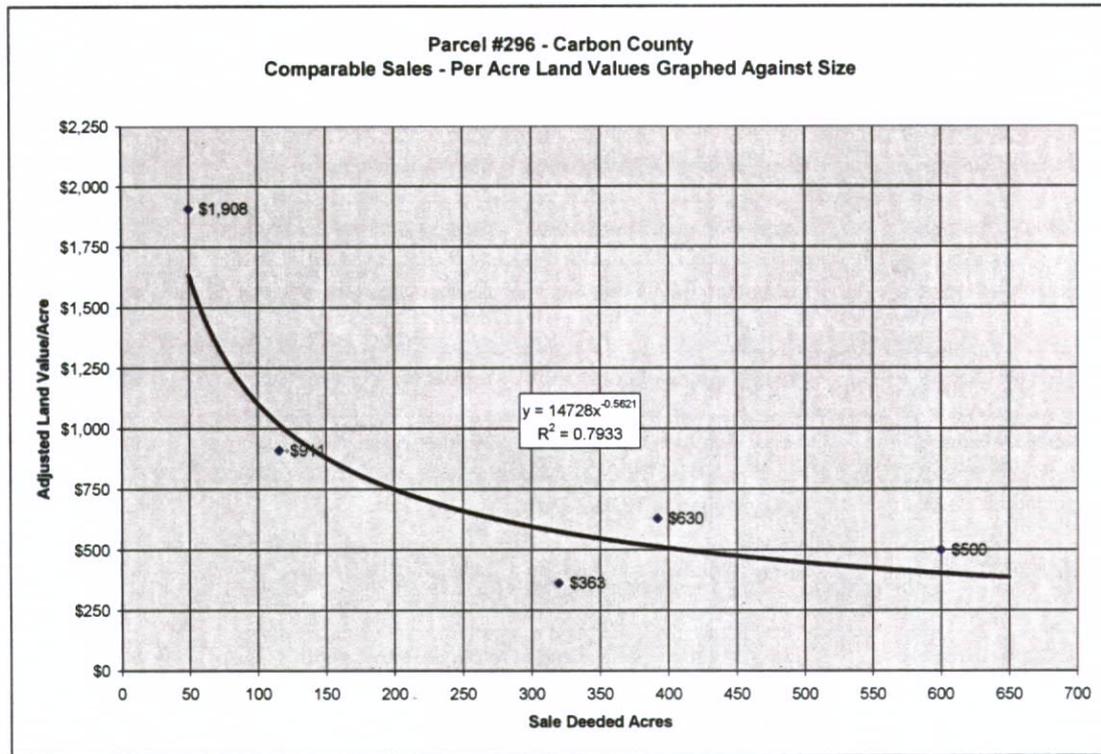
Sale #2 and #3 are located northeast of the subject. Sale #2 has a superior location relative to proximity to the highway and the Clark's Fork of the Yellowstone River. Sale #3 is remote like the subject, though superior due the creek which bisects the property.

Sale #5 and #6 are smaller tracts located north of the subject, and are more indicative of smaller tract values than for a larger parcel such as the subject. They are superior to the subject in size and access.

Based on the five comparable sales, the value of the subject parcel would be expected to be between \$363 and \$500 per acre.



A correlation between size and value in this market is evident within this collection of sales. In the following graph, time adjusted per acre values are graphed against time to yield a power curve trend line illustrating the relationship. The R2 value of 79% indicates that properties in this market, to the degree they are comparable to these five sales, would be expected to lie along this line 79% of the time. Based on the formula for the relationship, the 640-acre subject property would be expected to have a value of \$387 per acre with 79% certainty. This is considered to support the value conclusion previously determined of \$400 per acre.



640 acres, with hypothetical legal access @ \$400 per acre = 256,000.

Again, this value conclusion is based on the hypothetical condition that the subject has legal access, which in fact it does not. The appraiser has been directed to value the subject under this hypothetical condition, as well as in the “as is” condition with no legal access. A 40% discount for lack of legal access, as discussed earlier in this report, would need to be applied to the subject in order to estimate a true “as is” value.

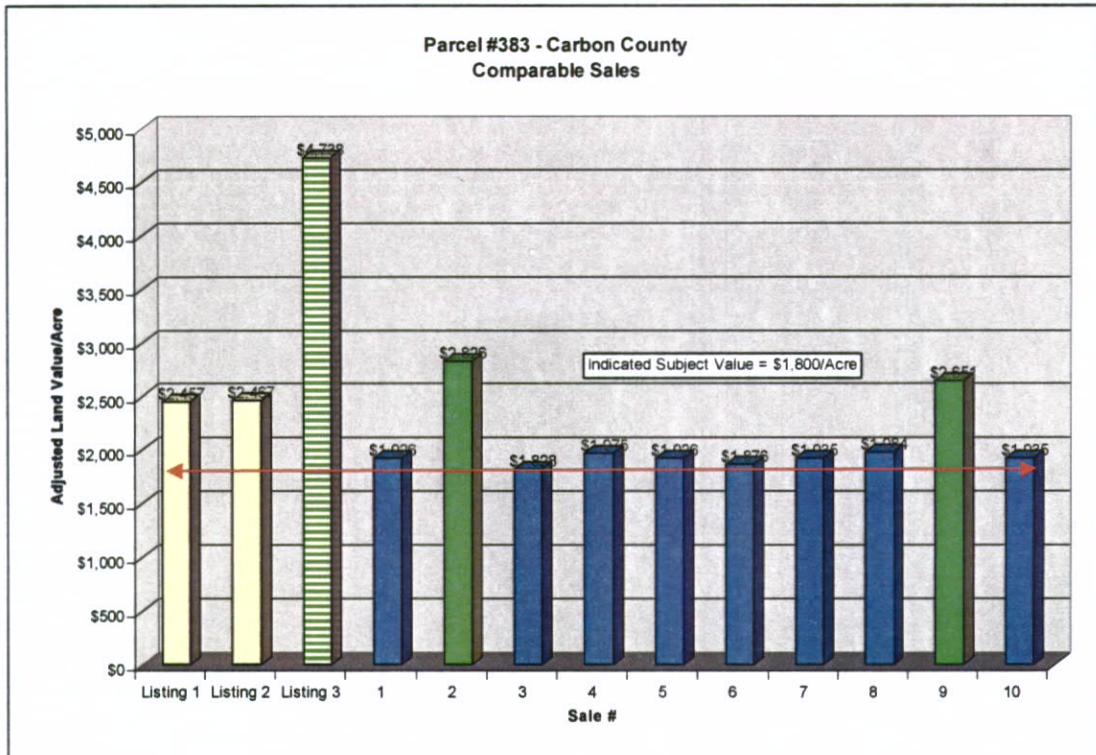
640 deeded acres, “as is” with no legal access @ \$240/acre = \$153,600

j. PARCEL #383 – SALES AND VALUE CONCLUSION

The comparable sales and listings for Parcel #383 are all lots either adjoining or in the immediate area of the subject property. They are all rural subdivision lots that lack developments or infrastructure such as roads or utilities. They are marketed and sold as remote recreational lots, mostly to out of state buyers. Each of the lots are very similar, and therefore will not be described individually.

The following chart shows the comparable sales as well three current listings. The solid green bars, and the listing with green strips, indicate the sales and listing which directly adjoin forest service land. These properties clearly show higher values. The subject

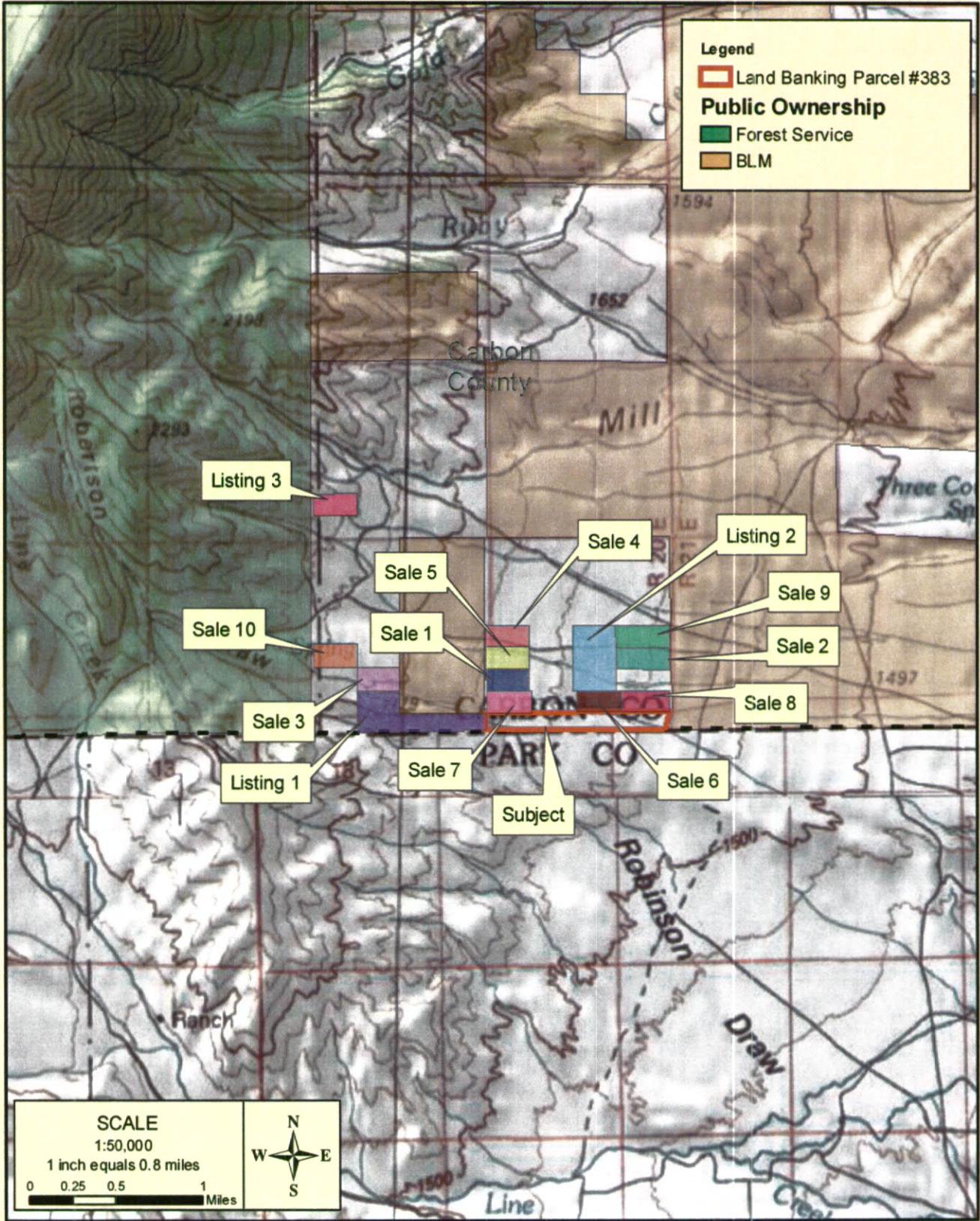
property does not border forest service land, and so the solid blue bars represent the more comparable sales to the subject.



These sales are each considered slightly superior to the subject, in that they are smaller. The subject property is a long and narrow 65-acre tract that could be easily split into three 20-acre parcels that would be very similar to the comparable sale parcels. Typically, a larger parcel such as the subject would be expected to have a lower value than that of the smaller tracts. This would allow for an investor to purchase the larger parcel, invest the costs of development, and earn an entrepreneurial profit when selling the smaller lots at market value. In this case however, almost no cost is entailed in creating smaller lots, other than the permit fees and time. As discussed, these are undeveloped lots with no infrastructure provided. As such, the 60-acre subject parcel is considered to be only slightly inferior to the 20-acre comparable sales. A value of \$1,800 per is determined for the subject parcel.

The two listings without forest service boundary are priced at approximately 25% above the determined value for the subject, which is considered a typical list price margin, and supports the value conclusion.

$$64 \text{ acres "as is"} @ \$1,800 \text{ per acre} = \$115,200$$



Land Banking Parcel #383 Carbon County, Montana

MAP IS INTENDED TO SERVE AS A VISUAL GUIDE
AND ITS ACCURACY IS NOT WARRANTED

June 2008
Norman C. Wheeler
&
Associates



Bozeman, Montana

2. Summary of Value Conclusions

As of July 11, 2008, the Sales Comparison Approach as herein applied indicates following values for the subject parcels.

Parcel #35 - Big Horn County, Montana

640 deeded acres, "as is" with no legal access @ \$240/acre = \$153,600
640 deeded acres, with hypothetical legal access @ \$400/acre = \$256,000

Parcel #38 - Yellowstone County, Montana

40 acres "as is" @ \$1,800 per acre = \$72,000

Parcel #529 - Yellowstone County, Montana

160 acres "as is" @ \$440 per acre = \$70,400

Parcel #530 - Yellowstone County, Montana

80 acres "as is" @ \$400 per acre = \$32,000
80 acres, with hypothetical legal access @ \$670 per acre = \$53,600

Parcel #531 - Yellowstone County, Montana

80 acres "as is" @ \$300 per acre = \$24,000
80 acres, with hypothetical legal access @ \$375 per acre = \$30,000

Parcel #296 - Carbon County, Montana

640 deeded acres, "as is" with no legal access @ \$240/acre = \$153,600
640 acres, with hypothetical legal access @ \$400 per acre = \$256,000

Parcel #383 - Carbon County, Montana

64 acres "as is" @ \$1,800 per acre = \$115,200

J. Reconciliation and Value Conclusion

The appraiser employed traditional methods of estimating the market value of the subject properties. The market value suggested by these methods is shown below for an effective date of July 11, 2008.

Sales Comparison Approach:

Parcel #35 "as is" with no legal access = \$153,600
with hypothetical legal access = \$256,000
Parcel #38 "as is" = \$72,000
Parcel #529 "as is" = \$70,400
Parcel #530 "as is" with no legal access = \$32,000
with hypothetical legal access = \$53,600
Parcel #531 "as is" = \$24,000
with hypothetical legal access = \$30,000
Parcel #296 "as is" with no legal access = \$153,600
with hypothetical legal access = \$256,000
Parcel #383 "as is" = \$115,200

Cost Approach: N/A

Income Approach: N/A

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

In the final analysis, the Sales Comparison Approach was deemed to be the most accurate and reliable method of valuation for the appraised properties. Therefore, a final value conclusion based on the Sales Comparison Approach was drawn.

Therefore, a final value conclusion for the subject properties based on all three approaches is determined as of an effective date of July 11, 2008.

The above-concluded value considers the fee simple ownership rights of the real property described herein and is in term of cash including land and buildings.

CONTINGENT AND LIMITING CONDITIONS:

The certification of the appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the appraiser in the report.

1. The appraiser assumes no responsibility for matters of legal nature affecting the property appraised or the title thereto, nor does the appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Any sketch or map displayed in the report may show approximate property boundaries and dimensions and is included to assist the reader in visualizing the property. The appraiser has made no survey of the property.
3. The appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made therefore.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
5. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraiser can be assumed by the appraiser.
7. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the appraiser is affiliated. This report may be subject to confidential peer review for Standards and Ethics compliance.

8. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or the other media, without the written consent and approval of the appraiser.
9. On all appraisals, subject to satisfactory completion, repairs or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.
10. The appraiser does not in any way warrant or represent that the property may or may not be insurable and assumes no responsibility for determining such conditions.
11. The appraiser has examined those flood maps provided by the Federal Emergency Management Agency that may be available for the subject property and has noted whether the appraised property appears to be located within any Special Flood Hazard Area. Since the appraiser is not a surveyor, he makes no guarantees, expressed or implied, regarding this determination.
12. This appraisal conforms to the *Uniform Standards of Professional Appraisal Practice* (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation. The appraisal conducted herein is deemed to be a complete appraisal and is presented herein as a Summary Appraisal Report.
13. The appraiser reserves the right to revise this appraisal in view of changing market conditions and any other circumstances which would alter or affect the market value.
14. This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

ENVIRONMENTAL DISCLAIMER: The value estimated is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions unless otherwise stated in this report. The appraiser is not an expert in the identification of hazardous substances or detrimental conditions. The appraiser's routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or environmental conditions which would affect the property negatively unless otherwise stated in this report. It is possible that tests and inspections by a qualified hazardous substance and environmental expert would affect the property negatively. It is possible that tests and inspections made by a qualified expert would reveal the existence of hazardous substances or detrimental environmental conditions on or around the subject property that would negatively affect its value.

APPRAISAL CERTIFICATION

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

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

program for the ARA designation. This report may be subject to confidential peer review for Standards and Ethics compliance. The appraiser also holds a current license with the state of Montana as a Certified General Appraiser, and as of the date of this report I have completed the mandatory continuing education requirements to maintain my license in the state of Montana.

8. I have made a personal inspection of the property that is the subject of this report.
9. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the appraiser whose signature appears on the appraisal report. If significant professional assistance was received from any individual in the performance of the appraisal or the preparation of the appraisal report, such individuals are named and any specific tasks performed by them are disclosed within the report. I certify that any individual so named is qualified to perform such tasks. No change of any item in the appraisal report shall be made by anyone other than the appraiser, and the appraiser shall have no responsibility for any such unauthorized change.



Andrew A. D. Rahn IV, ARA
Accredited Rural Appraiser
Montana Certified General Appraiser #776