

NOTICE OF SALE

Department of Natural Resources & Conservation Timber Sale

The Dry Gulch Timber Sale is located within Section 36, T12N-R15W and Section 2, T11N R15W, on the State's. Missoula Unit. Approximately 25,307 tons, consisting primarily of Douglas-fir and lodgepole pine sawlogs is offered for sale.

Sealed bids will be opened at the Department of Natural Resources & Conservation, 2705 Spurgin Road, Missoula, Montana on **August 17, 2007 at 2:00 p.m.** Bids may be hand delivered or mailed and will be accepted any time prior to the bid opening. **DNRC recommends that bidders contact the Trust Land Management Division (406-542-4300) prior to the bid opening to ensure that your bid has been received.** Bids must be accompanied by a deposit of **\$20,248.00**, representing 5% of the minimum bid value of the sale in cashier's check, certified check, bank money order or bank draft to be applied to the stumpage for the successful bidder. Bid bonds will be accepted and, for the successful bidder, will be closed upon execution of the Timber Sale Contract and Timber Sale Bond.

The sale will be awarded to the highest responsible bidder. If the successful bidder is unable to execute the contract within 45 calendar days from the date the sale is awarded, the bid deposit will be retained by the Department as liquidated damages. The right is reserved to reject any or all bids.

Prospective bidders can obtain the sale prospectus, sale contract and bid forms from the Department of Natural Resources & Conservation, Trust Land Management Division, in Missoula (406-542-4300), the Southwest Land Office in Missoula (406-542-5200), or the Missoula Unit Office in Missoula, MT (406-542-5810).

Visit our website at <http://www.dnrc.mt.gov> Online Services for upcoming sales and bid results

/s/ David A. Groeschl, Chief
Forest Management Bureau
Trust Land Mgmt Division

Publication Dates: July 19, 26, August 2, 16, 2007

TIMBER SALE PROSPECTUS
MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

| | | | |
|---|--------------|--------------------------|--------------------------|
| Timber Sale Name: Dry Gulch | | | |
| Timber Sale Location: Section 2, T11N-R15W & Section 36, T12N-R15W | | | |
| For specific sale information, contact: Richard Stocker | | | |
| Phone | 406-542-5810 | Missoula Unit Office | |
| For copies of the Timber Sale Contract and bid forms, contact: | | | |
| Phone | 406-542-4300 | Forest Management Bureau | DNRC Missoula Office |
| Phone | 406-542-4200 | Bob Storer | Southwestern Land Office |

General Bidding Information

1. Bids must be submitted on standard DNRC bid forms.
2. Timber will be sold to the highest responsible bidder; however, the Department reserves the right to reject any or all bids.
3. DNRC recommends that bidders contact the Forest Management Bureau, Trust Land Management Division (406-542-4300) prior to the bid opening to ensure that your bid has been received.
4. A **bid guarantee** must accompany all bids and must be in the form of cash, cashiers check, certified check, bank money order, bank draft, surety bond or irrevocable letter of credit.
5. The Purchaser must submit a **performance bond** within 45 days of the sale award. It will amount to 20% or more of the bid value of the sale. The performance bond may be in the form of cash, irrevocable letter of credit, surety bond or certificate of deposit. The performance bond must be maintained separately from other payments for the duration of the sale contract.
6. The Purchaser must submit an **advance stumpage payment** prior to cutting any timber. The amount of the advance will be based on the expected harvest rate and the bid value of the stumpage. The advance may be in the form of cash, irrevocable letter of credit, payment bond or certificate of deposit.
7. The Purchaser will pay **Forest Improvement fees** and any special **Road Use and Maintenance fees** in addition to stumpage payments.
8. This sale is being sold based on the gross weight of all species. Minimum price and bid price is per ton. The price is for all species, green and dead. Billing will be based on gross weight. A weight ticket from a certified scale is required for every load.
9. **The Department has estimated the net scale merchantable sawlog volume to be available for purchase under this contract. All delivered wood is required to be weighed. Payment will be at per ton bid rates. The Department recognizes that a percentage of delivered wood may not meet the log manufacturing and recovery standards of the timber sale contract. The actual percentage will vary based on the log manufacturing and recovery specifications of the purchaser and the tree conditions in the sale area. The actual delivered weight may also vary, resulting in an overrun or under-run of the estimated tonnage. DNRC strongly recommends that bidders evaluate these effects before bidding. Cost adjustments and stumpage credits/debits requested by the Purchaser based on actual vs. harvested volumes will not be granted.**
10. **DNRC does not conduct detailed road appraisals. All appraised costs are gross estimates or averages, provided only to show the relative amount of work required, and not its market value. Purchasers are strongly encouraged to make their own estimates based on contract requirements. Cost adjustments and stumpage credits/debits requested by the Purchaser will not be granted when based on actual vs. estimated costs.**
11. Bidders should examine the Timber Sale Contract and sale area prior to bidding. Additional information is available at the phone numbers shown above. **A tour of the sale area for prospective purchasers is planned for 9:00 a.m., July 17, 2007. Meet at the parking lot of the pond at Beavertail Hill, Exit 130 off of Interstate 90.**
12. Estimated stand data in this prospectus and volume estimates in the sale contract are not guaranteed.
13. This prospectus is provided for information purposes only. If the prospectus is in error or contradicts the Timber Sale Contract, the contract governs.

| TABLE 1: Summary of Sale Specifications | | | |
|---|--|-----|--|
| Sale Data | | | |
| 452 | Net Sale Area (acres) | 2.8 | Miles of road construction |
| December 1, 2010 | Contract ending date | 0.2 | Miles of road reconstruction |
| 40% | Cable logging required (% of volume) | 0.3 | Miles of road reclamation or abandonment |
| Operating Season: July 16-March 31 (4 units), September 1-March 31 (13 units) | | | |
| Charges and Appraised Costs | | | |
| \$20,248.00 | Bid Guarantee (total \$) | | |
| 20% of bid value | Performance Bond | | |
| NA | Collected Road Maintenance And Road Use Charges (\$ per ton) | | |
| \$2.31 | Collected Forest Improvement Fee (\$ per ton) | | |
| \$9,743.20 | Quarterly Installment of Forest Improvement Payments (\$ per payment, first 5 payments) | | |
| \$110,780 | Road Development Costs - Appraised Purchaser-Do (total \$) | | |
| NA | Road Maintenance Costs - Appraised Purchaser-Do (\$ per ton, included in road development, see road appraisal) | | |
| \$ no estimate | Slash Disposal Costs - Appraised Purchaser-Do (\$ per ton) | | |
| NA | Timber Stand Improvement Costs - Appraised Purchaser-Do (\$ per ton) | | |

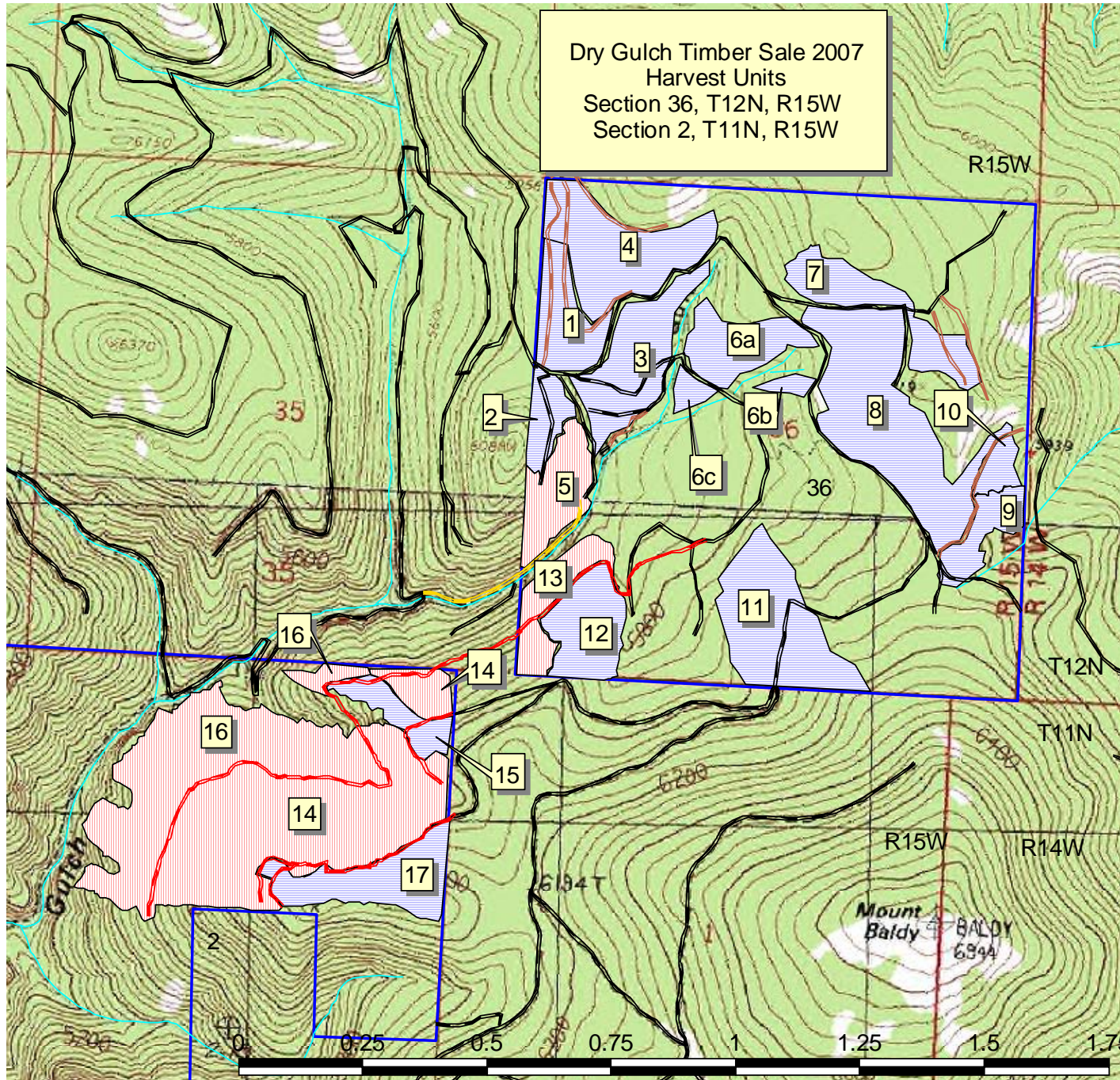
| TABLE 2: Timber Cruise Data and Minimum Bids | | | | | | | | | |
|---|----|--------|----|-------|-------|-------|----|------|--------------|
| SPECIES | PP | DF | WL | LP | ES | SAF | CE | DD | TOTAL or AVE |
| Minimum Acceptable Bid | | | | | | | | | \$16.00/Ton |
| Pounds per cubic foot | | 61.7 | | 56.0 | 57.0 | 55.0 | | 40.0 | 60.0 |
| Net tons | | 22,469 | | 2,158 | 13 | 73 | | 594 | 25,307 |
| Gross MBF (Scribner 6" top DIB) | | 3,535 | | 322 | 2.2 | 14 | | 196 | 4,069 |
| %Cull and Breakage | | 10.7 | | 8.9 | 8.9 | 17.7 | | 34.2 | 11.7 |
| Net MBF | | 3,158 | | 293 | 2 | 11 | | 129 | 3,594 |
| Average logs per MBF | | 19.5 | | 23.2 | 21.5 | 21.6 | | 31.8 | 20.9 |
| Average DBH | | 12.29 | | 9.85 | 11.93 | 11.55 | | 8.83 | 11.11 |
| Average tons per acre harvested in leave-tree marked units | | | | | | | | | 69.5 |
| Average tons per acre harvested in cut-tree-marked units | | | | | | | | | 28.9 |
| Average MBF(gross) to cut per acre on the timber sale | | | | | | | | | 9,006 |
| Cut trees per acre(average) based on unit cruise | | | | | | | | | 20.6 |
| Calculated Sampling Error (net MBF): 7.6% | | | | | | | | | |
| The total cruised volume will fall between 3,332.5 and 3,866.7 thousand net board feet in 9 out of 10 cruises | | | | | | | | | |
| Tons Per Thousand Board Feet Conversion Factor = 25,307 net tons per 3,594 net MBF = 7.04 tons per MBF | | | | | | | | | |

| TABLE 3: Unit Harvest Volume and Harvest Schedule | | | | | |
|--|----------------|--------------|---------------------------|--------------------------|---------------------|
| Unit | Section | Acres | Estimated Net Tons | Estimated Net MBF | Removal Date |
| 1 | 36 | 11 | 310 | 41 | 9/30/2010 |
| 2 | 36 | 8 | 190 | 27 | 9/30/2010 |
| 3 | 36 | 25 | 678 | 97 | 9/30/2010 |
| 4 | 36 | 35 | 948 | 137 | 9/30/2010 |
| 5 | 36 | 15 | 528 | 75 | 9/30/2010 |
| 6 | 36 | 22 | 760 | 108 | 9/30/2010 |
| 7 | 36 | 22 | 852 | 121 | 9/30/2010 |
| 8 | 36 | 48 | 1,315 | 186 | 9/30/2010 |
| 9 | 36 | 13 | 349 | 50 | 9/30/2010 |
| 10 | 36 | 5 | 253 | 36 | 9/30/2010 |
| 11 | 36 | 34 | 3,428 | 487 | 9/30/2010 |
| 12 | 36 | 18 | 1,746 | 248 | 9/30/2010 |
| 13 | 36 | 13 | 1,345 | 191 | 9/30/2010 |
| 14 | 2 | 85 | 6,920 | 983 | 9/30/2010 |
| 15 | 2 | 9 | 472 | 67 | 9/30/2010 |
| 16 | 2 | 67 | 3,467 | 492 | 9/30/2010 |
| 17 | 2 | 22 | 1,746 | 248 | 9/30/2010 |
| TOTAL | | 452 | 25,307 | 3,594 | |

Additional Sale Information:

1. Trees within Units 1, 3, 4, 8, 9 and 10 are bug infested and/or dead lodgepole pine. In the remaining units, stands have been killed or are infested by the Douglas-fir bark beetle with tree mortality ongoing.
2. Utilization for lodgepole pine and all species in Units 1, 3, 4, 8, 9 and 10 is to a 4.5" top dib. Trees not designated for harvest shall be protected and landing size shall be limited as directed by the Forest Officer.
3. Road use on portions of roads located in Sections 25 and 36 and harvesting in Units 1-17 is restricted during period from April 1-August 31. See contract for details.

Attachment A



Legend

- New Roads
- Harvest Type**
 - Cable
 - Tractor
- Existing roads**
 - Brushed-in
 - Closed
 - Highway/County
 - Highway/county
 - Open
 - Unedited Open
 - DNRC

Miles

