

BOARD OF INVESTMENTS OF THE STATE OF MONTANA  
CONSERVATION RESERVE ENHANCEMENT PROGRAM

INSTRUCTIONS TO APPLICATION

Complete one application for each CRP Contract

General. A separate Application should be submitted for each CRP Contract. Any CRP Contract with separate and distinct ownership tracts will require reconstitution into separate contracts prior to submitting an Application. "Distinct ownership tracts" means the ownership of CRP acreage is evidenced by separate deeds having different named owners. Please type or print legibly. If additional space is required, attach a separate sheet, numbered to conform to the Application. For purposes of the Application, the term Applicant means all parties to the CRP Contract (the Contract Holders). Each loan by the Board of Investments under the Montana Conservation Reserve Enhancement Program must be secured by a first mortgage on the land identified in the CRP Contract as subject to the CRP program or "designated acreage" (in these Instructions and the Application, the "CRP Acres"). If any of the CRP Acres are currently subject to a mortgage, lease, judgment or other lien or encumbrance (see Application Line 14) the holder of that lien or encumbrance must agree, before the Loan is made, to subordinate that lien or encumbrance to the first mortgage of the Board of Investments. The Board or its agents will furnish a form for the subordination where necessary. You should not submit an Application unless these conditions are satisfied or can be satisfied. Questions concerning the completion of the Application shall be addressed to Doane-Western Company at P.O. Box 3661, Bozeman, MT 59772-3661, (406) 587-1201.

The following numbered instructions relate to the similarly numbered lines of the Application.

1. Insert CRP Contract Number which applies to this Application.
2. State name, mailing address, telephone number and other requested information for each Applicant. Each party named in the CRP Contract (Contract Holder) whether owner or operator shall be included as an Applicant. The name and address of each Applicant shall be as stated in the CRP Contract. All parties listed as Applicants must sign the Application.
3. Insert the legal description as it appears on the title, mortgage, contract for deed, etc. for the total number of CRP Acres. Attach the legal description as an exhibit if space is inadequate. If a legal description does not exist or is not available, attach a map or survey with the CRP Acres clearly marked.
4. Insert total number of CRP Acres currently under contract as shown on line 5 of CRP-1 of the CRP Contract.
5. Insert the CRP per acre annual payment as shown on line 6 of the CRP-1 Contract.
6. Insert the total annual payment for the entire CRP Contract, which should be the product of multiplying line 4 with line 5.
7. Insert the remaining number of annual payments under the CRP Contract.
8. Insert the date of the first annual payment scheduled under the CRP Contract. (Insert this date even if it has passed and you have received the payment).

9. Insert the date of the final annual payment scheduled under the CRP Contract.
10. Indicate the date of the next expected payment.
11. Multiply line 6 (the total annual CRP Contract payment) by line 7 (the number of payments remaining and insert the product on line 11).
12. From the attached Present Value Discount Table, select the number of payments remaining on the CRP Contract as of the date of the Application, and insert in the first blank of item 12 the discount rate that corresponds to the number of payments. Next multiply this discount rate by line 11. The resulting product is the estimated loan amount and should be inserted in the second blank in item 12 of the Application. An example of the calculation appears below the Present Value Discount Table.
13. The statute authorizing this Program limits the use of the loan proceeds within the State of Montana to the refinancing of existing agricultural-related debt, to provide working capital or to acquire land, livestock, equipment or machinery to be used in the farm and ranch operation. Indicate the amount to be used for each purpose. The total should equal the approximate loan amount in line 12, recognizing that this is an approximate number and that a portion of the loan proceeds will be applied by the Board at closing for payment of certain costs relating to loan closing.
14. Self-explanatory.
15. State the name of each lending institution, individual, corporation etc., which currently holds a mortgage or other lien(s) on any of the CRP Acres. State the total number of CRP Acres subject to each encumbrance.

The signing of the Application and returning it to the Board or the Board's agent authorizes the Board or its agents to discuss the Application and the lien with the lien holders named in the Application.

16. The Board can be given a first mortgage on the CRP Acres even if already subject to a mortgage, lease or other lien, if the lien holder will release the CRP Acres from the lien or subordinate its lien on the CRP Acres to the State. Please indicate whether you have inquired about the willingness of the lien holder to do so. It is the Applicant's responsibility to arrange for the release or subordination.
17. Self-explanatory. Unless the Board receives from the Natural Resources Conservation Service (NRCS) a Final Status Review Report, satisfactory to the Board, that cover has been established, a portion of the loan, in an amount estimated to be sufficient to pay the cost of establishing cover, currently established as \$20 per acre for introduced grasses and \$30 per acres for native grasses, will be withheld by the Board at loan closing, to be released upon receipt of the NRCS Final Status Review Report or, if necessary, to pay the cost of establishing cover.
18. Self-explanatory.
19. Self-explanatory.
20. Self-explanatory.

21. In addition to granting the Board a first mortgage on the CRP Acres, the Applicant must also give the Board a legal easement to the CRP Acres so that the Board or its Agent can enter the property to inspect for and ensure compliance with the CRP Contract and Conservation Plan. The easement will terminate when the loan is paid in full.

It is anticipated that in many cases the CRP Acres will be only a part of the Applicant's farm. As a result, it is further anticipated that the CRP Acres may be landlocked and not accessible by a public road. In these cases, it will be necessary for the Applicant to provide an easement across his or her other property (the Servient Tenement) in order to reach the CRP Acres. A legal description of the Servient Tenement must be enclosed with the Application. This easement will also terminate when the loan is paid in full.

22. All Contract Holders must sign.
23. Documents specified under item 23 in the Application must be attached to the Application. If cover has not been established, the Applicant will not be able to attach the Final Status Review Report. Please check off on the Application.

MONTANA BOARD OF INVESTMENTS  
 CONSERVATION RESERVE ENHANCEMENT PROGRAM

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PRESENT VALUE DISCOUNT RATES

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| <u># OF REMAINING CRP PAYMENTS</u> | <u>ESTIMATED DISCOUNT RATE*</u><br><u>(08/01/04 CLOSE)</u> |
|------------------------------------|--|
| 15                                 | 61.06%   |
| 14                                 | 63.13%   |
| 13                                 | 65.28%   |
| 12                                 | 67.51%   |
| 11                                 | 69.82%   |
| 10                                 | 72.22%   |
| 9                                  | 75.10%   |
| 8                                  | 78.02%   |
| 7                                  | 80.97%   |
| 6                                  | 83.92%   |
| 5                                  | 86.88%   |

| <u># OF REMAINING PAYMENTS</u> | <u>ESTIMATED LOAN INTEREST RATE</u> |
|--------------------------------|-------------------------------------|
| 15                             | 7.75%                               |
| 14                             | 7.70%                               |
| 13                             | 7.65%                               |
| 12                             | 7.60%                               |
| 11                             | 7.55%                               |
| 10                             | 7.50%                               |
| 9                              | 7.30%                               |
| 8                              | 7.10%                               |
| 7                              | 6.90%                               |
| 6                              | 6.70%                               |
| 5 or less)                     | 6.50%                               |

\* Represents the estimated percentage of total future CRP payments which may be loaned to the applicant. For example, if an applicant has 10 remaining payments on a Contract of \$10,000 each, the estimated gross loan amount is \$100,000 x 72.22% or \$72,220. The discount rates shown are estimates only based upon an assumed interest rate on Program loans of 7.50% for ten year loans and a loan closing of August 1, 2004. The actual discount rates will be determined by the market interest rates in effect at the time the Board funds the loan.