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Bear Ranch  
Somerset, CO

Hi Bill,

In regard to the Bear Ranch Land Exchange, Jim Sims is my friend. I'm very loyal to my friends.

I hope you do not take umbrage at the frankness of some of the comments and thoughts contained in this letter. It is meant to create value, not create ill will.

As you probably know, I sold the Signal Hill parcel in May of 2010 to a purchaser in Maine for \$2.12 million cash. We closed the transaction and distributed the money to the TDX limited partners. I restricted the 76 acres to one home on a small footprint on top of Signal Hill, no metal roofs, etc. But he is free to do as he pleases regarding size. I understand he intends to build an estate size home, which will no doubt significantly alter the nature of the Park.

For two reasons, I retained an option to repurchase the parcel. Only a few people are aware of this option. A signed notarized deed back to Canyon Partners is in place today in a vault at the offices of Land Title Guarantee Company in Denver. I do not have to give the Maine purchaser notice. I do not have to close a real estate transaction. I simply walk into Denver with a cashier's check and walk back out with the deed to the Signal Hill parcel. I have 12 months left on that option. If I can't find a way to protect this Park within that period, then I'm fine with construction on Signal Hill.

I got a call the other day from an acquaintance in Montrose. He had just visited with a member of the Montrose County Planning Commission, a Mr. David Laurson. Mr. Laurson wanted to know if I would consider building a modern RV Park and campground facility on the 76 acre Signal Hill parcel. He wasn't aware that I had sold the parcel. I met with Mr. Laurson yesterday.

As I understand it, the Signal Hill parcel is the preferred choice for a new RV campground. Montrose County tax revenues are down. Montrose County believes the best way to boost the local economy is to better utilize their main tourism draw, the Black Canyon National Park. Unfortunately, the small existing South Rim Campground was designed for pickup campers and tents in the 1960's. It will not accommodate the modern large RV/tour bus. Many of those visitors stay an afternoon and move on down the road to the next national park.

The Signal Hill parcel lays well for an RV campground, as can be seen in the accompanying photo. I originally considered constructing a campground myself prior to building the Casa Barranca. I commissioned a design company in Grand Junction to create a preliminary plan for a modern campground facility with 143 units (see enclosed LandDesign plans).

Overnight facilities at the Park would bring increased revenue to both Montrose and Montrose County. It would bring income to the National Park Service. Since revenue is the goal of everyone, the luxury home should be included in this idea. The Casa Barranca would give the Park Service an upscale rental option in a beautiful natural setting and add esteem to the Park. The campground and home would make a cohesive unit, centrally located. Although the Casa is an upscale home, from a revenue point of view, it would be similar to the Jenny Lake Lodge cabins at Grand Teton National Park. The Park Service owns those and rents them for \$800.00

per night. The Jenny Lake Lodge is found at this link:  
([http://www.nationalparkreservations.com/grandteton\\_jenny\\_lake](http://www.nationalparkreservations.com/grandteton_jenny_lake)). The Casa Barranca can be viewed at this link: (<http://www.youtube.com/watch?v=WtZgH-BYLNw>)

Bill, I have executed exactly one land exchange. I did it through the public process. I met and debated every critic head on. Western Land Group has done over one hundred exchanges, many of them through the legislative process. I'm sure they are quite capable of doing them either way. Obviously the legislated exchange has its advantages. But because Udall and Tipton are up for election in two years, they may have to endorse the public review process. WLG will do just fine in this environment.

The WLG guys are good. But even they will have to admit that a critical element in exchange is the selection of compelling private lands to offer the public. The more compelling the lands, the easier it is for the politician to find the cover to support the exchange. With the contentious nature of land exchange in this day and age, you can make a case that the choice of private lands offered cannot have enough of this "compelling" attribute.

I control two compelling properties. They will in fact be well-received in any proposed land exchange. The only issue is values. One property of course is the Black Canyon National Park lands, all 112 acres including the new home. That will require buying out the option. The other is the 18 parcel TDX wilderness package. TDX partner Jaylene Park may have previously visited with you about these lands.

Known but to a few, the wilderness package is coming back to TDX in foreclosure. I sold it to Montrose resident Mark Young in 2006 for \$1.0 million. I've included a confidential brochure showing some photos and the current state of affairs. It's an explosive untold story - - potentially an environmental story of the year. The extinguishment of Colorado conservation easements has never happened. Young executed six conservation easements, five of them without the knowledge or permission of the secured first mortgage holder TDX. Upon our foreclosure five easements will be extinguished, maybe all six. Young executed them with Howard Hallman, the President of The Greenland's Reserve in Denver. Hallman did so without benefit of a title insurance commitment. I understand Broncos coach Mike Shanahan bought over one half million dollars of these credits, all of which stand to be disallowed by the IRS.

When revealed, this situation could easily lead to the demise of the already tenuous Colorado Conservation Easement Program. It's probably a fair bet to say that I'm the last person in the world the government and conservationists would like to see retake possession of these wilderness lands.

I realize the principals at WLG have a less than stellar opinion of me. They believe my values are too high, among other complaints. It would be a mistake to believe everything you read or are told. Critics are everywhere, whether a person is trying to mine coal or represent remote landowners.

I met Andy Weissner last summer at the Williams Creek Road picnic area at the Bear Ranch Land Exchange "Paonia complainers meeting". He's the only WLG guy I have ever met. He seems like a nice enough person. I see no reason why he and I could not work together. I don't

know why WLG would want me working against their interests. I understand values. I understand appraisals. I know how to get along with others. I know how to get things done.

I'm not suggesting that I be involved in present or future exchange transactions. Obviously, my name excludes my participation. WLG is no doubt in the best position to work land exchanges, especially so with two Democrat Senators.

As you can see on the enclosed maps, the TDX Black Canyon lands are no more than 20 miles from Oak Mesa. That's the definition of local in land exchange where you are attempting to provide local benefits for the public to mitigate inevitable criticism.

In this exchange scenario, the public gets private lands within a national park and within five Colorado wilderness areas. The Black Canyon National Park is protected from imminent adverse use on top of Signal Hill from the Maine purchaser. The National Park Service gets income from a badly needed RV campground. The Park Service gets significant rental income and esteem from the luxury home. The City of Montrose gets an economic shot in the arm when overnight visitors come to town to spend money. Montrose County gets sales tax revenue. Delta County would get a significant economic boost if you build a coal mine at the 7X, both in construction and annual property tax. Our nation needs more clean burning coal, so the nation benefits.

In return, the government gives up 635 acres of marginal lands at Parcel A. They give up 3,260 acres of marginal grazing lands at Parcel B and C. Maybe more if a Parcel D is added.

The question may arise as to whether it's feasible to bring up yet another land exchange proposal given the current criticism of the Bear Ranch Exchange.

First, an Oak Mesa/Black Canyon Exchange is much stronger, in every respect. It provides unquestionable national benefits, a boon to the federal government. It provides abundant local benefits that neutralize the critics. It removes me. It eliminates imminent adverse use on Signal Hill. The small objection group would consist of the few hunters that hunt the small amount of BLM available on Oak Mesa. It presents a compelling exchange that every politician would support, Democrat and Republican. In fact, if properly structured, no politician could afford to oppose it.

Second, all of this doesn't have to occur at the same time. The Bear Ranch Exchange will likely follow a public review process for the next year or so, ending in a successful exchange. A Black Canyon/Oak Mesa Exchange could occur four or five years from now, and be more effective than if proposed now.

With respect to values, I believe the BLM land shown as Parcel A would be fortunate to appraise for \$1,500.00 per acre. The BLM lands within Block B and C should appraise in the same \$1,500.00 vicinity, by staying with federal coal and not broaching fee coal. Fee coal exists in the Newman Mine and should be sufficient to move forward into 8% federal coal.

The recent 7X and Alvey per acre sales values should not affect this \$1,500 per acre valuation. These federal lands have no water rights, no irrigated acreage, no improvements, no personal property, and limited access.

I find the possibilities of BLM Parcel A especially intriguing. Lazear loadout options are encumbered with two issues, space restriction and heavy local criticism. BLM parcel A has more room, and while not eliminating all 3100 Road objections in a truck hauling program, would at least eliminate the Lazear objections. Parcel A has the added benefit of two miles of possible double track. It has one mile of excellent loadout terrain along Buckwheat Road. It sets back nicely from the state highway, unlike the Payne Siding options two additional haul miles down the road. Parcel A has the room to accommodate robust full-featured loadout facilities, similar to Elk Creek, West Elk, and Bowie No. 2.

The other day I was visiting with Montrose Bureau of Land Management Uncompahgre Field Office Manager Barb Sharrow. I brought up the idea of possibly exchanging our Black Canyon lands for BLM lands. She told me she would be happy to visit in her office at any time.

I think it would take about \$7.0 million in exchange value to acquire the 3,895 acres in BLM parcels A, B, and C. A conservation easement on the ten acres on top of Signal Hill should appraise for at least \$2.1 million, the price the arms-length Maine purchaser paid in cash.

The TDX wilderness inholding package should come in with at least \$1.5 million in exchange value. The appraisals Young used to execute the conservation easements (I have four of them), declare values of over \$900,000.00 per parcel. Those appraisals are probably not worth the paper they're printed on, but the Colorado conservation easement program accepted them, as did Greenland's Reserve and the IRS.

Young has filed for bankruptcy. It may take the rest of this year to get the lands back, but we will get them back. Young and his conservation easements will be eliminated. Many conservationists will become quite anxious as this situation unfolds. But someone is going to have a great opportunity to step in, preserve the lands, right the ship, and in the process gain plaudits and positive publicity.

Combined, Signal Hill and the wilderness lands should bring to the table \$3.6 to \$4.0 million in exchange value. It would simply take another \$3 million to execute the 3,895 acre Parcel A, B, C exchange shown on the maps.

The luxury home on 33 acres would have to be appraised by a federally approved appraiser. I think an unbiased appraiser, a well-chosen appraiser, will come in around \$7.5 million. Considering the circumstances of its location, it should be comparable to a similar home in Aspen or Telluride on 33 acres.

The Canyon home could appraise for as little as \$3.0 million and accomplish the exchange shown on the map. But I won't sell it for that. I'm prepared to lower the price for the sake of selling it and moving on. But we have no borrowed money and it's not imperative that we sell it.

If the home appraises at \$7 million, and the Signal Hill site appraises at \$2.0 to \$3.0 million, and the wilderness lands appraise at \$1.5 million, then approximately 7,500 acres of federal land would come into play instead of the 3,895 I've shown on the map. The additional 3,600 acres of federal lands could be added as a proposed federal parcel "D" allowing for acquisition of all federal lands between the Alvey Ranch and the 7X, thereby blocking the two ranches together into one large unit. That may or may not be desirable with respect to the possible construction of

a surface conveyor system (shown on the map) between the Newman Mine and the BLM Parcel A load-out facility.

Here's another incentive. For 30 years Ed Marston has been my staunchest critic. I now have a positive relationship with him. I know what Ed wants. I can mediate your Bear Ranch land exchange with Marston and his opposition group in a way that resolves the issues amicably.

For the whatever it's worth department, Marston told me last summer that if you would have put the Signal Hill parcel on the table, their nascent opposition group would have been overpowered. To me, it's irrelevant. I understood and accepted your decision. It was your call to make. I appreciated the offer. I never said a word to your appraiser.

I know what Sims wants. I think Sims objections could be resolved amicably.

In wrapping up, this is what I would do. I would trade the \$1.5 million wilderness land package for the \$952,000.00 BLM Parcel A. That should be a no-brainer, wilderness lands for clay lands.

Then I would execute a conservation easement on the 10 acres on the top of Signal Hill. That should result in \$2.0 to \$3.0 million of exchange value. I would trade that for the 1,620 acre \$2.4 million BLM Parcel B on Oak Mesa. Those two moves alone would lock up rail access and prevent adversarial access to the coal seams near the Newman Mine, including privatization of federal coal under Parcel B.

I would then get the National Park Service and the Montrose County Planning Commission together and design an RV campground for the remaining 66 acres of the Signal Hill parcel. I would construct the RV Park this summer or next summer. Neither the National Park Service nor Montrose County has the funds to do so.

I would lease the campground, including the new home, to the Park Service for five years. Doing this would be like giving cocaine to a cocaine addict. Both the rental home and RV campground will be extremely popular if the rates are kept reasonable. You would retain a say in rates to ensure high occupancy. An alternative to leasing these facilities to the Park Service would be to lease them to the National Park Service's primary concessionaire – Xanterra Parks and Resorts located in Greenwood Village, Colorado. Xanterra operates nearly all of the concessions found in American national parks, including Yellowstone and Grand Canyon National Parks.

Five years from now, the campground will be considered indispensable. It would be an income producing asset and appraised as such. So essentially, in addition to gaining the value of the conservation easement on top of Signal Hill, we are now utilizing the remaining 66 acres, whereas before, it had no value as the deed restricted remnant in the \$2.12 million sale.

Five years from now the luxury rental home will be an income producing asset and appraised as such. The Park Service will quickly come to view the Casa Barranca as an "esteem" offering to that certain element of the traveling public more than willing to pay for unique experiences. They will not want to let it go back to the private sector.

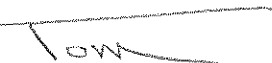
At that point, I would trade the government both the campground and the home for BLM Parcel C, as well as a ranch-connecting Parcel D, and perhaps 8% fee coal under Parcel B.

A five year time frame would allow the Bear Ranch Land Exchange to be completed in the interim. It allows time for actual construction of the RV campground. Once you own the campground, you will have control of its destiny. For example, you could close it or refuse to renew the lease. You would be in a position of control with a recovering economy. It would give you positive publicity and enormous goodwill to offset the ever-present mining critics, who fail to understand that the energy future of America is coal, not windmills and solar panels.

In conclusion, a Black Canyon/Oak Mesa Exchange works because it's geographically tight, local in nature, and provides immense local and national benefits. It would give you goodwill not only within the local communities and counties, but with Scott Tipton.

- As a private aside, Scott Tipton conducted three consecutive fundraising dinners at the Casa Barranca three years ago when he was running for the Colorado State House. He knows every square inch of the Casa Barranca. He absolutely loves the place. In fact, during the last two fundraisers, he personally conducted the obligatory house tours - - as I stood to the side. Scott likes me. He thoroughly understands the property right issues that led to the construction of the Casa Barranca. He had no problem whatsoever with its construction. I believe you could get Scott behind you on all issues, by taking ownership of this Black Canyon asset and finding a way to put it into the public sector.

Sincerely yours,



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Attached Maps:  
Leroux Creek USGS Topo Map  
BLM Minerals Management Map  
LandDesign RV Campground Map