

AGENDA
REGULAR MEETING OF THE BOARD OF LAND COMMISSIONERS
Monday, July 18, 2016, at 9:00 a.m.
State Capitol, Room 303
Helena, MT

ACTION ITEMS

- 716-1 **Timber Sales:**
 A. Cilly Graves
 Benefits: Common Schools
 Location: Lake County
 B. Cilly North Soup
 Benefits: Common Schools
 Location: Lake County
 C. Skookum Point Salvage
 Benefits: Common Schools
 Location: Sanders County
 Approve 5-0
- 716-2 **Communitization Agreements**
 A. Luke Sweetman 24-25H Well
 Benefits: Common Schools, Public Land Trust – Navigable Rivers
 Location: Roosevelt County
 B. Marilyn 2758 42-11H Well
 Benefits: Common Schools, Public Land Trust – Navigable Rivers
 Location: Roosevelt County
 C. Sam 2858 12-17H Well
 Benefits: Department of Transportation
 Location: Roosevelt County
 Approve 5-0
- 716-3 **Land Banking Parcels: Final Approval for Sale**
 Benefits: Common Schools, Public Buildings
 Location: Cascade, Lewis and Clark, Teton Counties
 Approve 5-0
- 716-4 **Sale of Cabin and Home Sites: Set Minimum Bid for Sale**
 A. Sales 806, 808, 809, 810
 Benefits: Common Schools
 Location: Flathead County
 B. Sales 812, 814, 819
 Benefits: Montana State University
 Location: Missoula County
 Approve 5-0
- 716-5 **Commercial Lease: Proposed Agreements – North Park East**
 Benefits: Common Schools
 Location: Gallatin County
 Approve 5-0
- 716-6 **Easements**
 Benefits: Common Schools, Public Land
 Location: Big Horn, Lewis & Clark, Liberty, Missoula, Phillips, Pondera, Richland, Sweet Grass, Toole

INFORMATION ITEM

- 716-7 **Acquisition: A Street Warehouse Property - Land Exchange**
 Benefits: N/A (non-trust land)
 Location: Lewis and Clark County

716-8 DNRC Trust Land Management Division – 2016 Project Management List

*Benefits: Common Schools, Pine Hills School, Eastern College - MSU/Western Montana –
UM, Public Buildings*

Location: Custer, Flathead, Gallatin, Lincoln, Missoula, Sanders, Yellowstone Counties

PUBLIC COMMENT

716-1

TIMBER SALES:

- A. Cilly Graves
- B. Cilly North Soup
- C. Skookum Point Salvage

**Land Board Agenda Item
July 18, 2016**

716-1A Timber Sale: Cilly Graves

**Location: Lake County
Sections 9 & 16, T24N R17W**

Trust Benefits: Common Schools

Trust Revenue: \$329,159 (estimated, minimum bid)

Item Summary

The Cilly Graves Timber Sale is located approximately seven miles southeast of Swan Lake, Montana. The sale includes 10 harvest units (221 acres) of tractor logging. The estimated harvest volume for the sale is 17,583 tons (3,074 MBF). The estimated minimum bid is \$18.72 per ton, which would generate approximately \$329,159 for the Common School Trust and \$89,675 in Forest Improvement fees. This project is within the Habitat Conservation Plan (HCP) and complies with the commitments outlined in the HCP.

This sale has a prescription of seed tree harvest. Seed tree units retain six to eight trees per acre. Approximately two large snags per acre will be left in all units where available. The current cover type is mixed conifer, with species composition predominantly grand fir, western larch, subalpine fir, and Douglas fir. Western white pine, western larch, and Douglas-fir are the preferred species to be retained in all harvest units. All harvest treatments are meant to address insect and disease issues, promote appropriate species composition and desired future conditions, reduce fuel loads and potential fire hazards, and balance revenue recovery with environmental considerations such as wildlife habitat, watershed health, and soil stability. Of the 221 acres proposed for harvesting, 55 acres are classified as old growth. No old growth will remain post-harvest.

Department of Natural Resources and Conservation (DNRC) is proposing 10.3 miles of road maintenance, 0.6 miles of road reconstruction, and 2.3 miles of new permanent road construction. Soup Creek Road is open to motorized public access. There will be no changes to current road restrictions post-harvest.

Access is obtained through Soup Creek Road and 9521 Road which is a cost-share road with the Forest Service.

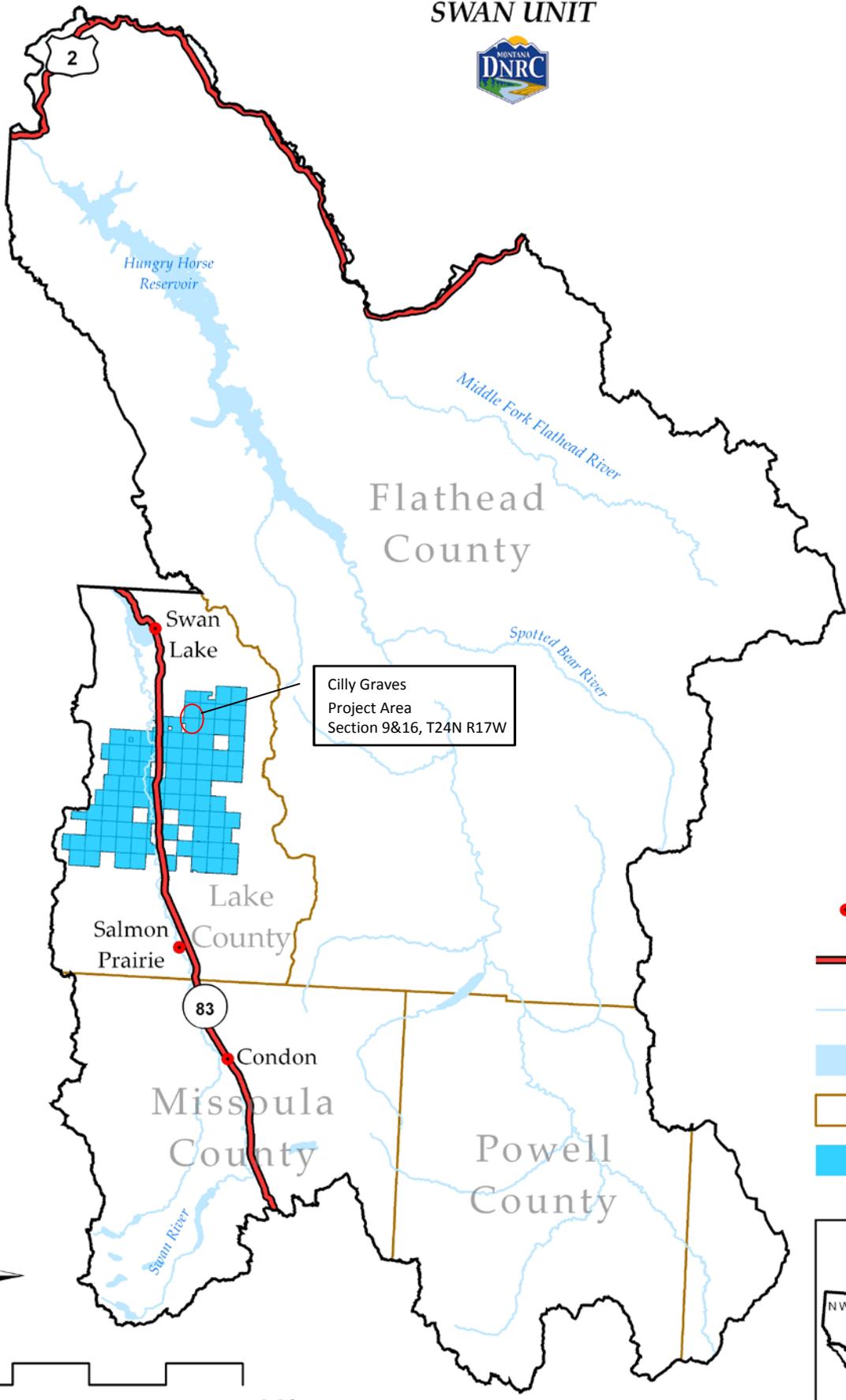
In February 2013, DNRC distributed the initial proposal and invited public comments. Public notices were placed in *the Daily Inter Lake* and *Pathfinder* newspapers. The Initial Proposal was mailed to individuals, agencies, internal DNRC staff, industry representatives, and other organizations that had expressed interest in the Swan River State Forest management activities. During the 30-day comment period, a total of nine responses were received. On May 24, 2013, the ID Team sent a newsletter to individuals/groups on the scoping list containing updated information about the project development. No comments were received. DNRC hosted a field tour on October 22, 2013. DNRC staff members and four participants visited stands in and adjacent to the proposed harvest units. Questions and concerns were recorded and cross referenced with comments received during the Initial Proposal scoping period to ensure that relevant issues were captured. On November 7, 2013, the ID Team sent a second newsletter out to individuals/groups on the scoping list. One written comment was received. Throughout the project development phase the primary concerns were: the size and scope of the project, the perceived similarities between action alternatives, impacts of timber harvesting and road construction on old growth and wildlife habitat, protection of water quality, and maintaining biodiversity. These resource concerns and others were addressed within both the project's design and mitigation, and were incorporated into the timber sale contract.

DNRC Recommendation

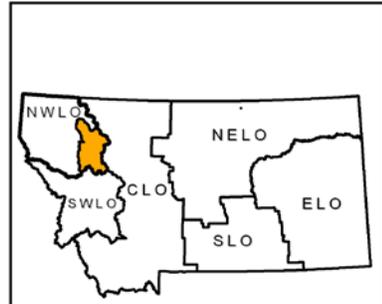
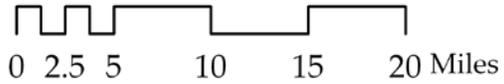
The director recommends the Land Board direct DNRC to sell the Cilly Graves Timber Sale.

CILLY GRAVES VICINITY MAP – Attachment A-1 ^{716-1A}

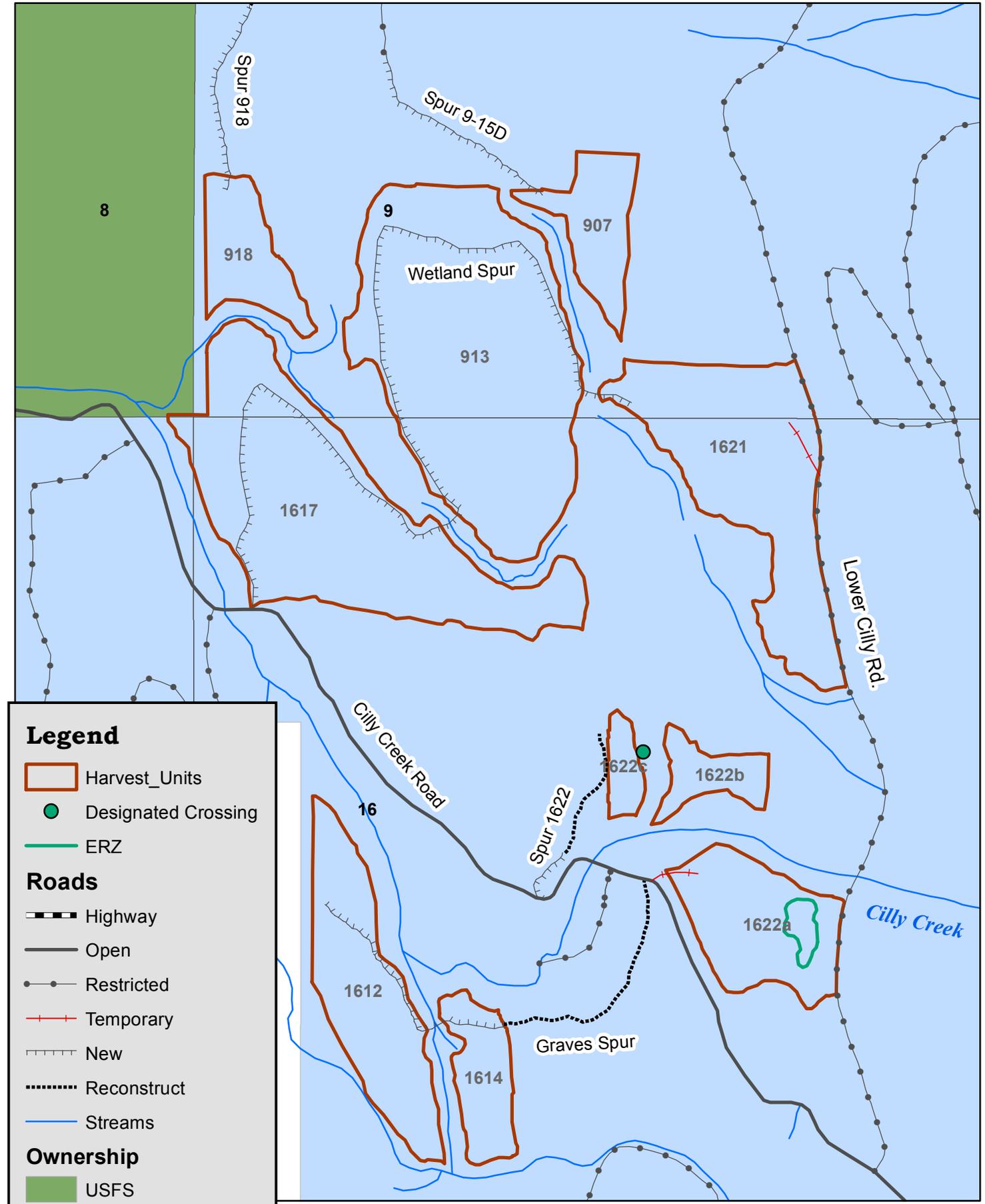
SWAN UNIT



- Towns
- Major Roads
- Rivers
- Water Bodies
- County Border
- State Trust Land



Cilly Graves Timber Sale
 Project Area Map - Attachment A-2
 Sections 9 and 16 T24N R17W



Legend

- Harvest_Units
- Designated Crossing
- ERZ

Roads

- Highway
- Open
- Restricted
- Temporary
- New
- Reconstruct
- Streams

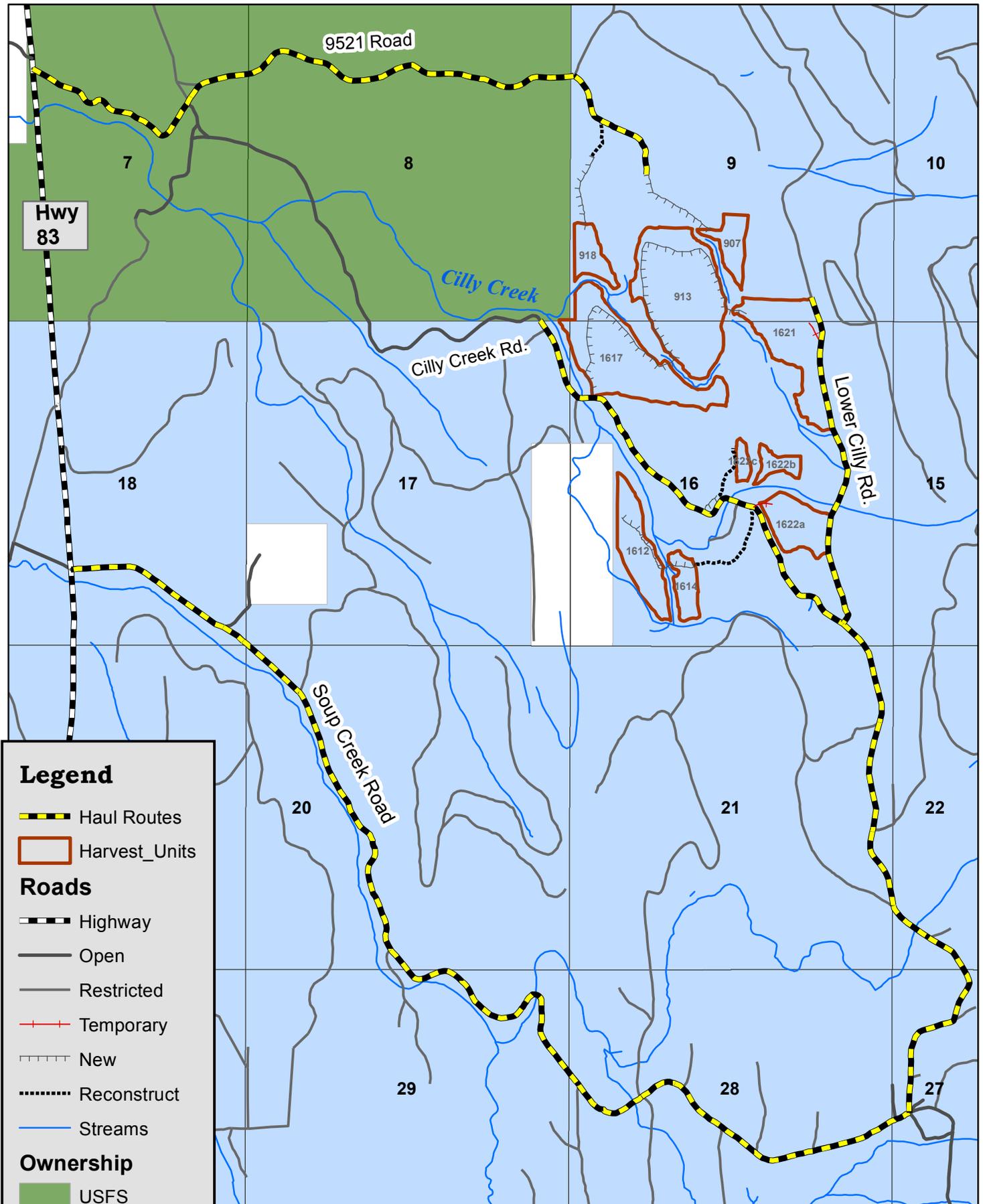
Ownership

- USFS
- MT DNRC

Cilly Graves Timber Sale

Haul Route Map - Attachment A-3

Sections 9 and 16 T24N R17W



Legend

- Haul Routes
- Harvest_Units

Roads

- Highway
- Open
- Restricted
- Temporary
- New
- Reconstruct
- Streams

Ownership

- USFS
- MT DNRC

Land Board Agenda Item
July 18, 2016

716-1B Timber Sales: Cilly North Soup

Location: Lake County
Sections 14, 15, & 22, T24N R17W

Trust Benefits: Common Schools

Trust Revenue: \$149,054 (estimated, minimum bid)

Item Summary

The Cilly North Soup Timber Sale is located approximately 11 miles southeast of Swan Lake, Montana. The sale consists of four harvest units (200 acres) of tractor and skyline logging. The estimated harvest volume is 15,319 tons (2,442 MBF) of sawlogs. The estimated minimum bid is \$9.73 per ton, which would generate approximately \$149,054 for the common schools trust and \$71,233 in forest improvement fees. This project is within the Habitat Conservation Plan (HCP) project area and complies with the commitments outlined in the HCP.

This sale has harvest prescriptions of seed tree and a commercial thin/overstory removal treatments. In the seed tree unit, 6-8 trees per acre will be retained, and in the commercial thin/overstory removal units, approximately 150 live trees per acre will be retained. A minimum of two large snags per acre will be left in all units where available. The current species composition is predominantly Douglas-fir, grand fir, and western larch. Western white pine, western larch, ponderosa pine, and Douglas-fir are the preferred species to be retained in all harvest units. All harvest treatments are meant to address insect and disease issues, promote appropriate species composition and desired future conditions, reduce fuel loads and potential fire hazards, and balance revenue recovery with environmental considerations such as wildlife habitat, watershed health, and soil stability. Of the 200 acres, 40 acres are classified as old growth. No old growth will remain post-harvest.

Department of Natural Resources and Conservation (DNRC) is proposing 13.1 miles of road maintenance, 0.5 miles of road reconstruction, and 2.4 miles of new permanent road construction. Soup Creek Road is open to motorized public access. There will be no changes to current road restrictions post-harvest.

Access to the timber sale is via Soup Creek Road (Road 680).

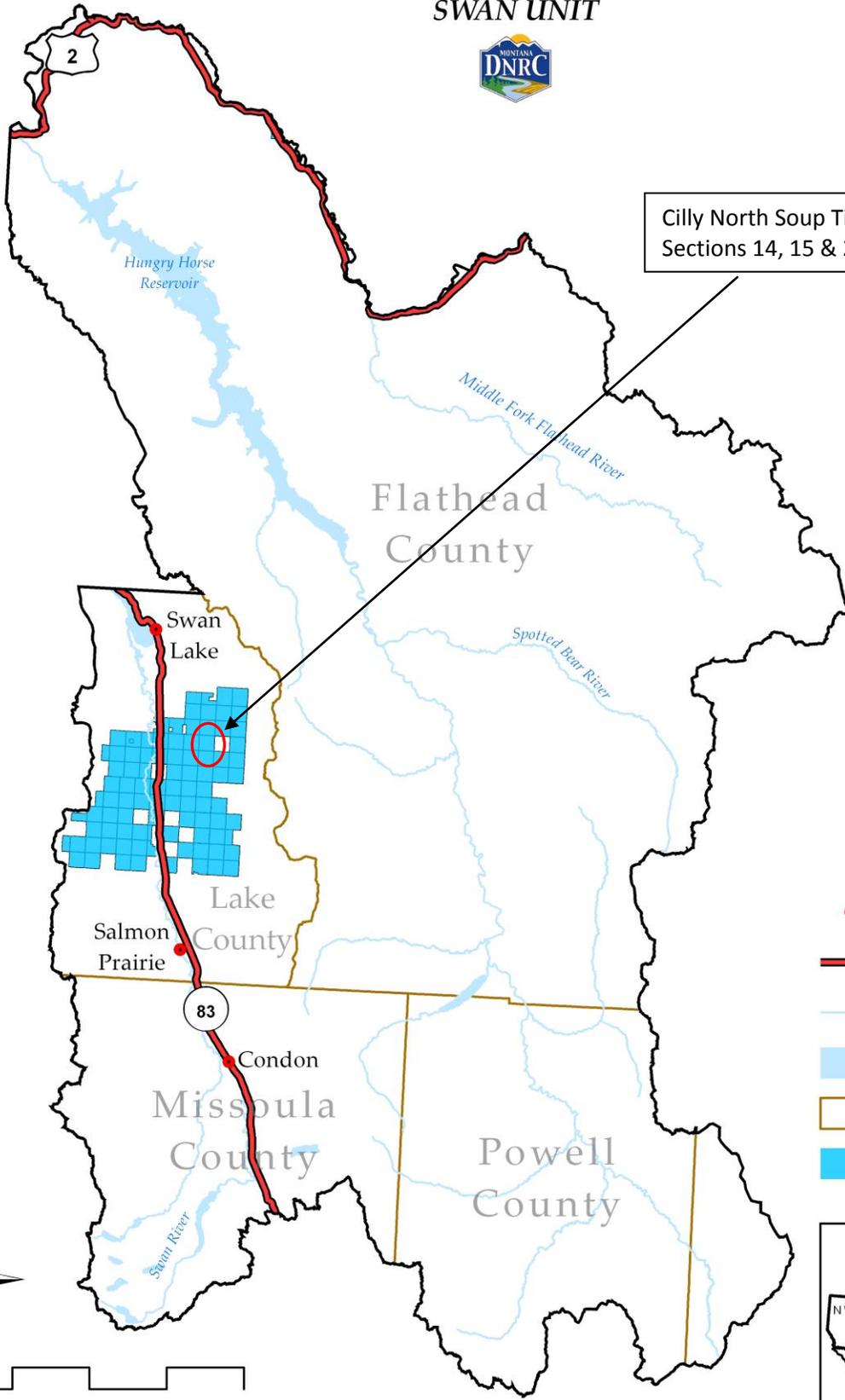
In February 2013, DNRC distributed the initial proposal and invited public comments. Public notices were placed in the *Daily Inter Lake* and *Pathfinder* newspapers. The Initial Proposal was mailed to individuals, agencies, internal DNRC staff, industry representatives, and other organizations that had expressed interest in the Swan River State Forest management activities. During the 30-day comment period, a total of nine responses were received. On May 24, 2013, the ID Team sent a newsletter to individuals/groups on the scoping list containing updated information about the project development. No comments were received. DNRC hosted a field tour on October 22, 2013. DNRC staff members and four participants visited stands in and adjacent to the proposed harvest units. Questions and concerns were recorded and cross referenced with comments received during the Initial Proposal scoping period to ensure that relevant issues were captured. On November 7, 2013, the ID Team sent a second newsletter out to individuals/groups on the scoping list. One written comment was received. Throughout

the project development phase the primary concerns were: the size and scope of the project, the perceived similarities between action alternatives, impacts of timber harvesting and road construction on old growth and wildlife habitat, protection of water quality, and maintaining biodiversity. These resource concerns and others were addressed within both the project's design and mitigation, and were incorporated into the timber sale contract.

DNRC Recommendation

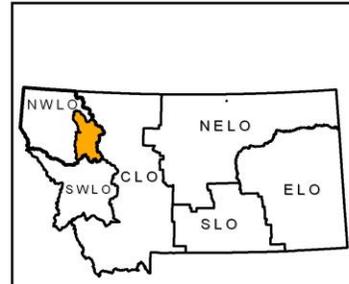
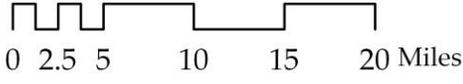
The director recommends the Land Board direct DNRC to sell the Cilly North Soup Timber Sale.

SWAN UNIT



Cilly North Soup Timber Sale
Sections 14, 15 & 22 T24N, R17W

- Towns
- Major Roads
- Rivers
- Water Bodies
- County Border
- State Trust Land

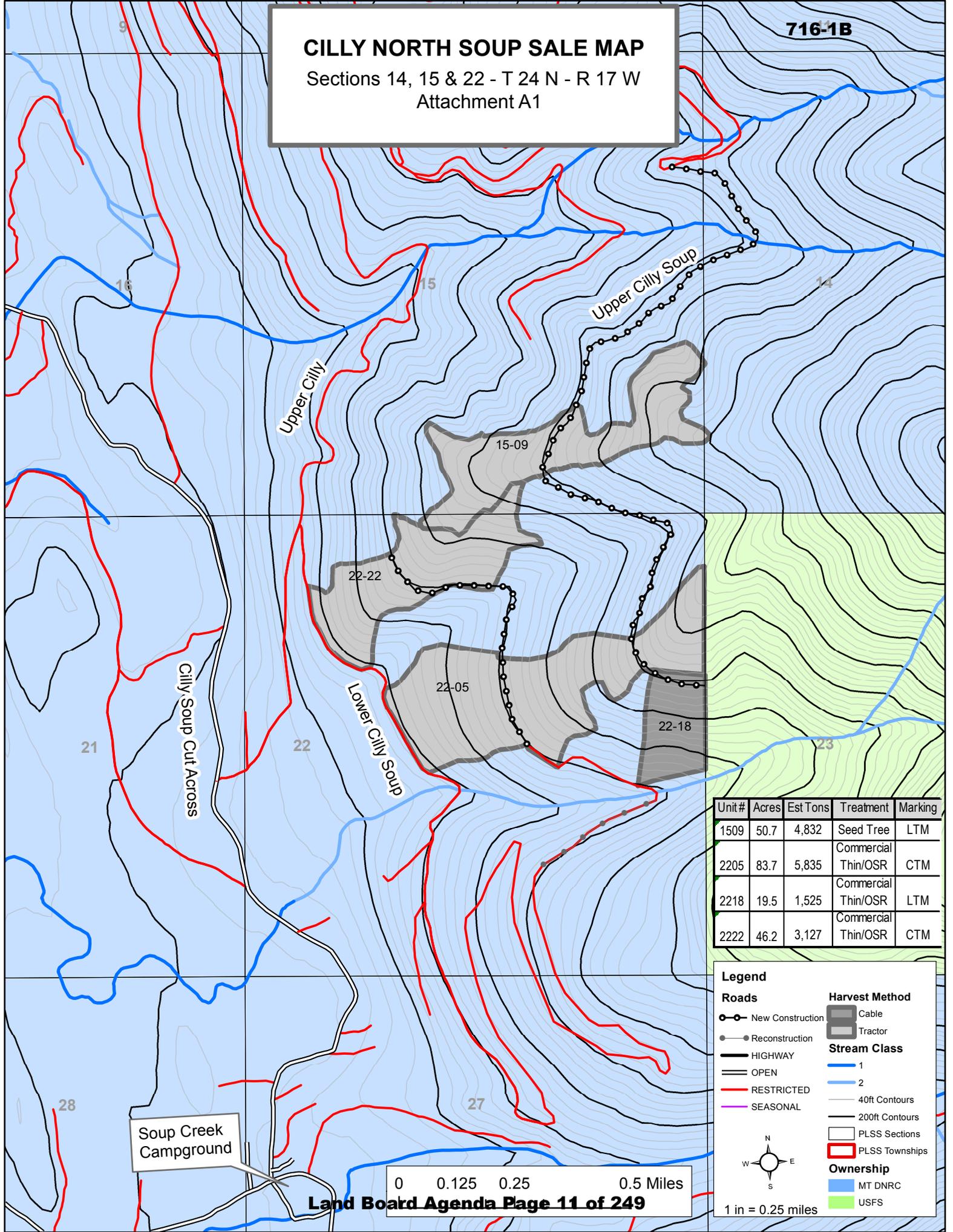


Produced by Montana Department of Natural Resources and Conservation 2013
Datum: NAD 1983 Montana State Plane

CILLY NORTH SOUP SALE MAP

Sections 14, 15 & 22 - T 24 N - R 17 W
Attachment A1

716-1B



Unit#	Acres	Est Tons	Treatment	Marking
1509	50.7	4,832	Seed Tree	LTM
2205	83.7	5,835	Commercial Thin/OSR	CTM
2218	19.5	1,525	Commercial Thin/OSR	LTM
2222	46.2	3,127	Commercial Thin/OSR	CTM

Legend

Roads

- New Construction
- Reconstruction
- HIGHWAY
- OPEN
- RESTRICTED
- SEASONAL

Harvest Method

- Cable
- Tractor

Stream Class

- 1
- 2
- 40ft Contours
- 200ft Contours

Ownership

- MT DNRC
- USFS

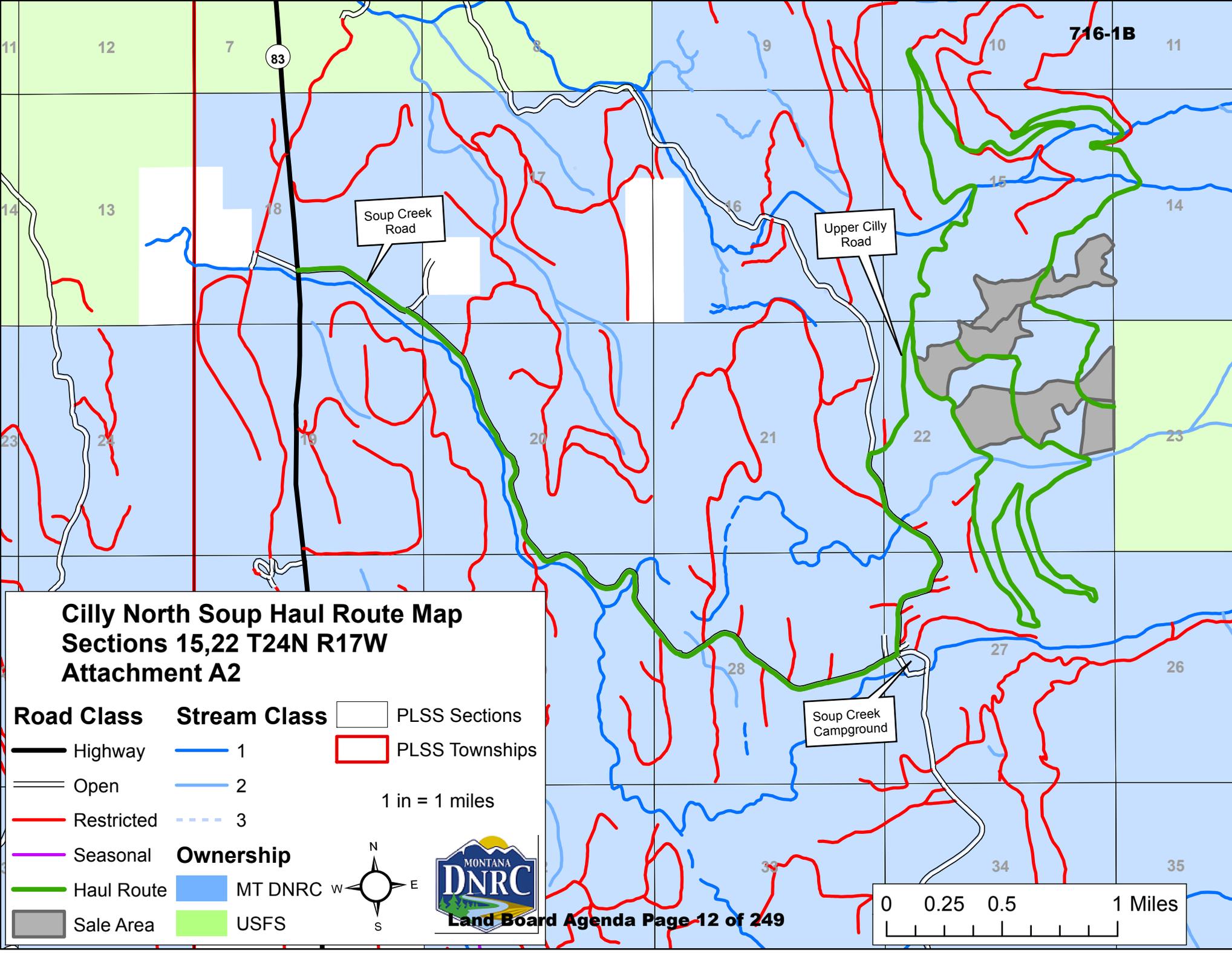
Other Symbols

- PLSS Sections
- PLSS Townships

1 in = 0.25 miles

Soup Creek Campground

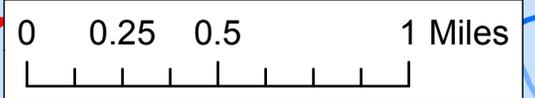
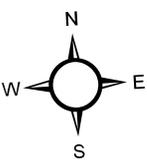
0 0.125 0.25 0.5 Miles
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Cilly North Soup Haul Route Map
Sections 15,22 T24N R17W
Attachment A2

Road Class	Stream Class	PLSS Sections
Highway	1	PLSS Townships
Open	2	
Restricted	3	
Seasonal		
Haul Route	Ownership	
Sale Area	MT DNRC	
	USFS	

1 in = 1 miles



**Land Board Agenda Item
July 18, 2016**

716-1C Timber Sale: Skookum Point Salvage

**Location: Sanders County
Section 36 T26N R27W**

Trust Benefits: Common Schools

Trust Revenue: \$541,977 (estimated, minimum bid)

Item Summary

The Skookum Point Salvage Timber Sale is located approximately 36 miles north of Plains, MT. The sale includes 13 harvest units (566 acres) of tractor and skyline logging. The estimated harvest volume is 38,685 tons (6,210 MBF) of sawlogs. The minimum bid is \$14.01 per ton, which would generate approximately \$541,977 for the common school trust and \$181,046 in forest improvement fees. The sale area is within the Habitat Conservation Plan (HCP) project area and complies with the commitments outlined in the HCP.

This sale has a harvest prescription of seed tree treatment. Seed tree units would retain 6-8 trees per acre. Approximately two large snags per acre will be left in all units where available. The current species mix over the 13 harvest units includes Douglas-fir, western larch, grand fir, subalpine fir, western white pine, ponderosa pine, lodgepole pine, and western hemlock. Ponderosa pine, western larch, and Douglas-fir are the preferred species to be retained in all harvest units. Harvest treatments would maintain and improve forest health and remove diseased and Douglas-fir beetle infested timber. Harvest treatments would also promote regeneration of the project area, reduce fuel loadings, and increase forest productivity. Old growth is not present in any of the stands to be harvested.

Department of Natural Resources and Conservation (DNRC) is proposing 4.97 miles of new permanent road construction and 0.43 miles of temporary road construction. DNRC is also proposing 1.2 miles of road reconstruction and 0.6 miles of road maintenance. DNRC is also proposing 10.0 miles of road maintenance on the DNRC- Weyerhaeuser cooperative road system. All roads are closed to public motorized use and there will be no changes post-harvest. Access is obtained via a DNRC-Weyerhaeuser road use cooperative agreement.

Scoping letters were mailed to adjacent landowners and interested parties in August 2015. The scoping notice was also posted on the DNRC website and placed in the *Missoulian*, *Sanders County Ledger*, and the *Clark Fork Valley Press/Mineral Independent*. The Sanders County Board of Commissioners commented with support for the project and concerns regarding weed control. The Confederated Salish and Kootenai Tribes asked to be notified should any cultural sites be discovered. Montana Fish, Wildlife & Parks had no special concerns and reminded DNRC that all Streamside Management Laws will apply. Concerns were mitigated through project design.

DNRC Recommendation

The director recommends the Land Board direct DNRC to sell the Skookum Point Salvage Timber Sale.

VICINITY MAP PLAINS UNIT

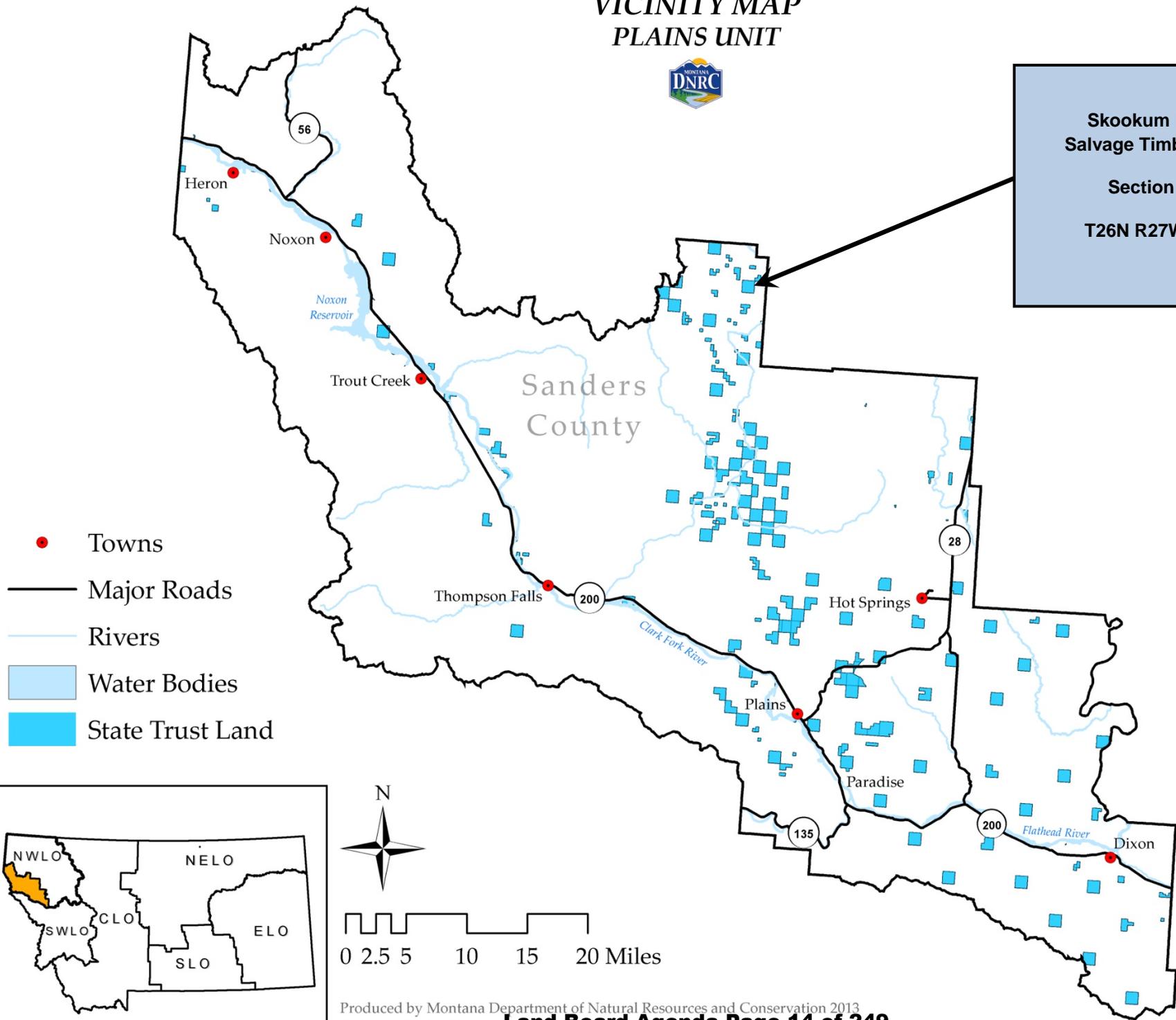
716-1C



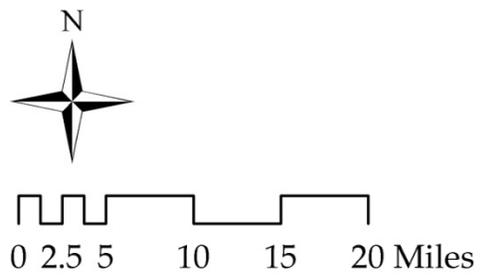
**Skookum Point
Salvage Timber Sale**

Section 36

T26N R27W S36

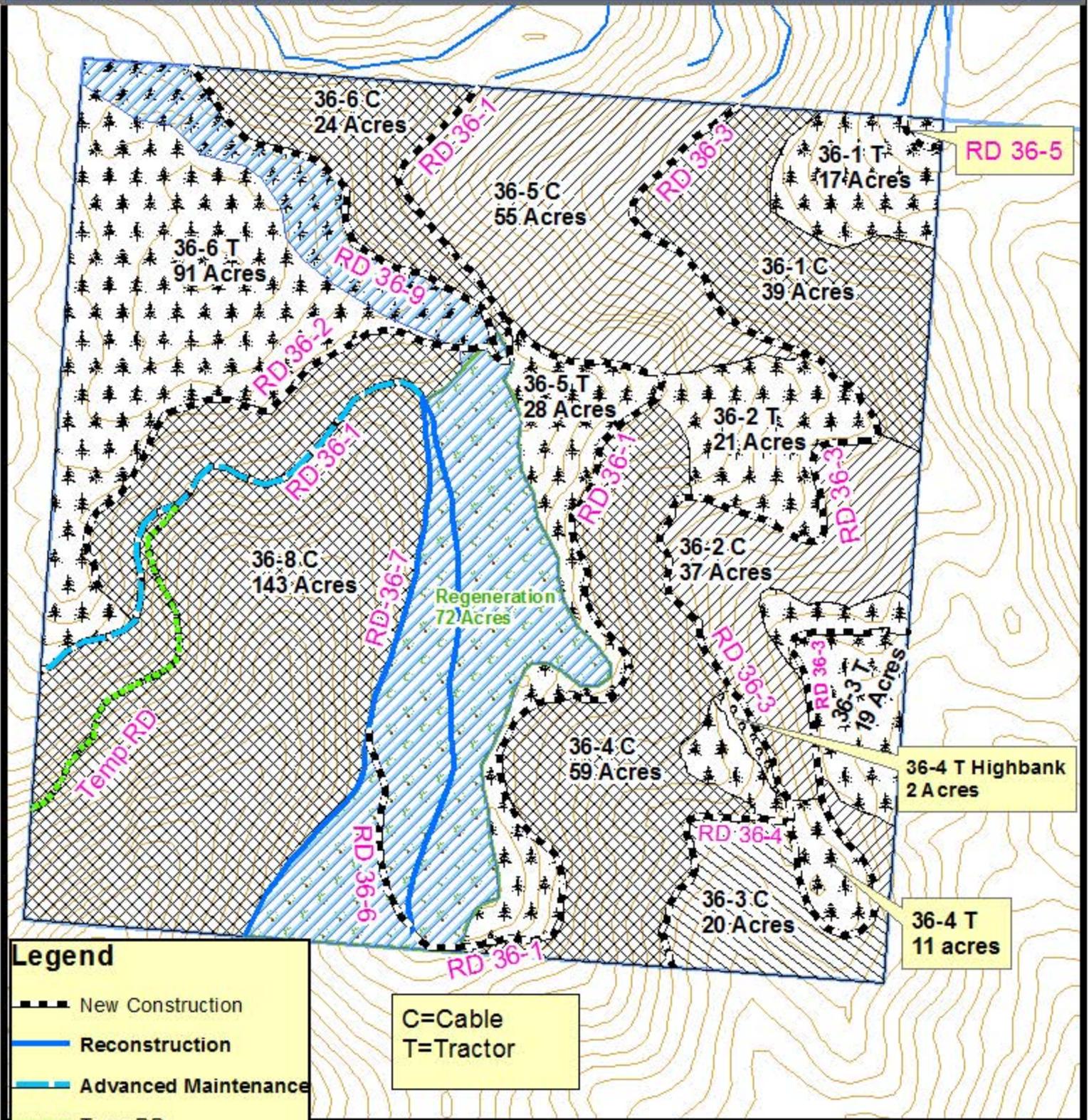


- Towns
- Major Roads
- Rivers
- Water Bodies
- State Trust Land



Proposed Skookum Point Salvage Harvest Plan

S36, T26N, R27W



Legend

- New Construction
- Reconstruction
- Advanced Maintenance
- Temp RD
- Regeneration Acres
- LynxCorridor

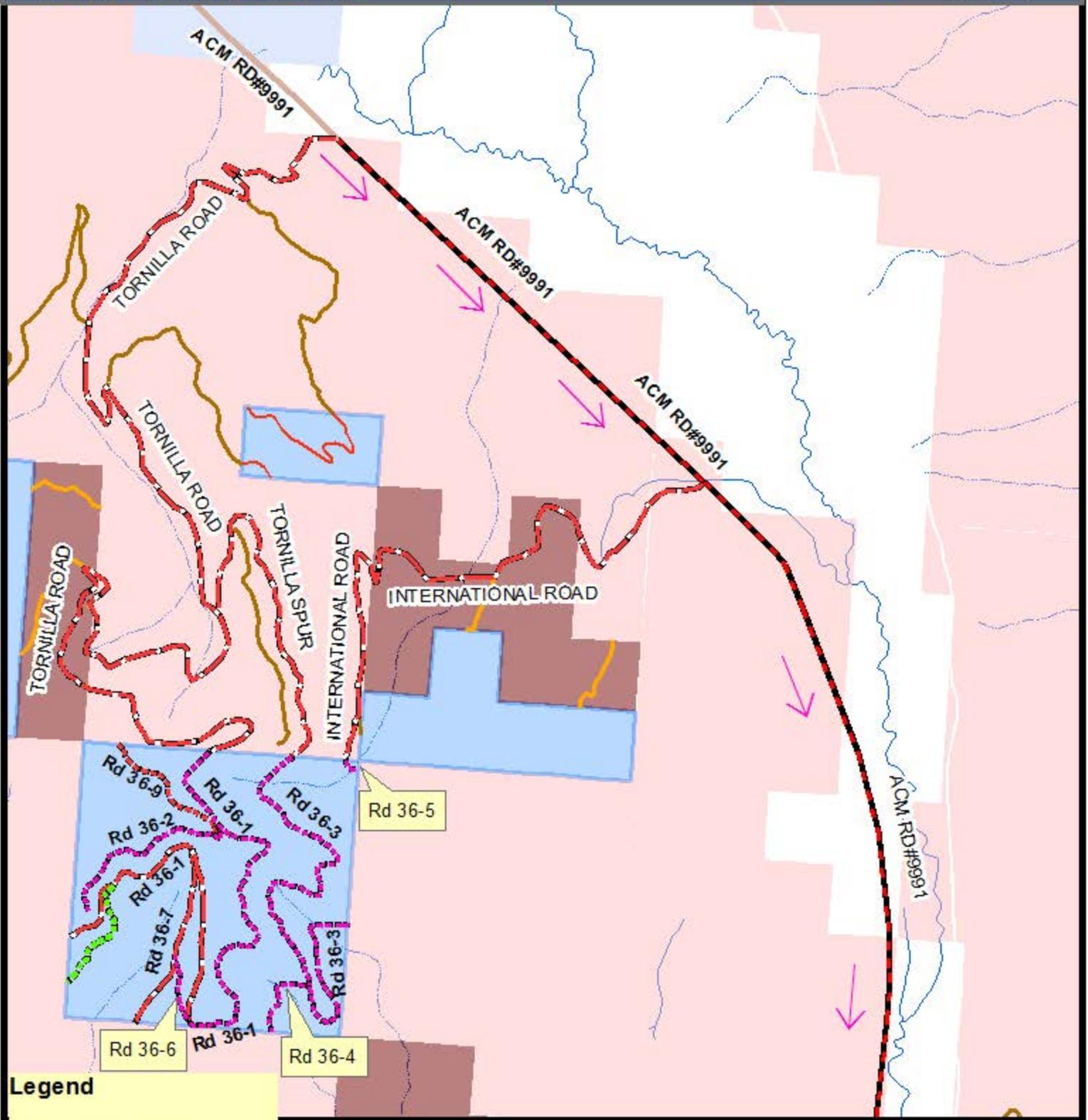
C=Cable
T=Tractor

Montana DNRC
Northwestern Land Office
Timber JPH 2016

0 0.25 0.5 0.75 1



Proposed Skookum Point Salvage Transportation Plan/Haul Route S36, T26N, R27W



Legend

- ACM RD#9991
- Existing Road/Haul Route
- New Construction
- Temp RD

0 0.6 1.2 1.8 2.4

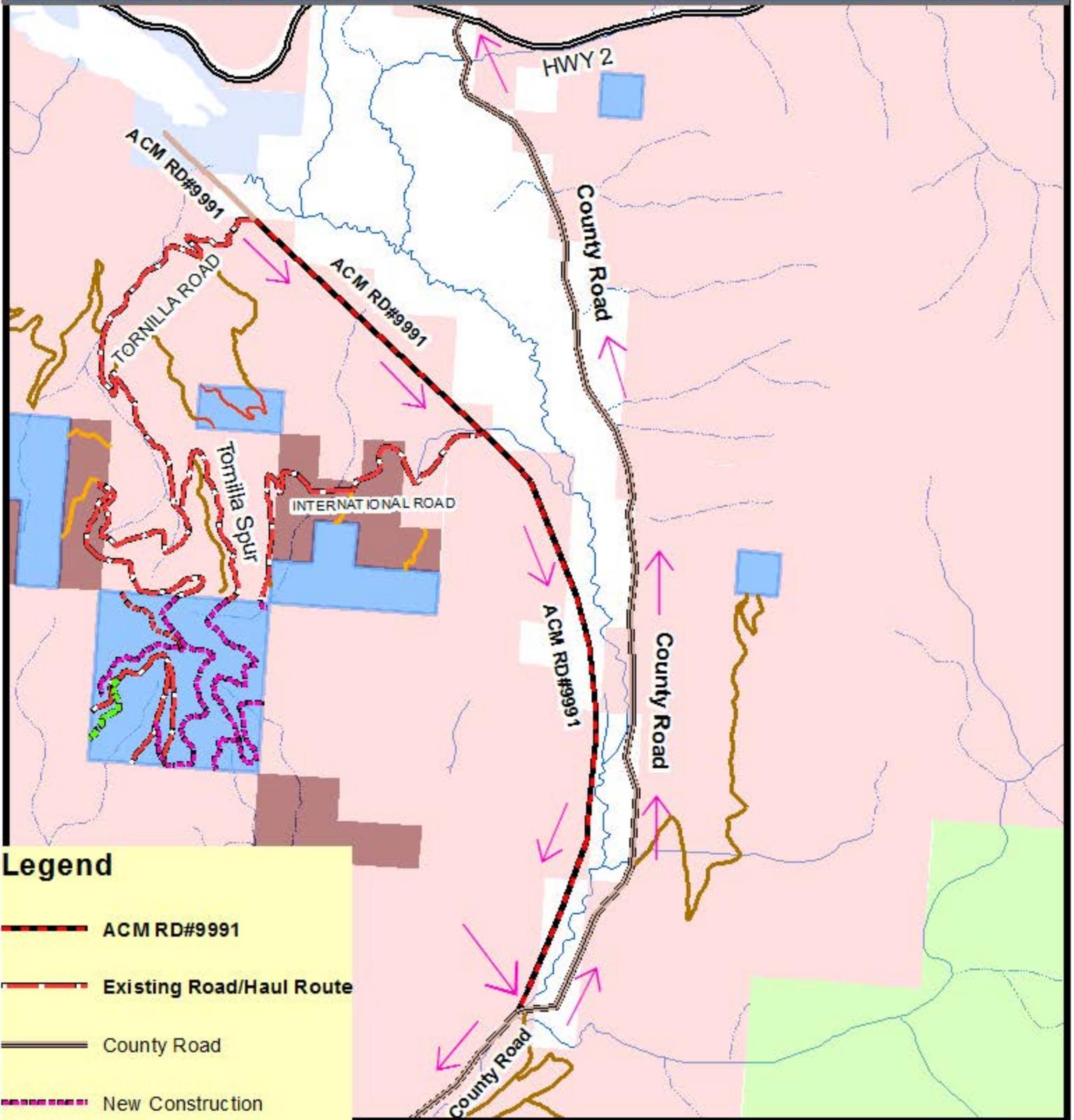
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Miles

Montana DNRC
Northwestern Land Office
Timber JPH 2016



Proposed Skookum Point Salvage Transportation Plan/Haul Route S36, T26N, R27W



Legend

- ACM RD#9991
- Existing Road/Haul Route
- County Road
- New Construction
- Temp RD



Montana DNRC
Northwestern Land Office
Timber JPH 2016



716-2

COMMUNITIZATION AGREEMENTS:

- A. Luke Sweetman 24-25H Well
- B. Marilyn 2758 42-11H Well
- C. Sam 2858 12-17H Well

Land Board Agenda Item
July 18, 2016

716-2A Communitization Agreement: Luke Sweetman 24-25H Well

**Location: Roosevelt County
T27N R58E Sections 24 & 25**

Trust Benefits: Common Schools, Public Land Trust – Navigable Rivers

Trust Revenue: Unknown

Item Summary

Oasis Petroleum North America LLC has filed a request with the Department of Natural Resources and Conservation (DNRC) for the approval of a communitization agreement to communitize state owned acreage in conformity with Montana Board of Oil and Gas Conservation Commission (BOGC) regulations.

A communitization agreement brings together small tracts of land within a spacing unit for the distribution of production revenues. The agreement allows the state to receive its proper royalty share of production revenues from the spacing unit.

The Luke Sweetman 24-25H well is a horizontal Bakken/Three Forks formation well. The well is located approximately 4.5 miles southeast of Bainville, and was drilled into private land in Section 24. Department of Natural Resources and Conservation (DNRC) owns 2.00 acres of the 1,280.00 mineral acres in the permanent spacing unit that will be communitized. The agreement encompasses any wells producing from the Bakken/Three Forks Formation in the spacing unit comprised of Sections 24 & 25 of T27N R58E.

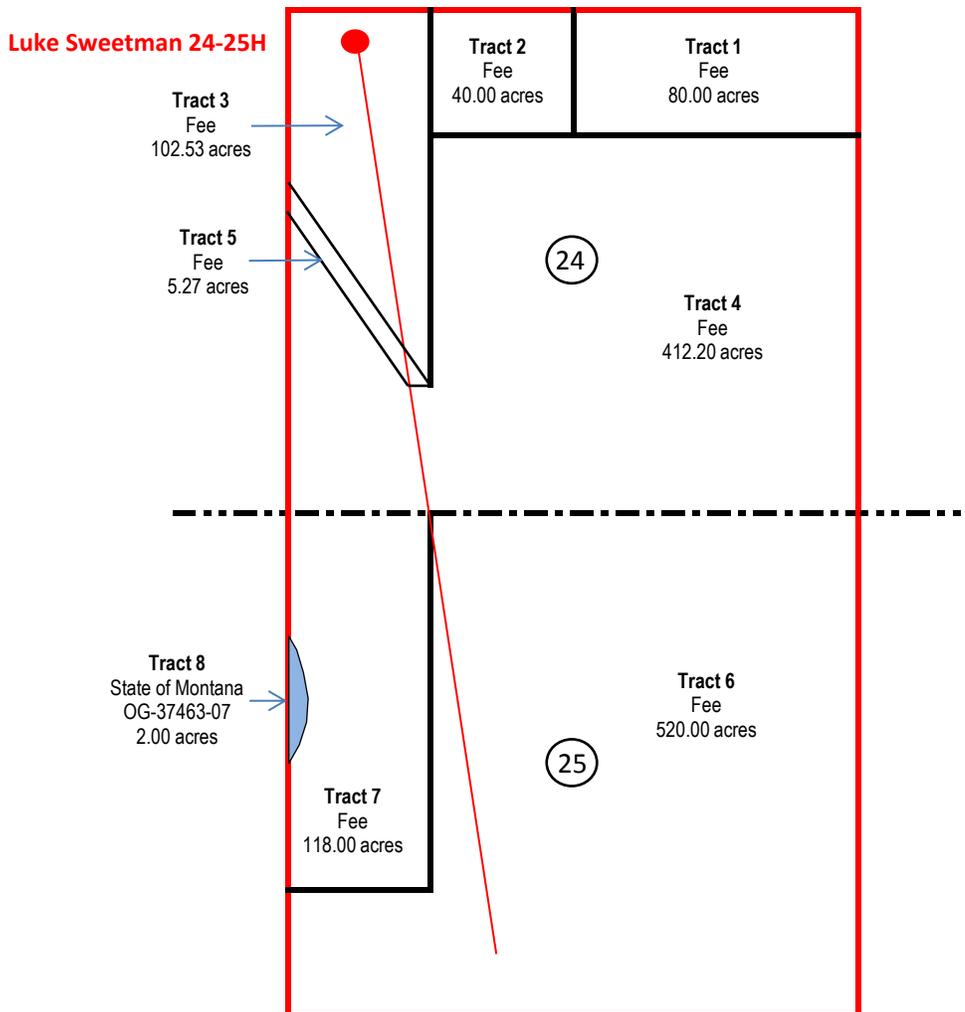
The DNRC tract comprises 0.15625% of the communitized area. DNRC will consequently receive 0.026047% of all oil production (16.67% royalty rate x 0.15625% tract participation).

DNRC Recommendation

The director recommends the Land Board approve this Communitization Agreement.

Township 27 North Range 58 East

Sections 24 & 25

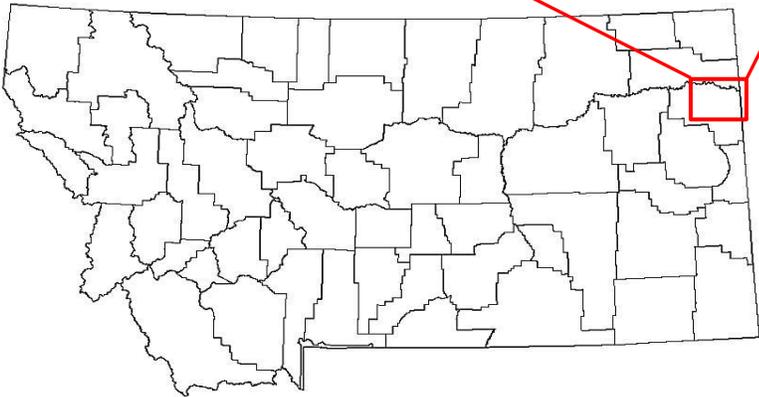
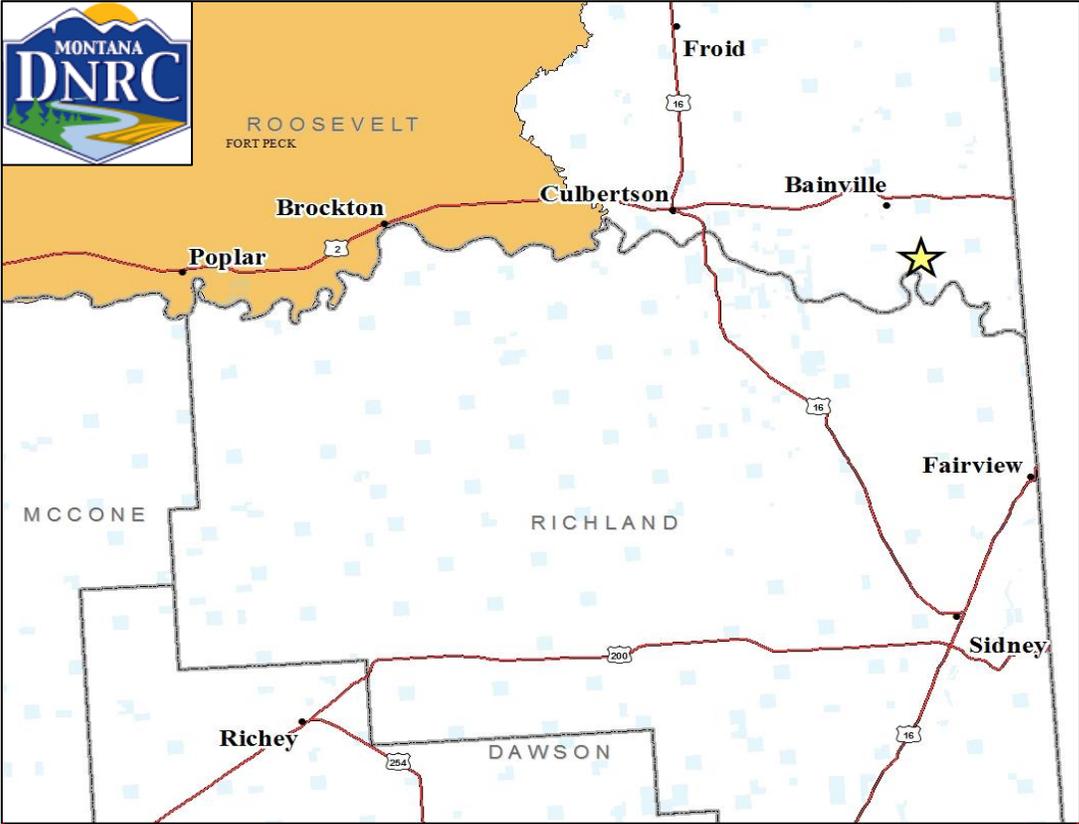


Tract No.	Type	Acres	Tract Participation	Royalty %	Owner's Interest
1	Fee	80.00	6.250000%	16.98%	1.061250%
2	Fee	40.00	3.125000%	16.98%	0.530625%
3	Fee	102.53	8.010156%	20.00%	1.602031%
4	Fee	412.20	32.203125%	17.88%	5.757919%
5	Fee	5.27	0.411719%	12.50%	0.051465%
6	Fee	520.00	40.625000%	17.47%	7.097188%
7	Fee	118.00	9.218750%	17.47%	1.610516%
8	State of Montana OG-37463-07	2.00	0.156250%	16.67%	0.026047%
Total		1,280.00	100.000%		

* The Operator of the Communitized Area is Oasis Petroleum North America LLC.

Vicinity Map

Luke Sweetman 24-25H Well



Land Board Agenda Item
July 18, 2016

716-2B Communitization Agreement: Marilyn 2758 42-11H Well

**Location: Roosevelt County
T27N R58E Sections 14 & 23**

Trust Benefits: Common Schools, Public Land Trust – Navigable Rivers

Trust Revenue: Unknown

Item Summary

Oasis Petroleum North America LLC has filed a request with the Department of Natural Resources and Conservation (DNRC) for the approval of a communitization agreement to communitize state owned acreage in conformity with Montana Board of Oil and Gas Conservation Commission (BOGC) regulations.

A communitization agreement brings together small tracts of land within a spacing unit for the distribution of production revenues. The agreement allows the State to receive its proper royalty share of production revenues from the spacing unit.

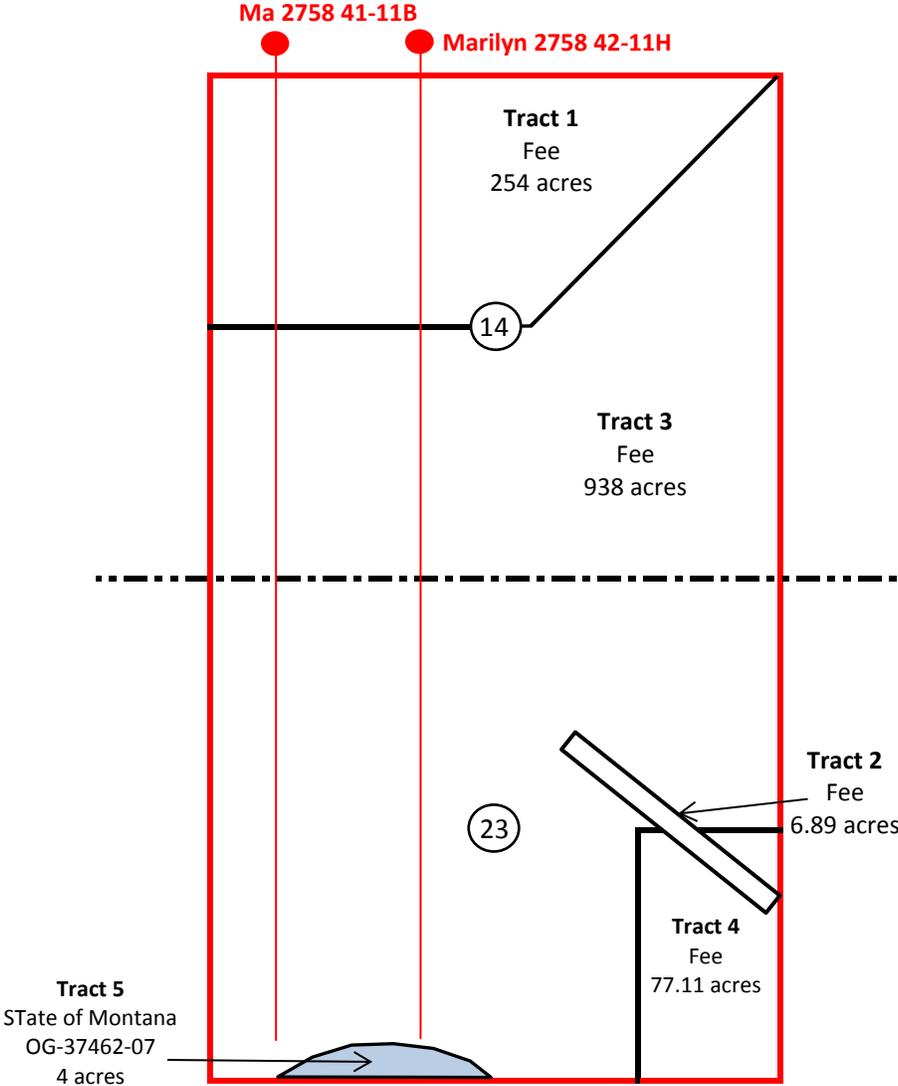
The Marilyn 2758 42-11H and Ma 2758 41-11B wells are both horizontal Bakken/Three Forks formation oil wells. These wells are located approximately three miles south of Bainville, and were drilled into private land in Section 11. DNRC owns 4.0 acres of the 1,280.00 mineral acres in the permanent spacing unit that will be communitized. The Agreement encompasses any wells producing from the Bakken/Three Forks Formation in the spacing unit comprised of Sections 14 & 23 of T27N R58E.

The DNRC tract comprises 0.3125% of the communitized area. DNRC will consequently receive 0.0521% of all oil production (16.67% royalty rate x 0.3125% tract participation).

DNRC Recommendation

The director recommends the Land Board approve the Marilyn 2758 42-11H Well Communitization Agreement.

Township 27 North Range 58 East Sections 14 & 23

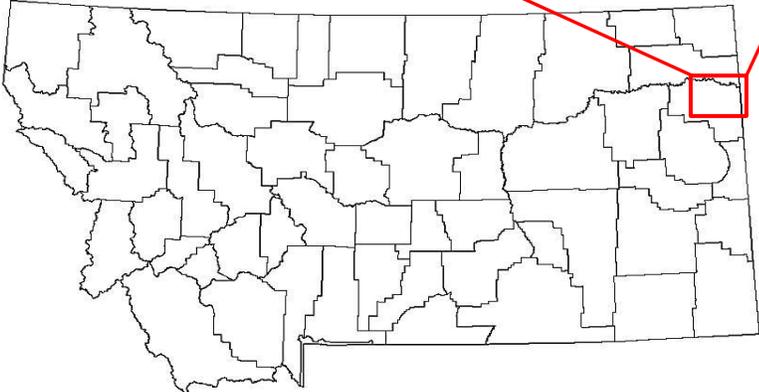
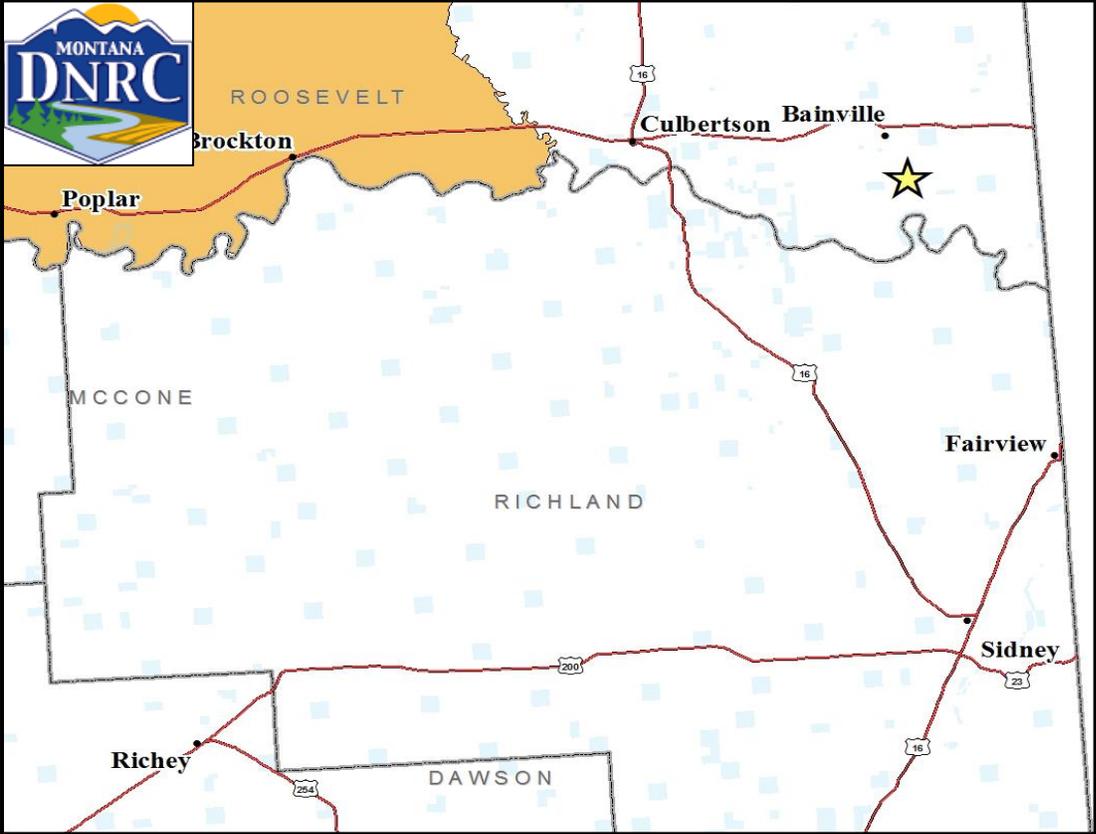


Tract No.	Type	Acres	Tract Participation	Royalty %	Owner's Interest Decimal
1	Fee	254.00	19.8438%	various	
2	Fee	6.89	0.5383%	none	
3	Fee	938.00	73.2813%	20.00%	0.146563
4	Fee	77.11	6.0242%	20.00%	0.012048
5	State of Montana OG-37462-07	4.00	0.3125%	16.67%	0.000521
Total		1,280.00	100.000%		

* The Operator of the Communitized Area is Oasis Petroleum North America LLC.

Vicinity Map

Marilyn 2758 42-11H & Ma 2758 41-11B Wells



Land Board Agenda Item
July 18, 2016

716-2C Communitization Agreement: Sam 2858 12-17H Well

**Location: Roosevelt County
T28N R58E Sections 17 & 20**

Trust Benefits: Department of Transportation

Trust Revenue: Unknown (Non-trust)

Item Summary

Oasis Petroleum North America LLC has filed a request with the Department of Natural Resources and Conservation (DNRC) for the approval of a communitization agreement to communitize state owned acreage in conformity with Montana Board of Oil and Gas Conservation Commission (BOGC) regulations.

A communitization agreement brings together small tracts of land within a spacing unit for the distribution of production revenues. The agreement allows the state to receive its proper royalty share of production revenues from the spacing unit.

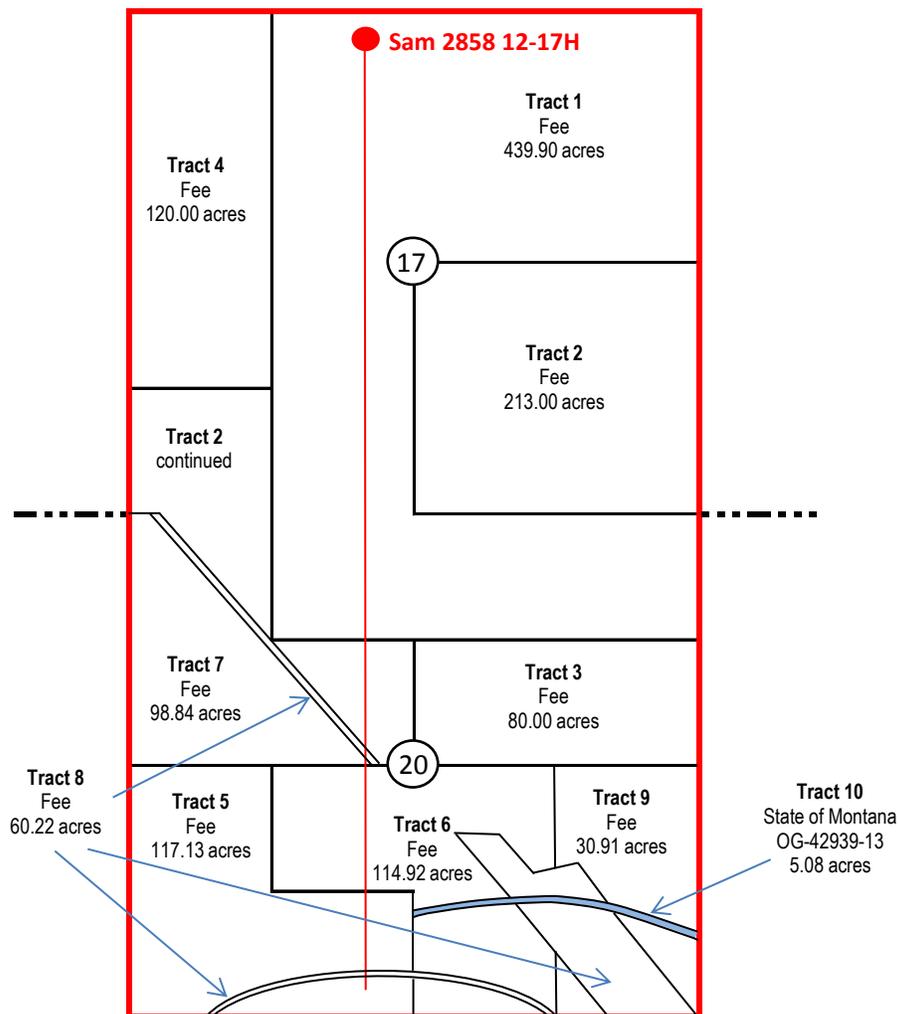
The Sam 2858 12-17H well is a horizontal Bakken/Three Forks formation oil well. The well is located approximately 3.5 miles northwest of Bainville, and was drilled into private land in Section 17. The Department of Transportation (DOT) owns 5.08 acres of the 1,280.00 mineral acres in the permanent spacing unit that will be communitized. The agreement encompasses any wells producing from the Bakken/Three Forks Formation in the spacing unit comprised of Sections 17 & 20 of T28N R58E.

The DOT tract comprises 0.3969% of the communitized area. The DOT will consequently receive 0.0662% of all oil production (16.67% royalty rate x 0.3969% tract participation).

DNRC Recommendation

The director recommends the Land Board approve Sam 2858 12-17H Well Communitization Agreement.

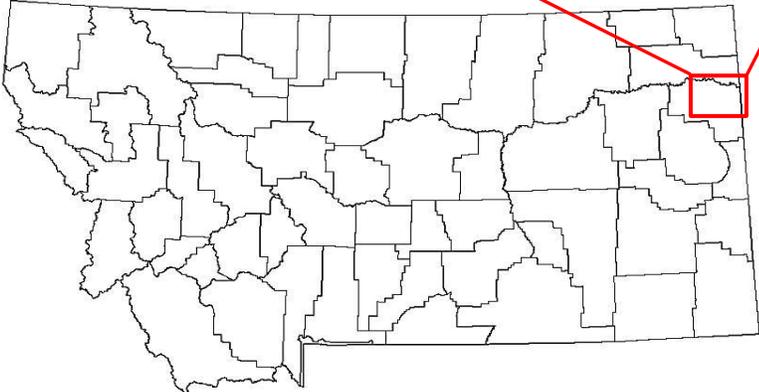
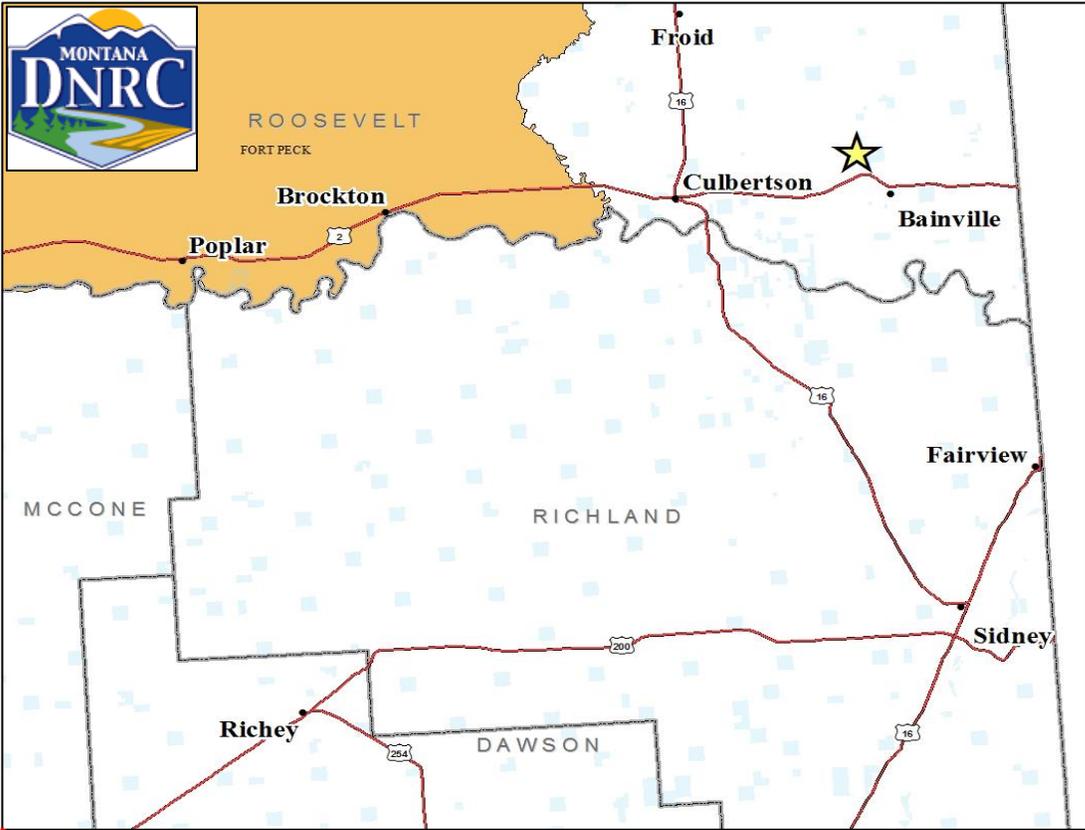
Township 28 North Range 58 East Sections 17 & 20



Tract No.	Type	Acres	Tract Participation	Royalty %	Owner's Interest Decimal
1	Fee	439.90	34.3672%	16.67%	0.057279
2	Fee	213.00	16.6406%	20.00%	0.033281
3	Fee	80.00	6.2500%	20.00%	0.012500
4	Fee	120.00	9.3750%	20.00%	0.018750
5	Fee	117.13	9.1508%	various	
6	Fee	114.92	8.9781%	18.75%	0.016834
7	Fee	98.84	7.7219%	various	
8	Fee	60.22	4.7047%	N/A	
9	Fee	30.91	2.4148%	N/A	
10	State of Montana OG-42939-13	5.08	0.3969%	16.67%	0.000662
Total		1,280.00	100.0000%		

* The Operator of the Communitized Area is Oasis Petroleum North America LLC.

Vicinity Map Sam 2858 12-17H Well



716-3

LAND BANKING PARCEL:

Final Approval for Sale

**Land Board Agenda Item
July 18, 2016**

716-3 Land Banking Parcels: Final Approval for Sale

Location: Cascade, Lewis and Clark, Teton Counties

Trust Benefits: Common Schools / Public Buildings

Trust Revenue: \$11,146,000

Item Summary

The Department of Natural Resources and Conservation (DNRC) is requesting final approval on 33 parcels totaling approximately 9,488.26 acres nominated for sale in Cascade, Lewis & Clark and Teton Counties. These sales were nominated by the lessee Montana Fish, Wildlife and Parks (FWP) and DNRC - Central Land Office. The Sun River Wildlife Management Area parcels are located approximately 26 miles Southwest of Choteau, the Beartooth Wildlife Management Area parcels are approximately 25 miles northeast of Helena, and the Blackleaf Wildlife Management Area parcels are approximately 25 miles northwest of Choteau.

Sun River Wildlife Management Area					
Sale #	# of Acres	Legal Description	Nominator	Trust	Sale Unit*
724	79.73±	E½SW¼, Section 2, T21N-R8W	DNRC - CLO	Common Schools	1
725	40.00±	SW¼NW¼, Section 8, T21N-R8W	DNRC - CLO	Common Schools	1
726	40.00±	NE¼NE¼, Section 9, T21N-R8W	DNRC - CLO	Common Schools	1
727	40.00±	SW¼NW¼, Section 10, T21N-R8W	DNRC - CLO	Common Schools	1
728	200.00±	E½NW¼, NE¼SW¼, NW¼SE¼, SE¼SE¼ Section 11, T21N-R8W	DNRC - CLO	Common Schools	1
729	120.00±	S½SW¼, NW¼SW¼, Section 12, T21N-R8W	DNRC - CLO	Common Schools	1
730	160.00±	NW¼NW¼, NW¼SW¼, S½SW¼, Section 13, T21N-R8W	DNRC - CLO	Common Schools	1
731	240.00±	NE¼NE¼, SW¼NE¼, SE¼NW¼, N½SE¼, SE¼SE¼, Section 14, T21N-R8W	DNRC - CLO	Common Schools	1
732	80.00±	S½SW¼, Section 15, T21N-R8W	DNRC - CLO	Common Schools	1
733	640.00±	ALL, Section 16, T21N-R8W	DNRC - CLO	Common Schools	1
734	160.00±	SE¼NW¼, W½SE¼, NE¼SW¼, Section 17, T21N-R8W	DNRC - CLO	Common Schools	1
735	200.00±	NE¼NW¼, NE¼, Section 21, T21N-R8W	DNRC - CLO	Common Schools	1

736	120.00±	NE $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, Section 22, T21N-R8W	DNRC - CLO	Common Schools	1
737	320.00±	S $\frac{1}{2}$, Section 23, T21N-R8W	DNRC - CLO	Common Schools	1
738	240.00±	E $\frac{1}{2}$ E $\frac{1}{2}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, Section 26, T21N-R8W	DNRC - CLO	Common Schools	1
739	80.00±	N $\frac{1}{2}$ NE $\frac{1}{4}$, Section 35, T21N-R8W	DNRC - CLO	Common Schools	1
740	645.62±	Lots 1-7, NW $\frac{1}{4}$ SE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, less 5 acres in Lot 7, Section 36, T21N-R8W	DNRC - CLO	Common Schools	1
741	5.00±	5.00 acres in Government Lot 7 (SE $\frac{1}{4}$ SE $\frac{1}{4}$), Section 36, T21N-R8W	DNRC - CLO	Common Schools	1

Beartooth Wildlife Management Area					
Sale #	# of Acres	Legal Description	Nominator	Trust	Sale Unit*
742	160.00±	SW $\frac{1}{4}$, Section 10, T14N-R2W	MT FWP	Common Schools	1
743	640.00±	ALL, Section 14, T14N-R2W	MT FWP	Common Schools	1
744	480.00±	N $\frac{1}{2}$, W $\frac{1}{2}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$, Section 16, T14N-R2W	MT FWP	Common Schools	1
745	160.00±	E $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ NE $\frac{1}{4}$, Section 20, T14N-R2W	MT FWP	Common Schools	1
746	640.00±	ALL, Section 22, T14N-R2W	MT FWP	Common Schools	1
747	520.00±	NW $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$, Section 24, T14N-R2W	MT FWP	Common Schools	1
748	160.00±	NE $\frac{1}{4}$, Section 28, T14N-R2W	MT FWP	Common Schools	1
749	278.43±	Lot 2, SE $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$, Section 30, T14N-R2W	MT FWP	Common Schools	1
750	640.00±	ALL, Section 36, T14N-R2W	MT FWP	Common Schools	1
751	480.00±	NW $\frac{1}{4}$, S $\frac{1}{2}$, Section 36, T14N-R3W	MT FWP	Common Schools	1
752	640.00±	ALL, Section 36, T15N-R2W	MT FWP	Common Schools	1
753	640.00±	ALL, Section 16, T14N-R1W	MT FWP	Common Schools	3

Blackleaf Wildlife Management Area					
Sale #	# of Acres	Legal Description	Nominator	Trust	Sale Unit*
754	519.48±	Lots 1, 2, 4 & 5, NW¼, W½NE¼, NW¼SE¼, N½SW¼, Section 16, T26N-R8W	MT FWP	Common Schools	2
755	80.00±	SE¼NW¼, NW¼NW¼, Section 17, T26N-R8W	MT FWP	Public Buildings	2
756	40.00±	NW¼SW¼, Section 10, T26N-R8W	MT FWP	Public Buildings	2

Sale parcels 724 - 756 are classified as grazing parcels. The parcels have average productivity for grazing lands statewide. They are managed by Montana Fish, Wildlife and Parks as big game habitat within the wildlife management areas.

Although there is no public road access to the majority of the sale parcels, the parcels are legally accessible by the public through the Wildlife Management Areas access rules.

No potentially negative issues were identified through the Montana Environmental Policy Act (MEPA) process regarding the sale of these parcels.

Economic Analysis:

Short-term – The rate of return on the sale parcels within the Sun River WMA is 0.8%. The rate of return on the sale parcels within the Blackleaf WMA is 0.59%. The rate of return on the sale parcels within the Beartooth WMA is 1.58%. The parcels would continue to receive this return if they remain in state ownership.

Long-term – The funds from the sale of these parcels would be combined with other sale funds to purchase replacement lands through the departments land banking program. Lands purchased are required to have an equal or greater rate of return than the combined lands that generated the sale funds used for the purchase. To date, the average annual rate of return on acquisitions has been 3.33% on acquisitions with income generated from annual lease payments.

Cultural/Paleontological Resources:

A Class I level of cultural resource inventory was conducted for the proposed land sales. The parcels will be sold to the Montana Department of Fish, Wildlife and Parks (FWP) with the same state Antiquities Act responsibilities as DNRC, thus the proposed sales will have no effect to state owned heritage properties.

Background:

In August 2015, the Land Board granted preliminary approval for these parcels to continue through the land banking sale evaluation process. In March 2016 the Land Board set the minimum bid at the appraised values with access as follows:

SALE UNIT 1 – Lewis & Clark County			
Sale #	Appraised Value With Access	Appraised Value per acre	Recommended Minimum Bid
724	\$99,696	\$1,250	\$99,696

725	\$140,000	\$3,500	\$140,000
726	\$56,000	\$1,400	\$56,000
727	\$56,000	\$1,400	\$56,000
728	\$250,084	\$1,250	\$250,084
729	\$150,051	\$1,250	\$150,051
730	\$200,068	\$1,250	\$200,068
731	\$300,101	\$1,250	\$300,101
732	\$201,923	\$2,524	\$201,923
733	\$1,615,385	\$2,524	\$1,615,385
734	\$150,000	\$938	\$150,000
735	\$504,807	\$2,524	\$504,807
736	\$302,885	\$2,524	\$302,885
737	\$551,673	\$1,724	\$551,673
738	\$413,755	\$1,724	\$413,755
739	\$137,918	\$1,724	\$137,918
740	\$1,113,034	\$1,724	\$1,113,034
741	\$8,620	\$1,724	\$8,620
742	\$112,000	\$700	\$112,000
743	\$690,000	\$1,078	\$690,000
744	\$52,000	\$108	\$52,000
745	\$112,000	\$700	\$112,000
746	\$416,000	\$650	\$416,000
747	\$286,000	\$550	\$286,000
748	\$104,000	\$650	\$104,000
749	\$615,000	\$2,208	\$615,000
750	\$416,000	\$650	\$416,000
751	\$468,000	\$975	\$468,000
752	\$416,000	\$650	\$416,000
Minimum Bid for Sale Unit 1			\$9,939,000
SALE UNIT 2 – Teton County			
Sale #	Appraised Value With Access	Appraised Value per acre	Recommended Minimum Bid
754	\$675,000	\$1,300	\$675,000
755	\$120,000	\$1,500	\$120,000

756	\$60,000	\$1,500	\$60,000
Minimum Bid for Sale Unit 2			\$855,000

SALE UNIT 3 – Cascade County			
Sale #	Appraised Value With Access	Appraised Value per acre	Recommended Minimum Bid
753	\$352,000	\$550	\$352,000
Minimum Bid for Sale Unit 3			\$352,000

Sale Price

The sale units were sold at a public auction on June 17, 2016. Each sale unit had only one bidder and was sold for the minimum bid amounts listed above.

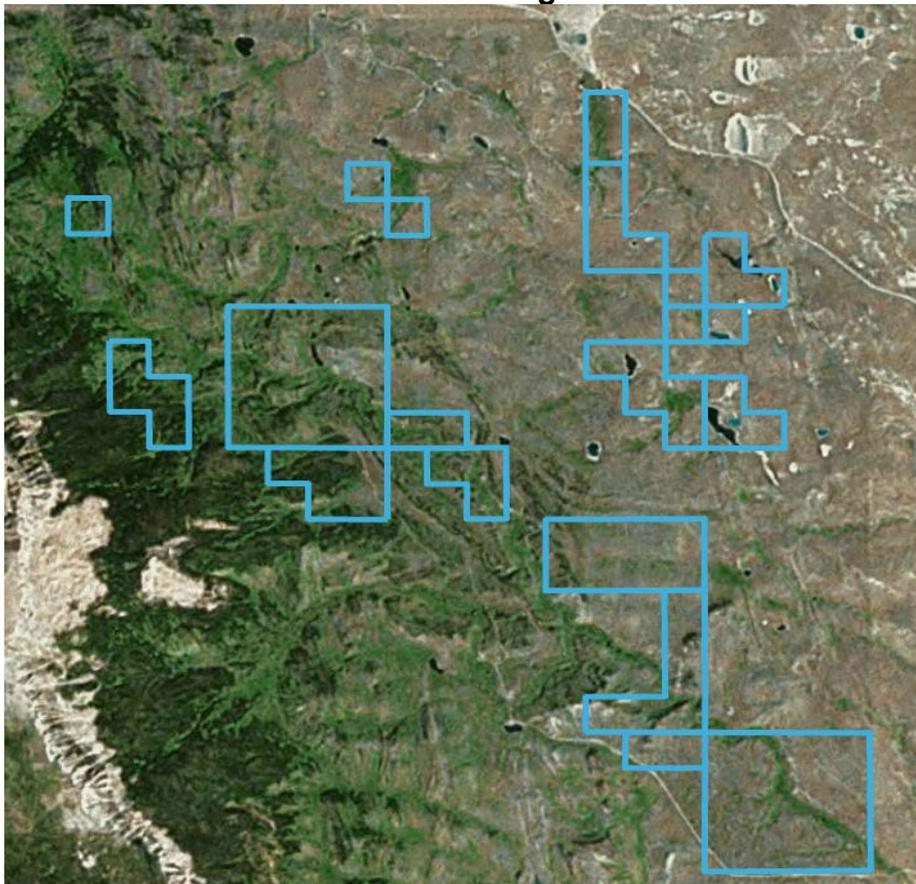
DNRC Recommendation

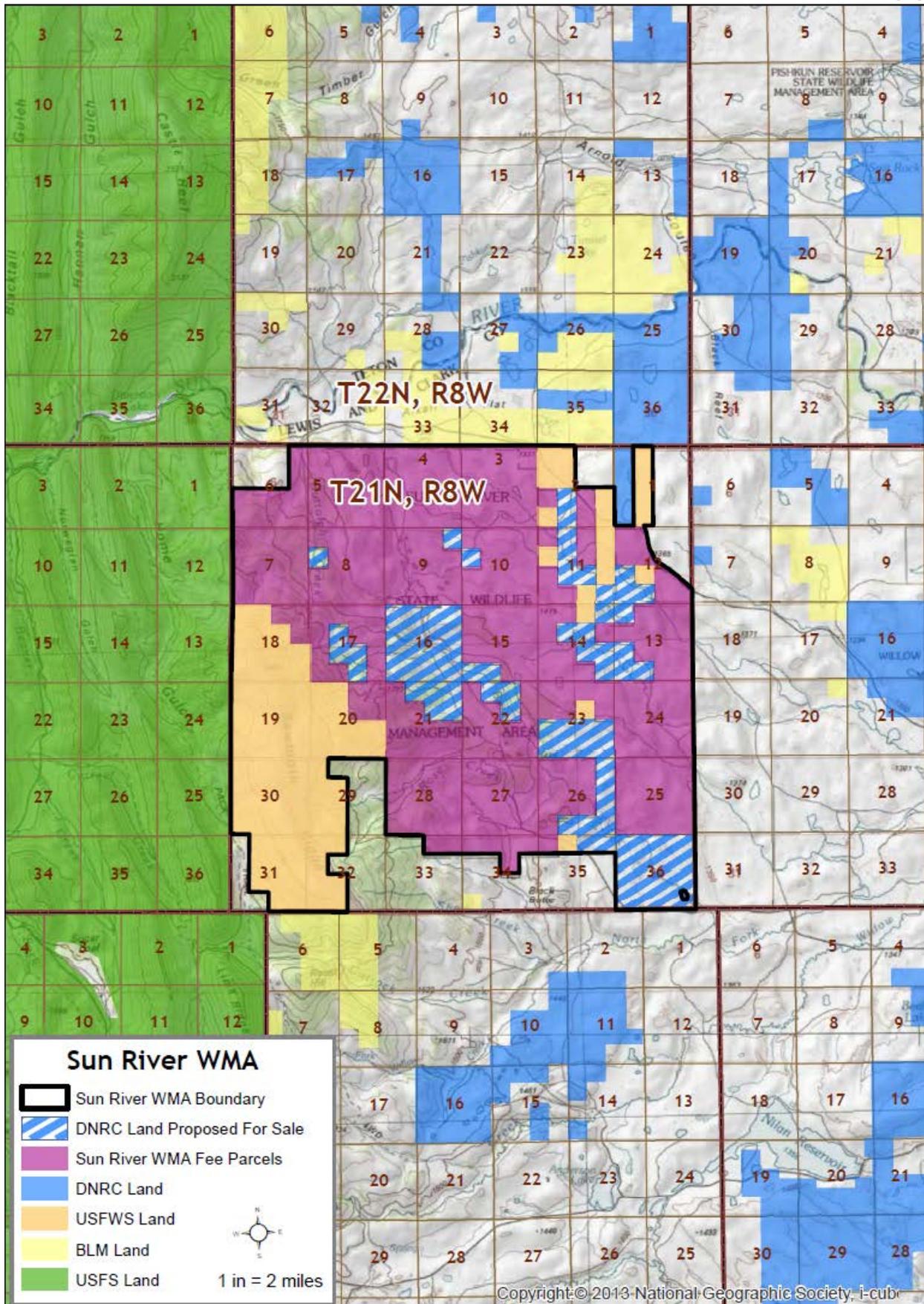
The director recommends final approval of the above land banking sales. Closing of these sales should occur within 90 days; dependent on funding being approved by the US Fish and Wildlife Service.

Sun River WMA Sale Location Map

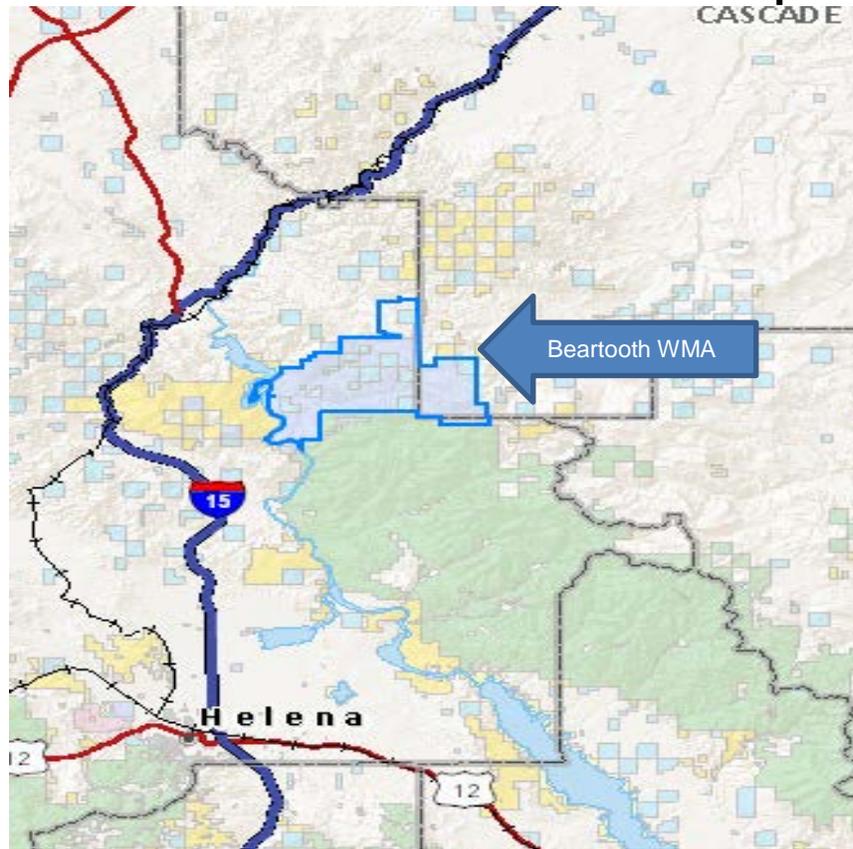


Sun River Wildlife Management Area

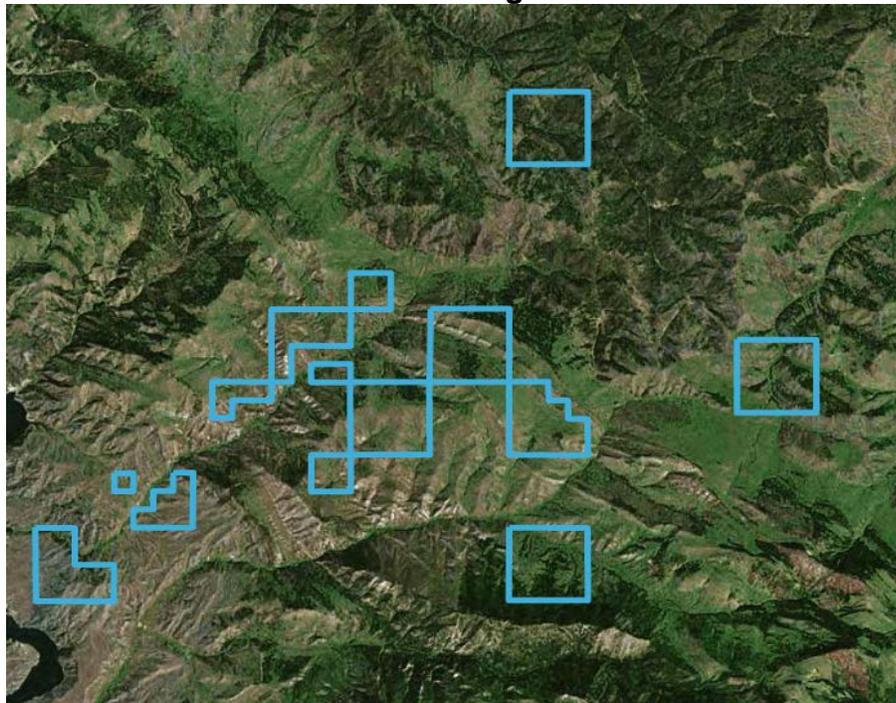


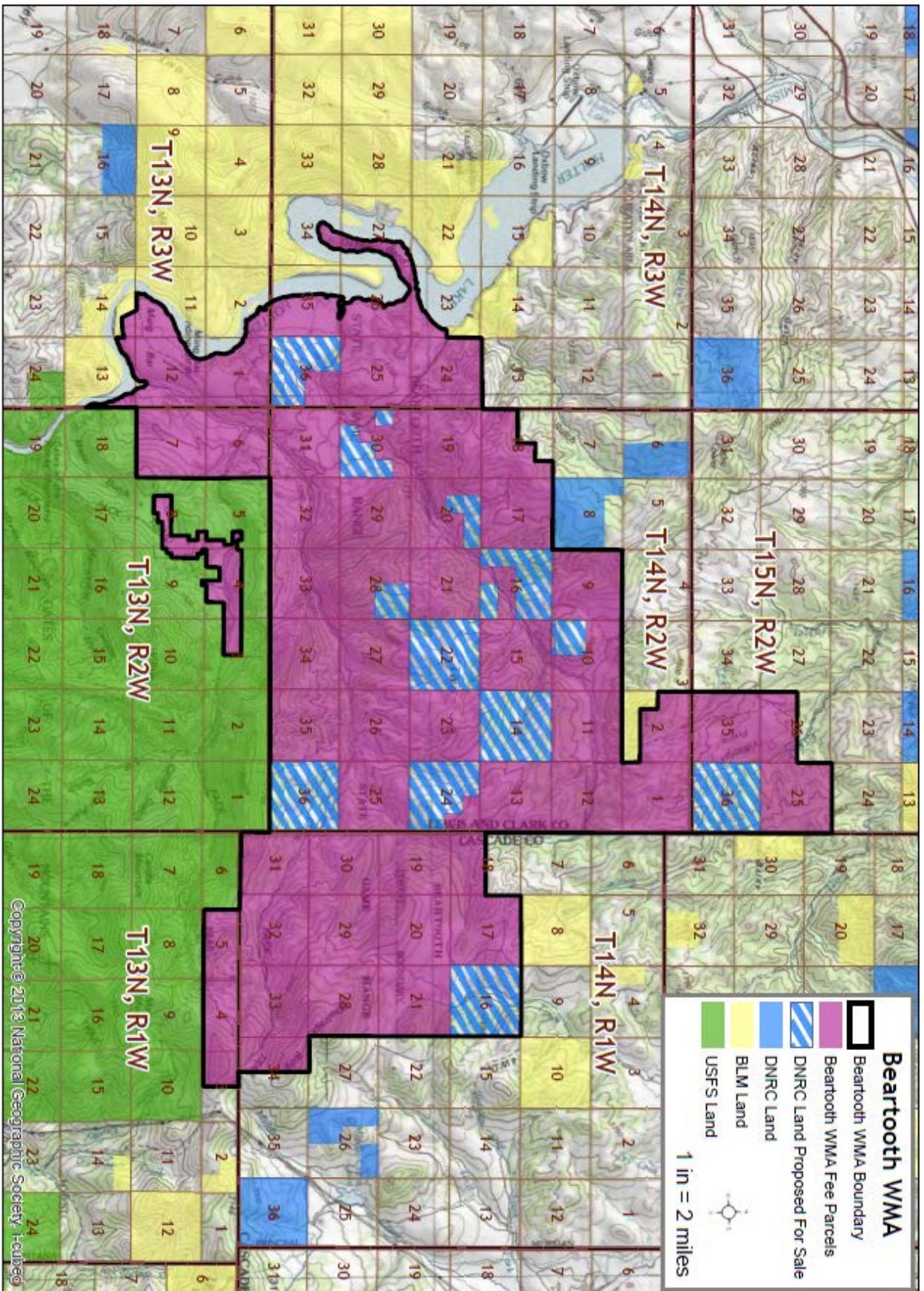


Beartooth WMA Sales Location Map

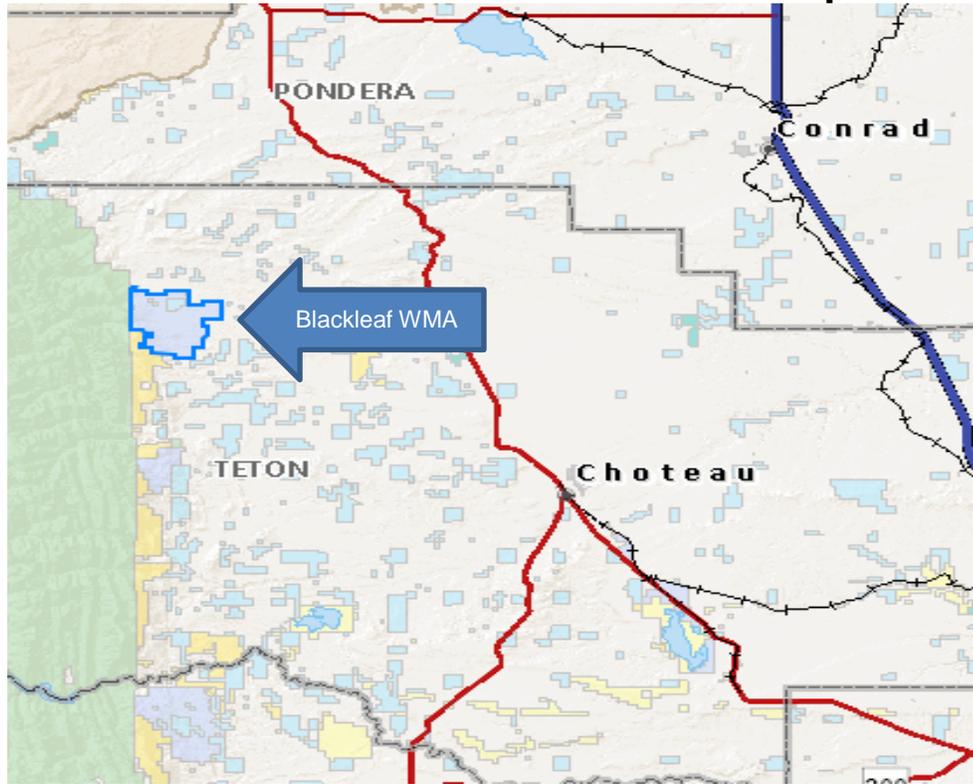


Beartooth Wildlife Management Area



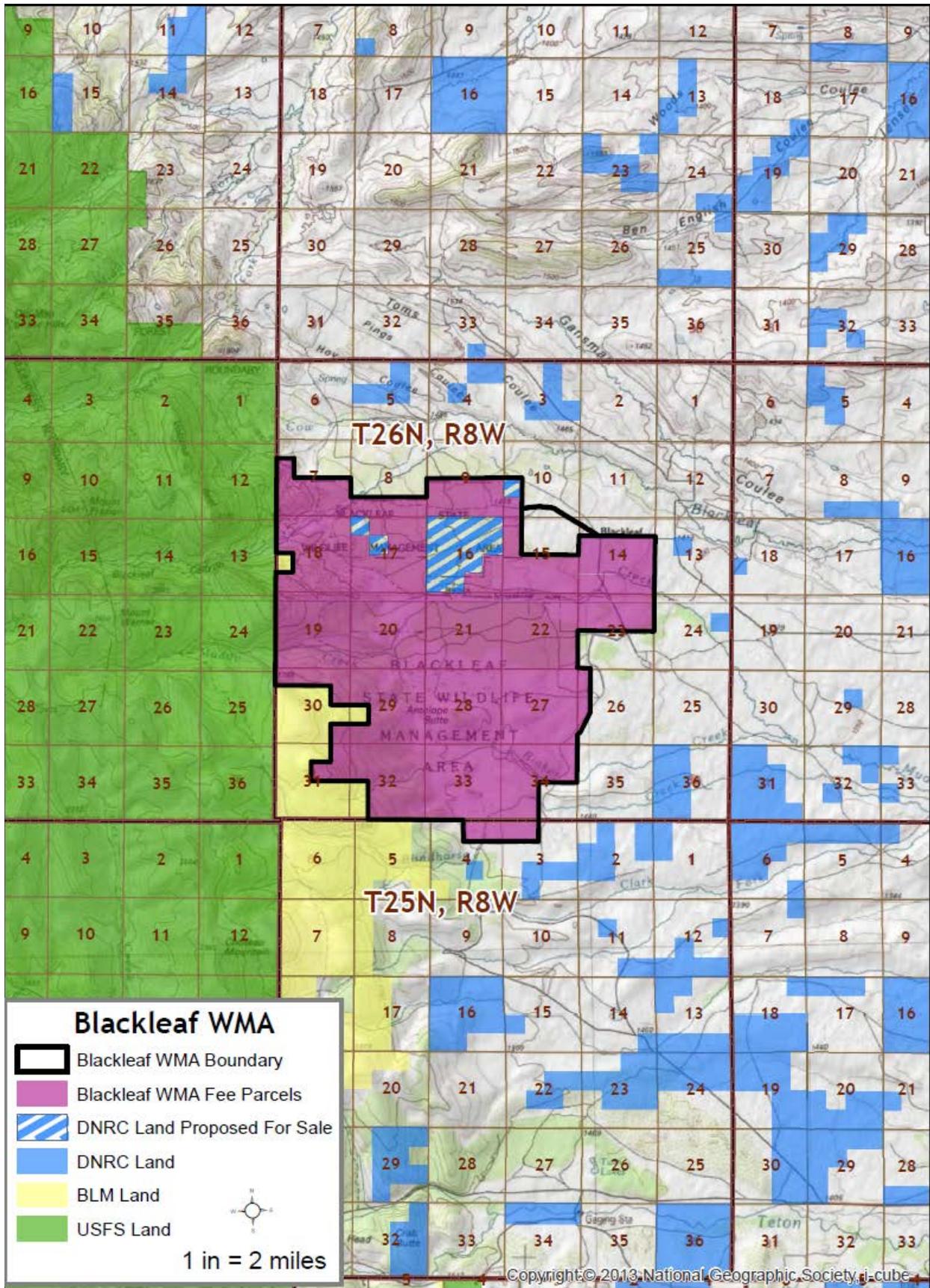


Blackleaf WMA Sales Location Map



Blackleaf Wildlife Management Area





716-4

SALE OF CABIN AND HOME SITES:

Set Minimum Bid for Sale

A. Sales 806, 808, 809, 810

B. Sales 812,814 and 819

716-4A Sale of Cabin and Home Sites: Set Minimum Bid for Sale – Sales 806, 808, 809, 810

Location: Flathead County

Trust Benefits: Common Schools

Trust Revenue: \$ 960,000

Item Summary

The Department of Natural Resources and Conservation (DNRC) is requesting to set the minimum bid on four cabin sites nominated for sale on McGregor Lake in Flathead County. These sales were nominated by the lessees in conjunction with the cabin and home site sale program and are located approximately 13 miles southeast of Kalispell, Montana.

Sale #	# of Acres	Legal	Nominator	Trust
806	1.37	Lot 15, McGregor Lake, Section 16, T26N-R25W	Williams Living Trust	Common Schools
808	1.48	Lot 1, McGregor Lake, Section 16, T26N-R25W	Joseph & Renee Russell	Common Schools
809	1.27	Lot 19, McGregor Lake, Section 16, T26N-R25W	Peter & Colette Gross	Common Schools
810	1.18	Lot 26, McGregor Lake, Section 16, T26N-R25W	Howard & Tabatha Mann	Common Schools

The parcels are currently leased as cabin sites and produce an average income for residential leases statewide.

The parcels will be sold with the access that is currently provided under the lease agreement and can be conveyed by DNRC.

Economic Analysis:

Short term – The average rate of return on the sale parcel 806 is 3.54%. The average rate of return on sale parcel 808 is 2.64%. The average rate of return on sale parcel 809 is 3.41%. The average rate of return on sale parcel 810 is 3.88%. These parcels would continue to receive these returns if they remain in state ownership.

Long term – The funds from the sale of these parcels would be combined with other sale funds to purchase replacement lands through the department’s land banking program. Lands purchased are required to have an equal or greater rate of return than the combined lands that generated the sale funds used for the purchase. To date, the average annual rate of return on acquisitions has been 2.64% on acquisitions with income generated from annual lease payments.

Cultural/Paleontological Resources:

A Class I level of cultural resource inventory was conducted for the proposed sales. Home sites typically contain numerous structures and the ground surfaces within most home sites have been variously disturbed over the course of many years of occupation and development. These sales will have no effect on state owned heritage properties.

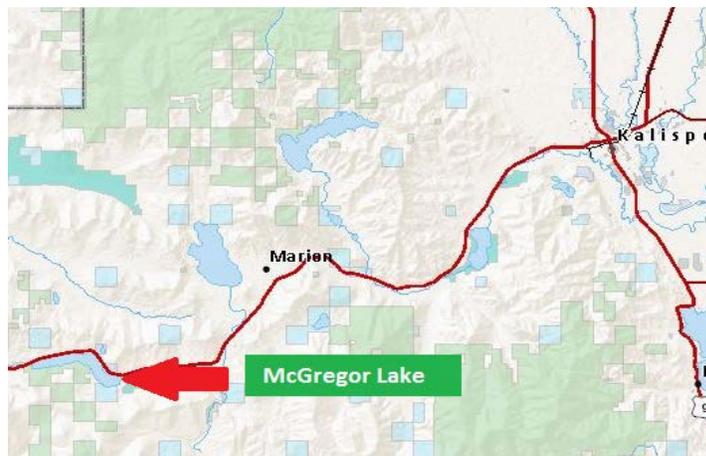
Appraised Values of Land and Improvements:

Sale #	Appraised Value of Land	Appraised Value of Improvements
806	\$220,000	\$220,000
808	\$300,000	\$110,000
809	\$220,000	\$50,000
810	\$220,000	\$510,000

DNRC Recommendation

The director recommends the Land Board set the minimum bid for the cabin site lots at the appraised values and the maximum value of the compensation for the improvements shown above.

Flathead County Sale Location Map



Sale #806, 808, 809, 810

Lots 15, 1, 19, 26, McGregor Lake, Section 16, T26N-R25W



**Land Board Agenda Item
July 18, 2016**

716-4B Sale of Cabin and Home Sites: Set Minimum Bid for Sale – Sales 812, 814, 819

Location: Missoula County

Trust Benefits: Montana State University

Trust Revenue: \$ 720,000

Item Summary

The Department of Natural Resources and Conservation (DNRC) is requesting to set the minimum bid on three cabin sites nominated for sale on Placid Lake and Seeley Lake Outlet in Missoula County. These sales were nominated by the lessees in conjunction with the cabin and home site sale program. The sales are located southwest of Seeley Lake, Montana.

Sale #	# of Acres	Legal	Nominator	Trust
812	0.827	Lot 14, Placid Lake, Section 30, T16N-R15W	Susan Robinson	MSU
814	0.808	Lot 2, Seeley Lake Outlet W, Section 4, T16N-R15W	George & Gail Kerscher	MSU
819	1.311	Lot 21, Seeley Lake Outlet W, Section 4, T16N-R15W	James & Kathleen Workman	MSU

The parcels are currently leased as cabin sites and produce an average income for residential leases statewide.

The parcels will be sold with the access that is currently provided under the lease agreement and can be conveyed by DNRC.

Economic Analysis:

Short term – The average rate of return on sale parcel 812 is 1.63%. The average rate of return on sale parcel 814 is 2.88%. The average rate of return on sale parcel 819 is 2.7%. The parcels will continue to receive these returns if they remain in state ownership.

Long term – The funds from the sale of these parcels would be combined with other sale funds to purchase replacement lands through the department's land banking program. Lands purchased are required to have an equal or greater rate of return than the combined lands that generated the sale funds used for the purchase. To date, the average annual rate of return on acquisitions has been 2.64% on acquisitions with income generated from annual lease payments.

Cultural/Paleontological Resources:

A Class I level of cultural resource inventory was conducted for the proposed sales. Home sites typically contain numerous structures and the ground surfaces within most home sites have been variously disturbed over the course of many years of occupation and development. These sales will have no effect on state owned heritage properties.

Appraised Values of Land and Improvements:

Sale #	Appraised Value of Land	Appraised Value of Improvements
812	\$410,000	\$50,000
814	\$150,000	\$70,000
819	\$160,000	\$80,000

DNRC Recommendation

The director recommends the Land Board set the minimum bid for the cabin site lots at the appraised values and the maximum value of compensation for the improvements shown above.

Missoula County Sale Location Map



Sale #812

Lot 14, Placid Lake, Section 30, T16N-R15W



Sale #814
Lots 2, Seeley Lake Outlet W, Section 4, T16N-R15W



Sale #819
Lots 21, Seeley Lake Outlet W, Section 4, T16N-R15W



716-5

COMMERCIAL LEASE: PROPOSED AGREEMENTS

North Park

716-5 North Park East: Proposed Commercial Lease Agreements

Location: Gallatin County

Trust Benefits: Common Schools

Trust Revenue: \$218,000 annually

Item Summary

The Department of Natural Resources and Conservation (DNRC) is requesting approval to issue four long term leases for phased development of 84 acres within part of Section 36, Township 1S, Range 5E, in Gallatin County. The lease area is north of the highway.

A request for proposal was issued for the North Park property, and one proposal was received. North Park Development Partners, LLC, whose address is 929 Nelson Road, Bozeman, MT 59718, plans to lease and develop infrastructure and pad sites for uses consistent with the current M1 Light Industrial Zoning. The proposed development anticipates a sports complex, office space, light and artisan manufacturing, and storage space.

The proposal includes an option to lease in four phases. The following information is for the entire proposal area. The Option to Lease, including the Lease, for each of the four phases is included in this item. The Option to Lease is available for up to two years, after which the initial lease term is 30 years.

TOTAL LEASE AREA:

84 Acres, split into four phases. Authorization through four Lease Options, one for each phase.

REVENUE:

Current 148 acre Agriculture Lease returns a ¼ crop share yielding a five year average of \$9,119 per year.

Under Commercial Lease

Tract	Market Land Value; As Improved	Annual Base Rent at 4% Lease Rate Percentage
Tract 1; 22.4 Acres	\$1,340,000	\$53,600
Tract 2; 10.7 Acres	\$850,000	\$34,000
Tract 3; 25.5 Acres	\$1,530,000	\$61,200
Tract 4; 28.8 Acres	\$1,730,000	\$69,200
Total	\$5,450,000	\$218,000

Under Commercial Option to Lease

Tract	Market Land Value; Unimproved	Annual Option Fee at 1.5%
Tract 1; 22.4 Acres	\$670,000	\$10,050
Tract 2; 10.7 Acres	\$425,000	\$6,375
Tract 3; 25.5 Acres	\$765,000	\$11,475
Tract 4; 28.8 Acres	\$865,000	\$12,975
Total	\$2,725,000	\$40,875

OTHER INFORMATION:

1. Existing Agriculture Lease – Lessee is aware of potential development. Option to lease is contingent upon settlement for improvements/crop by the incoming commercial lessee.

2. Eagle Nest – In May of 2015, the project was put on hold when a bald eagle nest was observed in the southwest ¼ of the project area, approximately 150 yards east of Interstate 90. DNRC Wildlife Biologist consulted with the United States Fish and Wildlife Service, and the Montana Fish, Wildlife and Parks to determine appropriate mitigation activity for the impacts associated with development near the nest. In consideration of the proximity of the nest to the interstate, it was determined that the best solution is to take the nest once it is no longer occupied. The DNRC has applied for and received a take permit from United States Fish and Wildlife Service to remove the inactive nest. The take permit provides mitigation requirements including planting of cottonwood seedlings, and specified monetary contributions for bald eagle habitat restoration, population monitoring, and education. Action is anticipated in the fall of 2016. Language has been included in the lease document requiring lessee to comply with Migratory Bird Treaty Act, and the Bald and Golden Eagle Protection Act.
3. Rent Credit for Infrastructure – DNRC is allowed in 77-1-905 to grant rent credit or accept payment in kind for services, materials, and construction of structures or improvements, for payments made by the lessee on behalf of the state of Montana attributable to the State's property interest. Lessee will be installing roads and other infrastructure upon the lease site that will increase the lease value, and create access to remaining unleased portion of the North Park property. Infrastructure estimates are \$4.4M; lessee will be credited the lesser of the estimates or certified actual costs. The credit will be applied to 85% of rent due each year, and lessee will pay 15% of rent due each year, until the credit is gone.

The initial lease term for each phase is 30 years. Credits for all phases will be completely allocated in approximately 20 years.

Phase Credit

	Phase 1	Phase 2	Phase 3	Phase 4
Acres	22.4	10.7	25.5	28.8
Percent of Whole Project	25.60%	12.20%	29.20%	33%
Credit Dollars	\$1,126,400.00	\$536,800.00	\$1,284,800.00	\$1,452,000.00

Sample 15 Year Rent for Phase 1

Lease Year	Calendar Period	Adjustment Period Escalator	Adjusted Base Rent	Rent Credit Amount (85%)	Amount Due After Rent Credit (15%)
1	1 st 12 calendar months	0	\$53,600	\$ 45,560	\$8,040
Supplemental Billing period	7 months to reach Feb 28	0	\$31267	\$ 26,577	\$4,690
2	March 1 – February 28	2%	\$54,672	\$ 46,471	\$8,201
3	March 1 – February 28	2%	\$55,765	\$ 47,400	\$8,365
4	March 1 – February 28	2%	\$56,881	\$ 48,349	\$8,532
5	March 1 – February 28	2%	\$58,018	\$ 49,315	\$8,703
6	March 1 – February 28	2%	\$59,179	\$ 50,302	\$8,877
7	March 1 – February 28	2%	\$60,362	\$ 51,308	\$9,054
8	March 1 – February 28	2%	\$61,570	\$ 52,335	\$9,236
9	March 1 – February 28	2%	\$62,801	\$ 53,381	\$9,420
10	March 1 – February 28	2%	\$64,057	\$ 54,448	\$9,609
11	March 1 – February 28	2%	\$65,338	\$ 55,537	\$9,801
12	March 1 – February 28	2%	\$66,645	\$ 56,648	\$9,997
13	March 1 – February 28	2%	\$67,978	\$ 57,781	\$10,197
14	March 1 – February 28	2%	\$69,337	\$ 58,936	\$10,401
15	March 1 – February 28	2%	\$70,724	\$60,115	\$10,609

MEPA AND PUBLIC PARTICIPATION:

2004 – Property identified as a development project in the Real Estate Management Plan Final Environmental Impact Statement.

2006 – City of Bozeman annexed and approved zoning of the property.

2012, May – Public meetings held as process for developing a conceptual development plan.

2012, Oct – Hyalite Environmental completed a Phase 1 Environmental Site Assessment for City of Bozeman and DNRC

2013, Aug – Multiple agencies were sent letters for input on preliminary engineering report.

2013, Oct – Public meeting on final draft of Preliminary Engineering Report

2016 – Checklist EA completed for reclassification of agriculture land for commercial development.

DNRC Recommendation

The director recommends the Land Board approve the issuance of a commercial lease agreement to North Park Development Partners, LLC.



MONTANA DEPARTMENT OF NATURAL
RESOURCES & CONSERVATION

OPTION TO LEASE AGREEMENT
North Park Phase 1 –Agreement #3072941

This Option to Lease Agreement, is entered into this 1st Day of August, 2016, by and between the Montana Department of Natural Resources and Conservation, whose address is P.O. Box 201601, Helena, MT 59620 (hereinafter referred to as the “Department”) and **North Park Development Partners, LLC**, whose address is 929 Nelson Rd., Bozeman, MT 59718 (hereinafter referred to as the “Optionee”).

GRANT OF OPTION: In consideration of \$10,050.00, payment and receipt of which is hereby acknowledged, the Department grants to the Optionee a non-assignable option to lease premises described in Exhibit A (hereinafter “Lease Premises” attached hereto upon those terms and conditions as in the form, terms, and conditions of that lease agreement form attached hereto as Exhibit B, and incorporated herein as if fully set forth.

This Option to Lease shall remain in effect from the date of this Option to Lease Agreement until 12 noon Mountain Time on the 31st Day of July, 2018, at which time it will expire and terminate automatically.

MANNER OF EXERCISE OF OPTION: The Optionee may exercise the option granted in the preceding paragraph at any time before the expiration of the option period by giving written notice of exercise of the option to the Department, at the address of the Department set out above. The notice of exercise of the option must specify the date upon which the lease is to commence, and such date must be within the term of the option. If no date is specified, the lease term will begin immediately as of the date of the notice of exercise of the option. The notice of exercise of option must be accompanied by a check for the full amount of one year's rent plus the amount of any security deposit specified in the lease agreement as Exhibit B.

EXECUTION OF LEASE AGREEMENT: Upon receipt of the notice of exercise of lease option, the Department must prepare or cause to be prepared duplicate originals of the lease agreement which is attached as Exhibit B. The Department will deliver these duplicate originals for execution to the Optionee within thirty (30) days after receipt of the Optionee's notice of exercise of the option. The Optionee must deliver the fully executed duplicate lease agreements to the Department within fourteen (14) days after receipt by the Optionee.

COMPENSATION TO FORMER LESSEE: The Lease Premises described on Exhibit A is a portion of the area described in the State of Montana Agricultural and Grazing Lease No. 4634. The Optionee shall compensate the lessee of the State of Montana Agricultural and Grazing Lease No. 4634 (hereinafter “Former Lessee”) for any and all damages resulting from the withdrawal of the Lease Premises from State of Montana Agricultural and Grazing Lease No. 4634. The Optionee shall indemnify, defend and hold harmless, including reasonable attorney’s fees, the State of Montana, the Montana Department of Natural Resources and Conservation, and its employees, agents, board members and representatives, against any and all claims or issues. Prior to exercising this option, the Optionee must enter into a full and final Settlement

Agreement concerning damages with the Former Lessee, and submit an executed copy to the Department. In the Settlement Agreement the Former Lessee must fully release the Optionee from any and all liability. **This option is contingent on the Department receiving a fully executed Settlement Agreement concerning damages, signed by the Optionee and the former lessee, prior exercising this option.**

Date: _____

STATE OF MONTANA, MONTANA
DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION

By: _____

John E. Tubbs, Director

ACKNOWLEDGMENT

STATE OF MONTANA)
) ss:
County of Lewis and Clark)

This instrument was acknowledged before me on _____, 2016,
by _____, as _____ of the Montana Department of
Natural Resources and Conservation.

[SEAL]

Print Name: _____
Notary Public for the State of _____
Residing at _____, _____
My Commission expires _____, 20__

Date: _____

OPTIONEE

By: _____

Its: _____

ACKNOWLEDGMENT

STATE OF _____)
) ss:
County of _____)

This instrument was acknowledged before me on _____, 2016,
by _____, as _____ of Optionee,
_____.

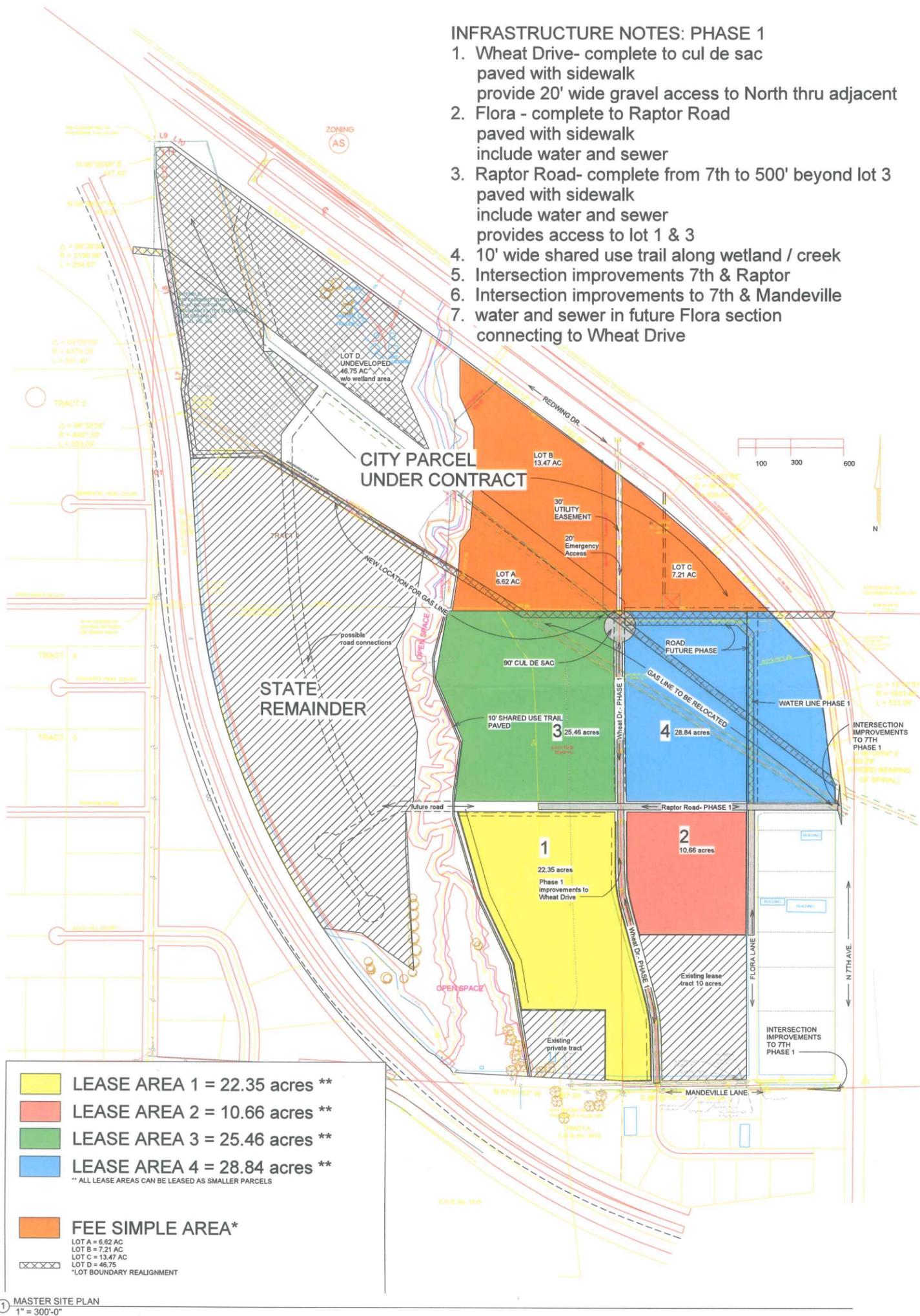
[SEAL]

Print Name: _____
Notary Public for the State of _____
Residing at _____, _____
My Commission expires _____, 20__

Exhibit A Site Plan

INFRASTRUCTURE NOTES: PHASE 1

1. Wheat Drive- complete to cul de sac paved with sidewalk provide 20' wide gravel access to North thru adjacent
2. Flora - complete to Raptor Road paved with sidewalk include water and sewer
3. Raptor Road- complete from 7th to 500' beyond lot 3 paved with sidewalk include water and sewer provides access to lot 1 & 3
4. 10' wide shared use trail along wetland / creek
5. Intersection improvements 7th & Raptor
6. Intersection improvements to 7th & Mandeville
7. water and sewer in future Flora section connecting to Wheat Drive



C1	MASTER SITE PLAN APPROVED	NO. REV. DATE REVISION SCHEDULE	NORTH PARK - ----- MASTER SITE PLAN	THINKTANK DESIGN GROUP INC. 300 NORTH PARK DRIVE SUITE 100 NORTH PARK, IOWA 52801 P: 563.597.3928 / F: 563.597.4849 WWW.THINKTANKIA.COM	THINKTANK AIA © 2013
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NORTH PARK DEVELOPMENT PARTNERS, LLC

**NORTH PARK, PHASE 1
BOZEMAN, MONTANA**

LEASE NO. 3072941

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COMMERCIAL LEASE

THIS COMMERCIAL LEASE (this “Lease”) is entered into as of the _____ day of _____, (the “Commencement Date”), by and between the **Montana State Board of Land Commissioners**, whose address is P.O. BOX 201601 Helena, MT 59620-1601 (hereinafter referred to as “Lessor”), and **North Park Development Partners, LLC**, a Montana company whose address is 929 Nelson Rd., Bozeman, MT 59718 (hereinafter referred to as the “Lessee”).

1. LEASE TERMS AND PROPERTY DESCRIPTION

Lease Number	Commencement Date	Term of Lease	Expiration Date
3072941		30 Years	

Land Located in Gallatin County

Description	Sec.	Twp.	Rge.	Acres
Tract 1, North of the Highway including Part of the SE¼, a Part of the N½, and a Part of the SW¼.	36	1S	5E	22.4

2. BASE RENT SCHEDULE

Sample provided based on a start date of August 1. Actual Data will replace this sample upon date of Lease execution.

Lease Year	Calendar Period	<i>Adjustment Period Escalator</i>	Adjusted Base Rent	Rent Credit Amount	Amount Due After Rent Credit
1	1 st 12 calendar months	0	\$53,600	\$ 45,560	\$8,040
Supplemental Billing period	7 months to reach Feb 28	0	\$31267	\$ 26,577	\$4,690
2	March 1 – February 28	2%	\$54,672	\$ 46,471	\$8,201
3	March 1 – February 28	2%	\$55,765	\$ 47,400	\$8,365
4	March 1 – February 28	2%	\$56,881	\$ 48,349	\$8,532
5	March 1 – February 28	2%	\$58,018	\$ 49,315	\$8,703
6	March 1 – February 28	2%	\$59,179	\$ 50,302	\$8,877
7	March 1 – February 28	2%	\$60,362	\$ 51,308	\$9,054
8	March 1 – February 28	2%	\$61,570	\$ 52,335	\$9,236
9	March 1 – February 28	2%	\$62,801	\$ 53,381	\$9,420
10	March 1 – February 28	2%	\$64,057	\$ 54,448	\$9,609
11	March 1 – February 28	2%	\$65,338	\$ 55,537	\$9,801
12	March 1 – February 28	2%	\$66,645	\$ 56,648	\$9,997
13	March 1 – February 28	2%	\$67,978	\$ 57,781	\$10,197
14	March 1 – February 28	2%	\$69,337	\$ 58,936	\$10,401
15	March 1 – February 28	2%	\$70,724	\$60,115	\$10,609

3. **DEFINITIONS.**

In this Lease, the following defined terms have the meanings set forth for them below:

“Adjustment Period” is a multi-year Lease period, as specified in the Base Rent Schedule in Section 2 of this lease, during which an Adjustment Period Escalator is applied annually to the prior year’s Base Rent.

“Adjustment Period Escalator” is 2% compounded annually and applied to the prior year’s Base Rent as demonstrated in the Base Rent Schedule. The Adjustment Period Escalator will not be applied to Base Rent for the First Lease Year and the first year that any Market Adjustment is applied (i.e. Year 16, 31, 46, 61...etc...).

“Base Rent” means the amount obtained by multiplying the Land Value by the Lease Rate Percentage and as periodically adjusted by the Adjustment Period Escalator.

“Building” means any enclosed building constructed or installed upon the Land.

“Commencement Date” means the date this Lease goes into effect, legally binding the Lessor and Lessee to the terms of the Lease.

“Commercial Purpose” per MCA 77-1-902(3)(a) means an industrial enterprise, retail sales outlet, business and professional office building, warehouse, motel, hotel, hospitality enterprise, commercial or concentrated recreational use, multifamily residential development, and other similar business.

“Default Rate” shall mean 1% compounded monthly.

“Department” means the Montana Department of Natural Resources and Conservation.

“Environmental Claims” means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating in any way to any Environmental Law (hereafter, “Claims”) or any permit issued under any such Environmental Law, including, without limitation (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Substances or arising from alleged injury or threat of injury to health, safety or the environment.

“Environmental Laws” means any existing and future Laws relating to, or imposing liability or standards of conduct concerning the protection of human health, the environment or natural resources, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling, Releases or threatened Releases of Hazardous Substances, including, without limitation, The Comprehensive Environmental Cleanup and Responsibility Act, 75-10-701, et seq., MCA; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601, et seq.; the Clean Air Act, 42 U.S.C. § 7401, et seq.; and the Safe Drinking Water Act, 42 U.S.C. § 300(f), et seq.

“First Lease Year” means the first twelve month period starting on the Commencement Date.

“Foreclosure Transferee” means any foreclosure purchaser or other transferee of Lessee’s interest under this Lease who acquires such interest at the sale conducted by virtue of, or otherwise in connection with, a foreclosure of any Leasehold Encumbrance or any conveyance in lieu of such foreclosure.

“Hazardous Substances” means any and all substances, materials or wastes that are declared to be, or defined or regulated as, hazardous or toxic in CECRA, Section 75-10-701, et seq., MCA, or under any Environmental Law.

“Improvements” mean any Buildings, structures, pavement, landscaping, lighting fixtures or other improvements now or later installed or constructed upon the Land.

“Land” means the real property described in paragraph 1.

“Land Value” means the full market value of the Land as determined by the applicable appraisal.

“Laws” means any and all present or future federal, state or local laws (including common law), statutes, ordinances, rules, regulations, orders, decrees or requirements of any and all governmental or quasi-governmental authorities having jurisdiction over the Land described in this Lease.

“Lease Rate Percentage” means 4%, as bid in the proposal response. The Lease Rate Percentage is applied to the Land Value to determine the initial Base Rent for the First Lease Year and for the first year after a Market Adjustment. This percentage may not be less than the rate provided in 77-1-905, MCA, and may be modified accordingly as part of a scheduled Market Adjustment.

“Lease Year” means, after the First Lease Year, each successive Lease Year is the one-year period during the Term from March 1 to the last day of February.

“Leasehold Encumbrance” means any Encumbrance, deed of trust, assignment of rents, assignment of leases, security agreement or other hypothecating instrument encumbering Lessee’s interest under this Lease or the leasehold estate in the Premises hereby created, Lessee’s rents and other sums due from any Sublessees, Lessee’s rights under Subleases and any other agreements executed in connection with Lessee’s use or operation of the Premises, or Lessee’s interest in any fixtures, machinery, equipment, Land, Buildings, Improvements or other property constituting a part of the Premises.

“Lender” means the holder(s) of any promissory note or the obligee(s) of any other obligation secured by a Leasehold Encumbrance.

“Lessee’s Address” means:

North Park Development Partners, LLC
929 Nelson Rd
Bozeman, MT 59718

“Lessor’s Address” means:

Montana Department of Natural
Resources and Conservation
Attn: Real Estate Management Bureau Property Mgmt Section
1625 Eleventh Avenue
PO BOX 201601
Helena, MT 59620-1601

With copies to:

Montana Department of Natural
Resources and Conservation
Bozeman Unit Manager
2273 Boothill Ct., #110
Bozeman, MT 59715

“Market Adjustment” means a review of current Base Rent factors, conducted at scheduled intervals during the term of the lease, which will be used to determine the Base Rent Schedule for the next period. It includes consideration of the minimum Lease Rate Percentage at the time, as well as an appraisal process to update the lease area land value. The Market Adjustment Schedule and Provisions are found in **EXHIBIT#B**.

“Premises” means the Land and all Improvements.

“Qualified Lender” means any Lender who notifies Lessor in writing of its name, its address for notices and the fact that it is a Lender and includes with such notice a copy of any Leasehold Encumbrance by virtue of which it became a Lender.

“Release” means disposing, discharging, injecting, spilling, leaking, leaching, dumping, emitting, escaping, emptying, seeping, placing or the like, into or upon any land, surface water, groundwater or air, or otherwise entering into the environment.

“Rent” means Base Rent and all other amounts required to be paid by Lessee under this Lease.

“Security Deposit” means a dollar amount equal to **\$17,867**.

“Sublease” means a sublease, license, concession or other agreement (whether written or oral) according to which Lessee grants any party the right to use or possess all or any portion of the Premises.

“Sublessee” means any party to whom Lessee grants the right to possess all or any portion of the Premises according to a Sublease.

“Substantial Damage” means harm to Improvements that renders the Premises inoperable for its intended use for more than 180 days.

“Substantial Taking” means a Taking of at least 15% of the Land or Improvements which, in Lessee’s and Lessor’s reasonable judgment, will materially and adversely interfere with any development or use of the Premises that Lessee is then conducting or intends in good faith to conduct in the future.

“Taking” means the taking of all or any portion of the Premises as a result of the exercise of the power of eminent domain or condemnation for public or quasi-public use or the sale or conveyance of all or part of the Premises under the threat of condemnation.

“Taking Date” means, with respect to any Taking, the date on which physical possession of the portion of the Premises that is the subject of such Taking is transferred to the condemning authority.

“Term” means the duration of this Lease as set forth in paragraph 1.

4. EXHIBITS.

The Exhibits listed below are attached to and incorporated into this Lease. In the event of any inconsistency between such Exhibits and the terms and provisions of this Lease, the terms and provisions of the Lease will control. The Exhibits to this Lease are:

Exhibit A - Site Map

Exhibit B – Market Adjustment Schedule and Provisions

5. LEASE TERM.**5.1 Lease.**

Subject to the terms, covenants, conditions and provisions of this Lease, Lessor leases to Lessee and Lessee leases from Lessor the Land for the Term of 30 years starting on the Commencement Date.

5.2 Renewal Option.

If all Rent due under this lease has been paid when due and Lessee is not in default, after opportunity to cure, of any terms of this Lease, Lessee may renew the Lease for an additional 15 years year Term and subsequently additional 15 year Terms for up to a maximum total of 99 years. The Base Rent will be adjusted at renewal according to the process outlined in **EXHIBIT#B**.

5.3 Lessor and Lessee Covenants.

Lessor covenants that Lessee will have quiet and peaceful possession of the Premises subject only to the terms and conditions of this Lease, and to observe and perform all of the terms, covenants and conditions applicable to Lessor in this Lease. Lessee covenants to pay the Rent when due, and to observe and perform all of the terms, covenants and conditions applicable to Lessee in this Lease.

5.4 Condition of Premises.

Except as expressly set forth in this Lease, Lessee accepts possession of the Premises on the Commencement Date in their then-current condition on an “AS IS, WHERE IS AND WITH ALL FAULTS” basis.

6. RENT.**6.1 Base Rent.**

All Rent due to Lessor will be paid in lawful money of the United States of America, at Lessor’s Address, post-marked on or before the due date, without notice or demand and without right of deduction, abatement or setoff.

6.2 Rent Credit.

Per MCA 77-1-905, the board may allow a credit against the annual rental payment for payments made by the lessee on behalf of the State of Montana for construction of structures and improvements. Accordingly, Lessor hereby agrees to accept costs for construction of structures and improvements that are specifically listed below, as payment made on behalf of the State. The payments made on behalf of the State listed below qualify for a credit toward annual Rent. The amount of the credit will be the lesser of actual construction costs or the amount provided below. Within 60 days of completion of all structures and improvements that are eligible for a rent credit listed below, the Lessee shall provide certified actual construction costs for those items. The Base Rent Schedule provided in Section 2 will be modified as necessary per the terms of this section upon Lessor receipt of certified actual construction costs.

The project is divided into four (4) phases. In no case shall the cumulative amount of the Rent Credit for all phases exceed \$4.4 million dollars. The \$4.4 million dollars in Rent Credit shall be divided, on a per

square foot basis, between the four (4) separate lease agreements/phases with North Park Development Partners, LLC. As such, the total amount of Rent Credit allocated to this Lease and phase may not exceed \$1,126,400.00 dollars.

The following list includes the only structures and improvements eligible for a Rent Credit. Only the structure and improvement explicitly listed below will be allowed a Rent Credit. The Lessee hereby affirms and agrees that having actively negotiated the list below, any ambiguity in the list below shall be construed against the Lessee.

1. Roads and Sidewalks
2. Sanitary Sewer Improvements
3. City Water Supply Improvements
4. Storm Water Improvements
5. Surface Water Management Improvements
6. Engineering Design and Inspection
7. Natural Gas Services
8. Electrical Services
9. Communication Services
10. Public Street Lights

A Rent Credit shall be allowed for the actual cost of constructing the structures and improvements located on the lease premises, listed above, if absolutely required by the City of Bozeman.

All projects eligible for a Rent Credit shall be competitively bid. The Lessee must obtain at least three (3) signed and certified bids prior to awarding the project to the lowest qualified bidder. A qualified bidder is one with the experience and equipment necessary to complete the project. The certified actual construction costs will include information concerning the competitive bid process and a copy of the signed and certified bids.

Rent Credit will be applied to 85% of Rent due each year until the credit amount is exhausted.

6.3 Terms of Payment.

Per MCA 77-1-905(1), the First Lease Year is the twelve month period beginning on the Commencement Date. The First Lease Year Rent must be paid by cashier's check, drawn upon a Montana bank, and payment is due upon execution of the lease. Failure to pay the First Lease Year's Rent at the time of lease execution will result in the cancellation of the lease and forfeiture of all money paid.

Following the First Lease Year, a Lease Year will be March 1st – February 28th and Rent for the Lease Year will be payable annually, in advance, on or before the first day of March. If the First Lease Year does not end on February 28, there will be a supplemental billing period prorated at the First Lease Year's Rent for the difference in time between the end of the First Lease Year and February 28. See Base Rent Schedule.

6.4 Late Charge

Lessee hereby acknowledges that late payment by Lessee to Lessor of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Accordingly, if Lessor does not receive the full amount of any Rent postmarked on or before the due date, Lessee shall pay a late charge to Lessor. The late charge will be an amount equal to 10% of any overdue Rent for Lessor's cost of collecting and handling such late payment due as additional Rent. If payment of the Rent and late charge are not made in full within 30 days of the due date, the outstanding balance of the unpaid Rent and the late fee shall accrue interest at the Default Rate. Interest on all delinquent amounts

shall be calculated from the original due date to the date of payment. Lessor retains sole discretion to apply payments received to past due Rent, including any late charge(s) and interest, before applying a payment to current Rent. The parties hereby agree that such late charge represents a fair and reasonable estimate of the cost that Lessor will incur by reason of the late payment by Lessee.

6.5 Lien for Unpaid Rent.

Lessor shall have a lien upon all Lessee Improvements for payment of all Rent specified herein.

6.6 Additional Rent

This Lease is what is commonly called a “triple-net” Lease. It is the intent of the parties that the Base Rent provided in this Lease will be a net payment to Lessor and that Lessor will not be required to pay any costs or expenses or provide any services in connection with the Premises. Accordingly, Lessee covenants and agrees to separately pay, in addition to the Base Rent, all utilities and services, taxes and special assessments, and for all maintenance and repairs of the Premises.

7. IMPROVEMENTS AND ALTERATIONS.

7.1 Improvements and Alterations.

Lessee shall not construct, install, alter, or demolish and remove, any Improvements without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. All expenses of constructing, installing, altering, or demolishing any Improvements shall be the sole responsibility of Lessee. Lessee shall at all times comply with all Laws, including any applicable city and state building codes and fire codes. Lessor will have the right to post notices of non-responsibility or similar notices on the Premises in order to protect the Land against any liens resulting from such work. Upon completion of the initial Improvements for the Premises Lessee shall deliver to Lessor an engineer’s certificate for the Premises and, if available, an electronic “as-built” survey of the Premises in both AutoCAD and .pdf format.

7.2 Title to Improvements.

During the Term, Lessee will be deemed to own, and hold title to all Improvements subject only to the Lessor’s reversionary interest in the Improvements upon the expiration or termination of the Lease. Lessee shall have the right to grant liens or other security interests in the Improvements. Upon the expiration or earlier termination of the Lease, title to all Improvements then held by Lessee, except moveable personal property not constituting fixtures, will automatically vest in Lessor without representation or warranty per MCA §77-1-906(2).

8. USE AND ENVIRONMENTAL COMPLIANCE.

8.1 Use and Compliance

Lessee shall use the Premises in a manner that does not reduce the value of the Land. The Lessee agrees to comply with all applicable laws, rules, and regulations in effect upon the Commencement Date of this Lease and those laws, rules, and regulations which may be enacted or adopted thereafter from time to time and which do not impair or impede the obligations of this Lease and which do not deprive the Lessee of an existing property right recognized by law. Lessee shall keep the Premises in good repair, including necessary repairs to the interior, exterior and structure of any Buildings, mowing of grass and general landscaping, and contract for the same in Lessee’s own name and pay all costs and expenses in connection therewith. Lessee shall not commit waste or permit impairment or deterioration of the Premises, ordinary wear and tear and damage by casualty and condemnation excepted.

8.2 Compliance with Title 77 MCA

Lessor and Lessee specifically acknowledge that the Land is State school trust land managed by the Montana Board of Land Commissioners and agree that this Lease is subject to the provisions of Title 77 of the Montana Code Annotated and all associated Administrative Rules of Montana.

8.3 Wildlife

Bald eagles have been sighted and nested on or near the Leased Premises. As such, the Lessee hereby warrants and covenants that it will comply with the Migratory Bird Treaty Act, the Bald and Golden Eagle Protection Act, the Lacey Act, and any other applicable State, Federal, or Tribal Laws regarding Bald eagles. Lessee shall indemnify and hold Lessor harmless for any claims or damages caused by Lessee's actions or Lessee's inactions, regarding Bald eagles. The Lessor has applied for, and obtained, a take permit from the U.S. Fish & Wildlife Services as Take Permit No. MB84516B-0 and will comply with all terms and conditions therein. The Lessee shall not be responsible for damages resulting from Lessor's actions on the land in connection with Take Permit No. MB84516B-0.

8.4 Environmental Matters.

Lessor has made no representations to Lessee concerning the presence of Toxic or Hazardous Substances within the definition of the Montana Comprehensive Environmental Cleanup and Responsibility Act (CECRA) on the Land. Lessee agrees as follows: Lessee will (a) comply with all Environmental Laws applicable to the operation or use of the Premises by Lessee or the construction, installation, alteration or demolition of any Improvements by Lessee; (b) use reasonable efforts to cause all Sublessees and other persons occupying the Premises to comply with all Environmental Laws; (c) immediately pay or cause to be paid all costs and expenses incurred by Lessee in such compliance; and (d) keep or cause the Premises to be kept free and clear of any liens arising from Lessee's use and occupancy of the Premises imposed thereon pursuant to any Environmental Laws.

Lessee will not generate, use, treat, store, Release or dispose of, or permit the generation, use, treatment, storage, Release or disposal of, any Hazardous Substances on the Premises, or transport or permit the transportation of any Hazardous Substances to or from the Premises, in each case in any quantity or manner which violates any Environmental Law.

If Lessor has knowledge of any pending or threatened Environmental Claim against Lessee or the Premises or has good reason to believe that Lessee or the Premises are in violation of any Environmental Law, at Lessor's written request (such request shall describe the basis for such request in reasonable detail), at any time and from time to time, Lessee will provide to Lessor an environmental site assessment report concerning the Premises, prepared by an environmental consulting firm reasonably approved by Lessor, indicating the presence or absence of Hazardous Substances and the potential cost of any removal or remedial action in connection with any Hazardous Substances on the Premises. Any such environmental site assessment report will be conducted at Lessee's sole cost and expense. If Lessee fails to deliver to Lessor any such environmental site assessment report within 90 days after being requested to do so by Lessor pursuant to this Section, Lessor may obtain the same, and the cost of such assessment (together with interest thereon at the Default Rate) will be payable by Lessee on demand.

Lessor may, at its option, at any time and from time to time, obtain at its sole cost and expense an environmental site assessment report for the Premises.

At its sole expense, Lessee will conduct any investigation, study, sampling or testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Substances from the Premises, which are on the Premises as a result of Lessee's activities under the Lease, which must be so removed or cleaned up in accordance with the requirements of any applicable Environmental

Laws, to the reasonable satisfaction of a professional environmental consultant selected by Lessor, and in accordance with all such requirements and with orders and directives of all governmental authorities.

8.5 Lessee Indemnity for Environmental Compliance.

Lessee agrees to defend (with attorneys reasonably satisfactory to Lessor), protect, indemnify and hold harmless Lessor from and against any and all liabilities, obligations (including removal and remedial actions), losses, damages penalties, actions, judgments, suits, claims, costs, expenses and disbursements (including reasonable attorneys' and consultants' fees and disbursements) of any kind or nature whatsoever that may at any time be incurred by, imposed on or asserted against Lessor directly or indirectly based on, or arising or resulting, in whole or in part, from: (i) the actual or alleged presence of Hazardous Substances on the Premises Released by Lessee or anyone acting by, through or under Lessee in any quantity or manner which violates Environmental Law, or the removal, handling, transportation, disposal or storage of such Hazardous Substances by Lessee or anyone acting by, through or under Lessee; or (ii) any Environmental Claim with respect to Lessee or the Premises resulting from a Release by Lessee or anyone acting by, through or under Lessee regardless of when such indemnified matters arise.

8.6 Survival of Indemnification.

The remedial indemnification and reimbursement obligations under this Section 8 will survive the expiration or earlier termination of this Lease.

9. UTILITIES AND REPAIRS.

9.1 Installation and Repairs.

Lessee will install any water, sewer, storm water, electric, communication lines, natural gas lines, roads, sidewalks, and/or any other infrastructure as required for the development of the leased land. Lessee hereby agrees that shared costs with the Lessor for infrastructure, as authorized in 77-1-905 MCA are limited to those eligible improvements specified in Exhibit C, and reimbursement for construction costs will be in the form of a rent credit as described in Section 6.2 above, and shown in the base rent schedule provided in Section 2. Lessee, at its own cost, will maintain, repair, replace and keep all installed Utilities upon the Premises in reasonably good condition and repair.

9.2 Utilities.

Lessee will pay before delinquent all water, sewer, natural gas, electricity, telephone and any other utility charges related to the Premises including, without limitation, those which, if not paid, may be asserted as a lien or charge against the Premises.

10. TAXES.

10.1 Payment of Taxes.

Lessee will pay before delinquent, directly to the taxing authority, all Taxes that accrue during or are attributable to any part of the Term, including privilege taxes, also known as beneficial use taxes, per MCA 15-24-1203.

10.2 Special Assessments.

Lessee will pay all special assessments (i.e. SIDs, RIDs, etc.) and other like impositions levied, assessed, or attributable to the Land during the Term.

11. INSURANCE.

11.1 Acquisition of Insurance Policies.

Lessee shall, at its sole cost and expense, procure and maintain, or cause to be procured and maintained during the entire Term, the insurance described in this Section 11 issued by an insurance company(ies) licensed to do business in the State of Montana that are reasonably satisfactory to Lessor.

11.2 Types of Required Insurance.

Lessee shall procure and maintain, or cause one or more of its Sublessees to provide and keep in force and name Lessor as an additional insured, the following during the Term:

a) Liability Insurance. Comprehensive or commercial general liability insurance covering claims arising out of the ownership, operation, maintenance, condition or use of the Premises, for personal and bodily injury and death, and damage to others' property, with limits of not less than \$5,000,000.00 for any one accident or occurrence. Lessee may obtain some portion of this required coverage in the form of an excess liability policy. Lessor will be named as an additional insured in the policy(ies) providing such liability insurance, which will include cross liability and severability of interests clauses.

b) Property Insurance. All-risk fire and extended coverage insurance (including standard extended endorsement perils, leakage from fire protective devices and other water damage) covering loss or damage to the Improvements on a full replacement cost basis, excluding existing architectural and engineering fees, undamaged excavation, footings and foundations.

c) Workers' Compensation Insurance. Workers' compensation and employer's liability insurance covering Lessee's employees, officers, agents and representatives employed at the Premises.

11.3 Terms of Insurance.

The policies required above, shall name Lessor as an additional insured and Lessee shall provide promptly to Lessor certificates of insurance evidencing the policies obtained by Lessee hereunder as hereinafter described. Proof of insurance ("Proof") shall consist of either (a) an insurance binder or premium payment receipt, (b) a copy of the policy, or (c) an "ACORD 27 Evidence of Property Insurance" or "ACORD 25 Certificate of Liability Insurance," whichever is appropriate (or such other similar certificates), issued by Lessee's insurer with respect to each required policy. Lessee shall deliver Proof before the Lease is executed. Thereafter, during the Term, within 30 days after the renewal date of each policy, the issuance of a new policy or on such other date as Lessor reasonably requires, Lessee will deliver a copy of the latest Proof to Lessor. Each policy of insurance will require the issuer of the insurance policy to give Lessor 30 days' advance written notice of the termination or modification of the policy. Further, all policies of insurance described above, shall:

a) be written as primary policies not contributing with and not in excess of coverage that Lessor may carry;

b) contain an endorsement providing that such insurance may not be materially changed, amended or canceled except after 30 days' prior written notice from insurance company to Lessor;

c) expressly provide that Lessor shall not be required to give notice of accidents or claims and that Lessor shall have no liability for premiums; and

d) not have a deductible in excess of \$20,000.00.

12. DAMAGE OR DESTRUCTION.

In the event of any Substantial Damage to the Premises from any causes whatsoever, Lessee shall promptly give written notice thereof to Lessor. Lessee shall promptly repair or restore the Premises as nearly as possible to its condition immediately prior to such damage or destruction unless Lessor and Lessee mutually agree in writing that such repair and restoration is not feasible, in which event this Lease shall thereupon terminate upon Lessee completion of a remediation plan developed by the Department. Lessee's duty to repair any damage or destruction of the Premises shall not be conditioned upon the availability of insurance proceeds from which the cost of repairs may be paid. Unless this Lease is so terminated by mutual agreement, there shall be no abatement or reduction in Rent during such period of repair and restoration. If a Default by Lessee shall have occurred and be continuing at the time such damage or destruction occurs, Lessor may elect to terminate this Lease by providing written notice of such election to Lessee and Lessee shall forfeit the Security Deposit.

13. CONDEMNATION.**13.1 Notice.**

If either Lessor or Lessee learns that all or any portion of the Premises has been or is proposed to be subjected to a Taking, such party will immediately notify the other of such Taking.

13.2 Termination Option on Substantial Taking.

If a Substantial Taking occurs during the Term, Lessee may, at its option, terminate this Lease by giving notice to Lessor on or before 60 days after the Taking Date. In such event this Lease will terminate 30 days after the date of Lessee's notice of termination and all Base Rent and other Rent will be apportioned to the date Lessee surrenders possession.

13.3 Continuation of Lease.

If a Taking occurs during the Term that is not a Substantial Taking, then this Lease will remain in full force and effect according to its terms, except that effective as of the Taking Date this Lease will terminate automatically as to the portion of the Premises that is the subject of such Taking and Base Rent will be adjusted to reflect the reduced Land remaining after the Taking. If a Substantial Taking occurs but Lessee does not exercise its termination option this Lease will remain in full force and effect according to its terms, except that effective as of the Taking Date this Lease will terminate automatically as to the portion of the Premises that is the subject of such Taking and Base Rent after the Taking Date will be adjusted to reflect the reduced Land remaining after the Taking.

13.4 Awards for Permanent Taking.

If there is compensation paid as a result of any permanent Taking of the Premises, the award will be allocated as follows: Lessee will be entitled to receive an amount equal to the then current appraised fair market value of the Improvements placed by the Lessee upon the Premises and Lessor will be entitled to the balance of the award.

13.5 Award for Temporary Taking.

If all or any portion of the Premises shall be taken for temporary use or occupancy, the foregoing provisions shall not apply and the Lessee shall continue to pay the full amount of Rent and the Lessee shall perform and observe all of the other terms, covenants, conditions and obligations of this Lease as though the temporary Taking had not occurred, subject to any order of the condemning authority. In the event of a temporary Taking, Lessee shall be entitled to receive the entire amount of the compensation award for such taking, unless the period of temporary use or occupancy shall extend beyond the Expiration Date in which case the compensation shall be apportioned between the Lessor and the Lessee as of the Expiration Date.

14. ASSIGNMENT, SUBLETTING AND FINANCING

14.1 Assignment.

Lessee shall not assign its interest under this Lease, in whole or in part, without Lessor's prior written consent. Such consent shall be determined in Lessor's sole and absolute discretion. Lessor's consent will not be required for any transfer of Lessee's interest under this Lease to a Foreclosure Transferee. Lessor will recognize any Foreclosure Transferee as a substitute Lessee under this Lease and will honor all rights and interest of such substitute Lessee as if the substitute Lessee was the initial Lessee under this Lease and such Foreclosure Transferee shall be bound by the terms and conditions of this Lease. Additionally, if the Foreclosure Transferee is a Qualified Lender, such Qualified Lender shall have the right to assign its interest under this Lease without the consent of Lessor and, upon such assignment, Lessor shall recognize the assignee as a substitute Lessee under this Lease and the Qualified Lender shall be released of any further liability under the Lease. If Lessee assigns its rights in this Lease, as permitted pursuant to this Section, and the assignee assumes, in writing, Lessee's obligations hereunder which arise on or after the date of such assignment, then Lessee shall be relieved of all liabilities hereunder accruing from and after the date of such assignment, but this Lease shall otherwise remain in full force and effect.

14.2 Subletting.

Lessee may sublease the Premises or portions thereof in accordance with the terms of this section. Lessee shall require any sublessees to maintain the Premises pursuant to the terms and conditions contained in this Lease. Lessee shall inform Lessor of all subleases by delivering a copy of the sublease to the Lessor, addressed as follows: DNRC, Real Estate Management Bureau Chief, P.O. Box 201601, Helena, MT 59620. No sublease shall be effective until a valid sublease agreement with a valid attornment provision is delivered to the Lessor, as hereinafter provided. Upon receipt of copy of the sublease by Lessor, Lessor shall have thirty (30) days in which to object to the sublease. Lessor hereby reserves the right to object to any sublease arrangement for any reason, in the sole discretion of the Lessor. All subleases shall include an attornment provision whereby upon the early termination of this Lease or repossession of the Premises by Lessor, the Sublessee shall attorn to the Lessor as its landlord under all of the terms, covenants and conditions of this Lease (prorated for the actual amount of Land used by sublessee) for the balance of the remaining Term, with the same force and effect as if Sublessee were the Lessee under this Lease. Such attornment shall be effective and self-operative immediately upon Lessee's termination. Sublessee shall agree to execute, acknowledge and deliver to Lessor any document that Lessor reasonably requests to confirm such attornment.

14.3 Financing.

a) Lessee's Right to Encumber. Throughout the Term, Lessee or sublessees may from time to time and without Lessor's consent execute and deliver one or more Leasehold Encumbrances securing any indebtedness or other obligation of Lessee. Without limiting the generality of the foregoing, Lessee may execute and deliver Leasehold Encumbrances to secure promissory notes evidencing construction, interim or permanent financing for the Premises or to secure Lessee's obligations under development, reimbursement or other agreements with governmental or quasi-governmental entities, utility companies or other third parties concerning matters such as sales or property tax abatement or rebate programs, public improvements or utilities.

b) Qualified Lenders' Cure Rights. Prior to terminating this Lease or exercising any other right or remedy hereunder for a Default by Lessee, Lessor will give each Qualified Lender notice of such Default by Lessee and afford it a period of 30 days after such notice is given in which to cure such Default by Lessee; provided, however, that (i) if such Default by Lessee is not a failure to pay Rent and is susceptible of cure by a Qualified Lender but cannot reasonably be cured within such 30-day period, then so long as any Qualified Lender commences a cure within such 30-day period (and notifies Lessor that it has done so), its cure period will be extended for as long as reasonably necessary for it to diligently

pursue the cure to completion; (ii) if such Default by Lessee is not a failure to pay Rent and is susceptible of cure by a Qualified Lender but cannot reasonably be cured until the Qualified Lender obtains possession of the Premises, then so long as any Qualified Lender commences to obtain possession of the Premises within such 30-day period (and notifies Lessor that it has done so), its cure period will be extended for as long as reasonably necessary for it to obtain possession of the Premises and then promptly commence and thereafter diligently pursue the cure to completion.

c) Prohibition Against Mutual Rescission. No mutual termination, cancellation, rescission or modification of a material provision of this Lease by Lessor and Lessee will be effective unless and until the same is approved in writing by each Qualified Lender. All rights and remedies of the Qualified Lender hereunder will be cumulative with, in addition to and non-exclusive of one another.

14.4 Assignment by Lessor.

If Lessor sells or otherwise transfers the Land, or if Lessor assigns its interest in this Lease, Lessees will be notified of transfer in writing, and such purchaser, transferee or assignee thereof shall be deemed to have assumed Lessor's obligations hereunder which arise on or after the date of sale or transfer, and Lessor shall thereupon be relieved of all liabilities hereunder accruing from and after the date of such transfer or assignment, but this Lease shall otherwise remain in full force and effect.

15. DISPUTE RESOLUTION.

15.1 Issues Subject to Administrative Hearing.

Any controversy which may arise between Lessor and Lessee regarding the provisions hereof shall be resolved by an administrative contested case hearing before the Department under the Montana Administrative Procedures Act.

15.2 Administrative Hearing Procedure.

All administrative hearings hereunder shall be conducted in the offices of the Department in Helena, Montana. The findings of fact, conclusions of law, and proposed decision of the hearing examiner shall be rendered within sixty (60) days of the completion of the hearing and submission of any briefs. Either party may file exceptions to the hearing examiner's findings, conclusions, and proposed decision with the Department's Director. The Lessee may, as permitted by the Department's administrative rules, petition for judicial review of the final administrative decision of the Department. Fees of the respective counsel engaged by the parties, and fees of expert witnesses or other witnesses called for the parties shall be paid by the respective party engaging such counsel or calling or engaging such witness.

16. LEASE EXPIRATION.

16.1 Condition at End of Lease.

Upon vacating the Premises on the Expiration Date, Lessee shall leave the Premises in good condition and shall peaceably surrender the same to Lessor. Lessee shall remove all of its personal property on or before the Expiration Date. All personal property remaining on the Premises on the day after the Expiration Date shall be conclusively deemed abandoned by the Lessee and shall become property of Lessor without further notice to Lessee.

16.2 Holding Over.

If the Premises are not surrendered on the Expiration Date, Lessee shall immediately indemnify Lessor against loss or liability resulting from the delay by Lessee in so surrendering the Premises, including, without limitation, any claims made by any succeeding Lessee founded on such delay. Should the Lessee remain in possession of the Premises after the Expiration Date or termination without a written agreement providing for the same, Lessee will, at Lessor's option be deemed to be a Lessee from month to month, at

a monthly Base Rent, payable in advance, equal to 150% of monthly Base Rent payable during the last full "Lease Year" prior to the Expiration Date or termination of this Lease, and Lessee will be bound by all of the other terms, covenants and agreements of this Lease as the same may apply to a month-to-month tenancy.

17. LIENS AND ESTOPPEL CERTIFICATES.

17.1 Liens.

Lessee will not allow any liens to be recorded, filed, claimed or asserted against the Premises. In the event a lien is recorded, filed, claimed or asserted, the Lessee will cause the same to be released or discharged within 30 days thereafter. If the Lessee defaults under the foregoing covenant, then the Lessor may, upon written notice to Lessee, cause any such claimed lien to be released of record by bonding or payment or any other means available. All sums paid and costs and expenses incurred by the Lessor in connection therewith, together with interest on all such sums at the Default Rate from the date incurred until paid, will be due and owing from the Lessee to the Lessor upon demand therefore.

17.2 Lien Contests.

If Lessee has a good faith dispute as to any lien for which Lessee is responsible, Lessee may contest the same by appropriate proceedings so long as Lessee bonds over the lien or deposits with Lessor security in an amount acceptable to Lessor (but in no event more than the amount required by applicable Laws) which may be used by Lessor to release such lien and pay interest and costs if Lessee's contest is abandoned or is unsuccessful. Upon final determination of any permitted contest, Lessee will promptly pay any judgment rendered and cause the lien to be released.

17.3 Estoppel Certificates.

Lessor and Lessee agree that at any time and from time to time (but on not less than 10 business days' prior request by the other party), each party will execute, acknowledge and deliver to the other a certificate indicating any or all of the following: (a) the date on which the Term commenced and the date on which it is then scheduled to expire; (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the date and nature of each modification); (c) the date, if any, through which Rent had been paid; (d) that no Default by Lessor or Default by Lessee exists which has not been cured, except as to defaults stated in such certificate; (e) that the responding party has no existing defenses or set-offs to enforcement of this Lease, except as specifically stated in such certificate; and (f) such other matters as may be reasonably requested by the requesting party. Any such certificate may be relied upon by the requesting party.

18. DEFAULTS BY LESSEE AND LESSOR'S REMEDIES.

18.1 Defaults by Lessee.

Each of the following events, which continue beyond any applicable notice and cure period, will constitute a "Default by Lessee" under this Lease:

a) Failure to Pay Rent. Lessee fails to pay any Base Rent or any other Rent, including late charges and interest accruing thereon, payable by Lessee under the terms of this Lease when due, and such failure continues for 30 days after written notice from Lessor to Lessee of such failure.

b) Failure to Perform Other Obligations. Lessee breaches or fails to comply with any provision of this Lease applicable to Lessee other than a covenant to pay Rent, and such breach or noncompliance continues for a period of 30 days after written notice thereof from Lessor to Lessee; or, if such breach or noncompliance cannot be reasonably cured within such 30-day period, Lessee does not commence to cure

such breach or noncompliance within such 30-day period and thereafter pursue such cure in good faith to completion.

c) Execution and Attachment Against Lessee. Lessee's interest under this Lease or in the Premises is taken upon execution or by other process of law directed against Lessee, or is subject to any attachment by any creditor or claimant against Lessee and such attachment is not discharged or disposed of within 30 days after levy; provided, however, that this provision shall not apply in the event of a foreclosure or transfer in lieu of foreclosure under a Leasehold Encumbrance by a Qualified Lender or to a transfer of Lessee's interest in this Lease and the Premises to a Foreclosure Transferee.

d) Fraud or Misrepresentation. Lessee's fraud or misrepresentation, or concealment of material facts which if known would have prevented the issuance of this lease.

e) Unauthorized Use of Premises. Lessee's use, or knowledge or permission of someone else's use, of the Premises for any unlawful or unpermitted purpose, and such unlawful use continues for 30 days after written notice from Lessor to Lessee to cease such use.

18.2 Lessor's Remedies.

Time is of the essence. If any Default by Lessee occurs, Lessor will have the right, at Lessor's election, then or at any later time, to exercise any one or more of the remedies described below. Exercise of any of such remedies will not prevent the concurrent or subsequent exercise of any other remedy provided for in this Lease or otherwise available to Lessor at law or in equity.

18.3 Remedies by Lessor.

a) In the event of a Default by Lessee, Lessor may, at Lessor's option but without obligation to do so, and without releasing Lessee from any obligations under this Lease, make any payment or take any action as Lessor deems necessary or desirable to cure any Default by Lessee in such manner and to such extent as Lessor in good faith deems necessary or desirable, provided that, prior to making any such payment or taking any such action, Lessor notifies Lessee in writing of Lessor's intention to do so and affords Lessee at least 10 days in which to make such payment or take such action. Lessee will pay Lessor, upon written demand, all advances, costs and expenses of Lessor in connection with making any such payment or taking any such action, together with interest at the Default Rate, from the date of payment of any such advances, costs and expenses by Lessor.

b) Termination of Lease. In the event of a Default by Lessee, Lessor may terminate this Lease, effective at such time as may be specified by written notice to Lessee, and demand (and, if such demand is refused, recover) possession of the Premises from Lessee. In such event, Lessor will be entitled to recover from Lessee such damages as are allowable by applicable Laws.

c) Repossession and Reletting. In the event of a Default by Lessee, Lessor may reenter and take possession of all or any part of the Premises, without additional demand or notice, and repossess the same and expel Lessee and any party claiming by, through or under Lessee, and remove the effects of both, without being liable for prosecution for such action or being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of Rent or right to bring any proceeding for breach of covenants or conditions. No such reentry or taking possession of the Premises by Lessor will be construed as an election by Lessor to terminate this Lease unless a notice of termination is given to Lessee. No notice from Lessor or notice given under a forcible entry and detainer statute or similar Laws will constitute an election by Lessor to terminate this Lease unless such notice specifically so states. Lessor reserves the right, following any reentry or reletting, to exercise its right to terminate this Lease by

giving Lessee such notice, in which event the Lease will terminate as specified in such notice. After recovering possession of the Premises, Lessor will use reasonable efforts to relet the Premises on commercially reasonable terms and conditions. Lessor may make such repairs, alterations or improvements as Lessor considers appropriate to accomplish such reletting, and Lessee will reimburse Lessor upon demand for all reasonable costs and expenses, which Lessor may incur in connection with such reletting. Lessor may collect and receive the rents for such reletting but Lessor will in no way be responsible or liable for any inability to relet the Premises or to collect any rent due upon such reletting. Regardless of Lessor's recovery of possession of the Premises, so long as this Lease is not terminated Lessee will continue to pay on the dates specified in this Lease, the Base Rent and other Rent which would be payable if such repossession had not occurred, less a credit for any payments actually received by Lessor through any reletting of the Premises. However, in no instance will Lessee be liable for Rent beyond the first 3 years of the reletting period.

d) Receiver. To properly effectuate the recovery of damages and other sums owing from Lessee to Lessor hereunder following a Default by Lessee, Lessor, in conjunction with any dispossession proceeding commenced pursuant to this Lease may seek an appointment of a receiver by a court of competent jurisdiction to the extent provided for in and compliance with the requirements of Title 25, Chapter 14, Part 2 of the Montana Code Annotated and Rule 66 of the Montana Rules of Civil Procedure, as they may be amended. In no event will Lessor be obligated to post a bond in connection with the appointment of a receiver.

e) Bankruptcy Relief. Nothing contained in this Lease will limit or prejudice Lessor's right to obtain adequate assurances of the Lessee's future performance under 11 USC Section 365 or other applicable laws, or any other legal rights, in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding.

19. DEFAULTS BY LESSOR AND LESSEE'S REMEDIES.

19.1 Defaults by Lessor.

The following event, which continues beyond the applicable notice and cure period, will constitute a "Default by Lessor" under this Lease: Lessor breaches or fails to comply with any provision of this Lease applicable to Lessor, and such breach or noncompliance continues for a period of 30 days after notice thereof from Lessee to Lessor; or, if such breach or noncompliance cannot be reasonably cured within such 30-day period and Lessor does not commence to cure such breach or noncompliance within such 30-day period and does not thereafter pursue such cure in good faith to completion.

19.2 Lessee's Remedies.

If any Default by Lessor occurs, Lessee will have the right, at Lessee's election, then or at any later time, to exercise the remedy described herein. Exercise of such remedy will not prevent the concurrent or subsequent exercise of any other remedy otherwise available to Lessee at law or in equity.

- a) Termination of Lease. In the event of a Default by Lessor, Lessee may terminate this Lease, effective at such time as may be specified by written notice to Lessor. In such event, Lessee will be entitled to recover from Lessor such damages as are allowable by applicable Laws.

- b) Action to Cure. Lessee may, at Lessee's option but without obligation to do so, and without releasing Lessor from any obligations under this Lease, make any payment or take any action as Lessee deems necessary or desirable to cure any Default by Lessor in such manner and to such extent as Lessee in good faith deems necessary or desirable, provided that, prior to making any such payment or taking any such action, Lessee notifies Lessor of Lessee's intention to do so and affords Lessor at least 10 days in which to make such payment or take such action. Lessor will pay Lessee, upon demand, all advances, costs and expenses of Lessee in connection with making any such payment or taking any such action, together with interest at the Default Rate, from the date of payment of any such advances, costs and expenses by Lessee.

20. SECURITY DEPOSIT

To secure compliance with the terms of this Lease, on or before the Commencement Date, the Lessee shall deposit with Lessor a \$17,867 Security Deposit, to be held by Lessor without interest. Lessor shall not be required to segregate the Deposit from other funds of Lessor. In the event Lessor assigns or transfers Lessor's interest in this Lease, Lessor shall transfer the Security Deposit to Lessor's successor-in-interest, whereupon Lessor shall be automatically deemed released from all liability in connection with the Security Deposit.

20.1 Security Deposit upon the Expiration Date.

Upon the Expiration Date of this Lease, Lessor may deduct the amount necessary from the Security Deposit to compensate Lessor for all tangible loss, injury or deterioration of the Premises caused by Lessee, or Lessee's guests, plus all unpaid Rent and the Department's costs to reclaim the Land. Within sixty (60) days following Lessee's departure, Lessor will deliver to Lessee a written list of all deductions from the Security Deposit and pay the remaining balance (if any) to Lessee. Said list and payment will be mailed to Lessee's Address unless Lessee provides Lessor of a new address in writing. If the Security Deposit is insufficient to satisfy the damages, reclamation charges and unpaid Rent, Lessor may collect the deficiency from Lessee.

20.2 Security Deposit Upon Early Termination by Lessee.

Upon early termination of this Lease by Lessee for any reason other than a Taking or Substantial Damage, the parties acknowledge and agree that the Lessor will suffer damages the exact amount of which will be extremely difficult to ascertain. Accordingly, Lessee shall forfeit the entire amount of the Security Deposit and the parties hereby agree that such forfeiture represents a fair and reasonable estimate of the costs that Lessor will incur by reason of Lessee's early termination. If the Security Deposit is insufficient to satisfy the damages, reclamation charges and unpaid Rent, Lessor may collect the deficiency from Lessee.

20.3 Security Deposit Upon Default of Lessee

Upon a Default by Lessee, Lessor may, but without obligation to do so or prejudice to or waiver of any other remedy available to Lessor, use or apply the Security Deposit in the manner and to the extent deemed appropriate or necessary by Lessor, in its sole discretion (an "Application") to remedy, cure, or otherwise address the Default by Lessee, which Application shall not cure or waive such Event of Default and shall be restored to its original amount upon request by Lessor.

21. MISCELLANEOUS

21.1 Notices.

All notices required under this Lease must be in writing and will be deemed properly given and received (a) when actually given and received, if delivered in person to a party who acknowledges receipt in

writing; or (b) one business day after deposit with a private courier or overnight delivery service with a written acknowledgment of receipt; or (c) 5 business days after the date postmarked on the cover of any correspondence or notice when deposited in the United States mail, certified – return receipt requested, with postage prepaid. All such notices shall be sent to the noticee’s address shown in this Lease unless the party giving notice has been notified, in writing, of a more recent address for the noticee. In the case of notices to a Qualified Lender, to the address set forth in its most recent notice to Lessor.

21.2 Binding Effect.

Each of the provisions of this Lease will extend to bind or inure to the benefit of, as the case may be, Lessor and Lessee, and their respective heirs, successors and assigns.

21.3 Modifications.

This instrument contains the entire agreement between the parties, and no statement, promises or inducements made by either party, or agents of either party, which are not contained in this Lease shall be valid or binding. All modifications to this Lease must be in writing and signed by the Lessor and the Lessee. If executed properly under this section, modifications of this Lease do not need independent consideration to be legally enforceable.

21.4 Enforcement Expenses.

Regardless of any statutory rights, each party agrees to bear their own costs, charges and expenses, including the fees and out-of-pocket expenses of attorneys, agents and others retained, incurred in successfully enforcing the other party’s obligations under this Lease.

21.5 No Waiver.

No waiver of any provision of this Lease will be implied by any failure of either party to enforce any remedy upon the violation of such provision, even if such violation is continued or repeated subsequently. No express waiver will affect any provision other than the one specified in such waiver, and that only for the time and in the manner specifically stated.

21.6 Captions.

The captions of sections are for convenience of reference only and will not be deemed to limit, construe, affect or alter the meaning of such sections.

21.7 Severability.

If any provision of this Lease is declared void or unenforceable by a final judicial or administrative order, this Lease will continue in full force and effect, except that the void or unenforceable provision will be deemed deleted and replaced with a provision as similar in terms to such void or unenforceable provision as may be possible and be valid and enforceable.

21.8 Waiver of Jury Trial.

Lessor and Lessee waive trial by jury in any action, proceeding or counterclaim brought by Lessor or Lessee against the other with respect to any matter arising out of or in connection with this Lease, Lessee’s use and occupancy of the Premises, or the relationship of Lessor and Lessee.

21.9 Authority to Bind.

The individuals signing this Lease on behalf of Lessor and Lessee represent and warrant that they are empowered and duly authorized to bind Lessor or Lessee, as the case may be, to this Lease according to its terms.

21.10 Only Lessor/Lessee Relationship.

Lessor and Lessee agree that neither any provision of this Lease nor any act of the parties will be deemed to create any relationship between Lessor and Lessee other than the relationship of Lessor and Lessee.

21.11 Reservation of Oil, Gas, and Minerals.

Lessor expressly excepts and reserves from this Lease all rights to all oil, gas and other minerals in, on or under the Land and that might be produced or mined from the Land; provided, however, that no drilling, mining or other surface disturbance will be undertaken on the surface of this Lease, nor shall the Lessor interfere with the Lessee's right to subjacent support, during the Term of this Lease.

21.12 Reservation of Rights-Of-Way

Lessor expressly excepts and reserves from this Lease and retains the right to grant rights-of-way on the Land for other purposes to third-parties.

21.13 Right of Inspection

Lessor, or its authorized representatives, may, at any reasonable hour, enter upon and inspect the Premises to ascertain compliance with this Lease. Any inspection or examination of the Buildings and Improvements shall not interfere with Lessee's use of the Premises or the business conducted therein.

21.14 Reasonableness.

At any time during this Lease, if either party is to use reasonable judgment, it shall be deemed to mean ordinary business judgment.

21.15 Governing Law; Venue and Jurisdiction.

This Lease will be governed by and construed according to the laws of the State of Montana. Venue and jurisdiction for any dispute arising under this Lease shall be before the Lessor as a contested case proceeding under the Montana Administrative Procedures Act before the Department.

21.16 Time of Essence.

Time is expressly declared to be of the essence of this Lease.

21.17 Broker.

Lessor represents and warrants that no broker or agent negotiated, or was instrumental in negotiating or consummating this Lease on behalf of Lessor. Lessee will indemnify and hold Lessor harmless from all damages paid or incurred by the Lessee from any claims asserted against Lessor by brokers or agents claiming through the Lessee.

Having read and intending to be bound by the terms and provisions of this Lease, Lessor and Lessee have signed it as of the date first stated above.

STATE OF MONTANA)
) ss:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20____ by SHAWN THOMAS, TRUST LANDS DIVISION ADMINISTRATOR, State of Montana, DNRC.

Witness my hand and official seal.

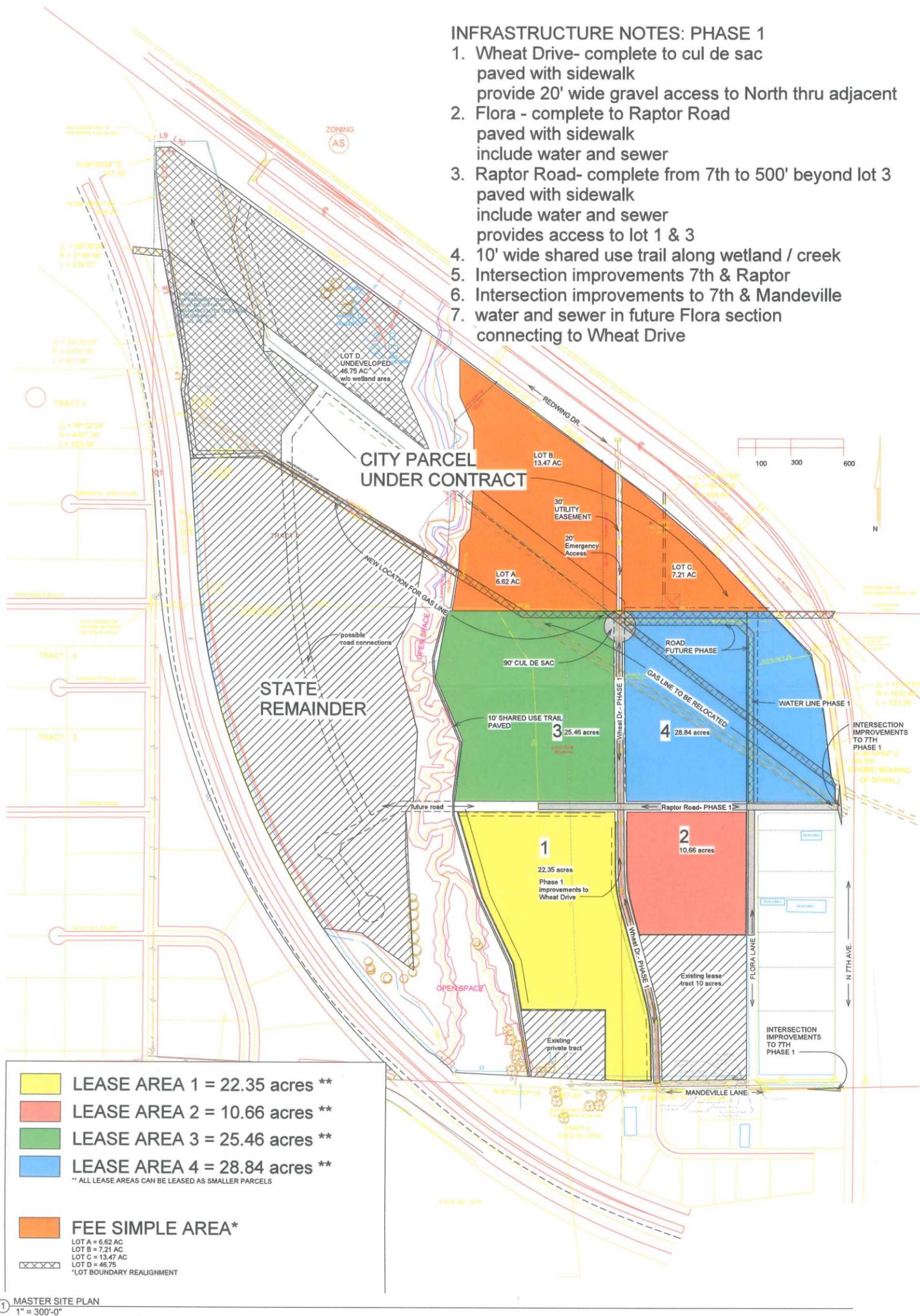
My commission expires: _____.

Notary Public

Exhibit A Site Plan

INFRASTRUCTURE NOTES: PHASE 1

1. Wheat Drive- complete to cul de sac paved with sidewalk provide 20' wide gravel access to North thru adjacent
2. Flora - complete to Raptor Road paved with sidewalk include water and sewer
3. Raptor Road- complete from 7th to 500' beyond lot 3 paved with sidewalk include water and sewer provides access to lot 1 & 3
4. 10' wide shared use trail along wetland / creek
5. Intersection improvements 7th & Raptor
6. Intersection improvements to 7th & Mandeville
7. water and sewer in future Flora section connecting to Wheat Drive



C1	MASTER SITE PLAN APPROVED	NO. REV. DATE REVISION SCHEDULE	NORTH PARK - ----- MASTER SITE PLAN	THINKTANK DESIGN GROUP INC. 300 NORTH PARK DRIVE SUITE 100 NORTH PARK, IOWA 52801 P: 563.597.3928 / F: 563.597.4848 WWW.THINKTANKAIA.COM
PROJECT STATUS:	CONCEPT		MASTER SITE PLAN	THINKTANK AIA © 2013

EXHIBIT B
MARKET ADJUSTMENT
SCHEDULE AND PROVISIONS

MARKET ADJUSTMENT PROVISIONS

Base Rent for the Land shall be subject to Market Adjustments determined in accordance with these provisions. The Market Adjustments will apply in Lease Year 16, 31, 46, 61, 76 and 91. The process for the Market Adjustment will commence on the date that is 90 days after the first day of Lease Years 15, 30, 45, 60, 75, and 90 as applicable (the "Market Date").

The Market Adjustment will be determined by appraisal in accordance with the following provisions:

SELECTION OF APPRAISERS

Lessor and Lessee shall each hire an appraiser meeting the qualifications set forth in these provisions and shall instruct such appraiser to prepare an appraisal of the market value of the Land based upon the assumptions and meeting the requirements set forth these provisions. The appraiser so retained by Lessor is herein referred to as "Lessor's Appraiser," and the appraisal prepared by Lessor's Appraiser is herein referred to as "Lessor's Appraisal." The appraiser so retained by Lessee is herein referred to as "Lessee's Appraiser," and the appraisal prepared by Lessee's Appraiser is herein referred to as "Lessee's Appraisal." Each appraiser shall be subject to the approval of the other party, which approval will not be unreasonably withheld. Lessor's Appraiser and Lessee's Appraiser shall each be instructed to complete their respective appraisals and deliver their results to both Lessor and Lessee.

DETERMINATION OF BASE RENT

If the difference between the dollar amount of Lessor's Appraisal and the dollar amount of Lessee's Appraisal is equal to or less than 10%, then the Land Value shall be deemed to be the mathematical average of the two appraisals. See the following example of a scheduled Market Adjustment for a 50,000 square foot lease, at a 6% lease rate with two different appraisal values:

Lessor Appraisal = \$6.50 per square foot

Lessee Appraisal = \$6.10 per square foot

Land Value= \$6.30 per square foot

New Annual Base Rent = \$6.30 x 50,000 (or applicable square footage) x 6% (or applicable Lease Rate) = \$18,900.

If the difference between the dollar amount of Lessor's Appraisal and the dollar amount of Lessee's Appraisal is greater than 10%, then:

- a) Lessor and Lessee shall have 30 days from the Appraisal Report Date within which to agree upon the Land Value between the two appraisals; OR
- b) If Lessor and Lessee are unable to agree on the Land Value within such 30 day period, then Lessor and Lessee shall jointly select a third appraiser to prepare an appraisal of the market value of the Land utilizing the same scope of work from the Lessor's Appraisal and the Lessee's Appraisal. The third appraiser shall be provided copies of both appraisals. The third appraisal shall be prepared and delivered to both Lessor and Lessee. The Land Value shall be the mathematical average of the two appraisals that are closest in dollar amount.

The Land Value determined in accordance with the foregoing provisions shall be binding and conclusive on the parties. Base Rent for the land, as adjusted by the Market Adjustment, shall be amount obtained

by multiplying the Land Value by a percentage determined in accordance with 77-1-905, MCA, or the rate bid in the lease proposal, whichever is higher.

QUALIFICATIONS OF APPRAISERS; REPLACEMENT

Each of Lessor’s Appraiser, Lessee’s Appraiser and any third appraiser must (a) have an MAI designation by the Appraisal Institute (or similar designation available on the Market Date); (b) be a Certified General Appraiser licensed in the State of Montana; and (c) have appraised similar types of uses in the three years prior to such Market Date. If any appraiser designated to serve in accordance with these provisions shall fail, refuse, or otherwise become unable to act, a new appraiser shall be appointed by the contracting party.

SCOPE OF WORK

The Lessor shall draw up the scope of work that meets the statutory requirements at the time, and supply the scope of work to all appraisers. All appraisals conducted during a Market Adjustment shall be subject to the same scope of work.

BRIEFING SESSION

Lessor’s Appraiser and Lessee’s Appraiser, should either so elect, shall be entitled to require a briefing session, to be held at Lessor’s offices on a day and at a time mutually acceptable to Lessor, Lessee, Lessor’s Appraiser and Lessee’s Appraiser but in all events not earlier than 10 nor later than 15 days following the Market Date. At such session, both such appraisers shall be present and each shall be entitled to ask such questions of Lessor and Lessee.

PAYMENT

Lessor shall pay all costs, fees and expenses of Lessor’s Appraiser, and Lessee shall pay all costs, fees and expenses of Lessee’s Appraiser. If a third appraiser is required, Lessor and Lessee shall share equally all costs, fees and expenses of such third appraiser.

MARKET ADJUSTMENT SCHEDULE

Lease Year	Schedule
16	“Market Adjustment”
17 through 30	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
31	“Market Adjustment”
32 through 45	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
46	“Market Adjustment”
47 through 60	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
61	“Market Adjustment”
62 through 75	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
76	“Market Adjustment”
77 through 90	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
91	“Market Adjustment”
92 through 99	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.

The above Market Adjustments are scheduled, however, either party may instigate a single additional market adjustment(s) up to 5 years following any market adjustment which causes an increase or decrease to the previous year’s Base Rent of more than 10%. These additional market adjustments are intended to protect both parties from unrealistic market highs and lows. The action is voluntary and may be exercised by either party with written notice arriving no later than December 1st of the 5th year following the standard Market Value Adjustment date.



MONTANA DEPARTMENT OF NATURAL
RESOURCES & CONSERVATION

OPTION TO LEASE AGREEMENT
North Park Phase 2 –Agreement #3072942

This Option to Lease Agreement, is entered into this 1st Day of August, 2016, by and between the Montana Department of Natural Resources and Conservation, whose address is P.O. Box 201601, Helena, MT 59620 (hereinafter referred to as the “Department”) and **North Park Development Partners, LLC**, whose address is 929 Nelson Rd., Bozeman, MT 59718 (hereinafter referred to as the “Optionee”).

GRANT OF OPTION: In consideration of \$6,375.00, payment and receipt of which is hereby acknowledged, the Department grants to the Optionee a non-assignable option to lease premises described in Exhibit A (hereinafter “Lease Premises”, attached hereto upon those terms and conditions as in the form, terms, and conditions of that lease agreement form attached hereto as Exhibit B, and incorporated herein as if fully set forth.

This Option to Lease shall remain in effect from the date of this Option to Lease Agreement until 12 noon Mountain Time on the 31st Day of July, 2018, at which time it will expire and terminate automatically.

MANNER OF EXERCISE OF OPTION: The Optionee may exercise the option granted in the preceding paragraph at any time before the expiration of the option period by giving written notice of exercise of the option to the Department, at the address of the Department set out above. The notice of exercise of the option must specify the date upon which the lease is to commence, and such date must be within the term of the option. If no date is specified, the lease term will begin immediately as of the date of the notice of exercise of the option. The notice of exercise of option must be accompanied by a check for the full amount of one year's rent plus the amount of any security deposit specified in the lease agreement as Exhibit B.

EXECUTION OF LEASE AGREEMENT: Upon receipt of the notice of exercise of lease option, the Department must prepare or cause to be prepared duplicate originals of the lease agreement which is attached as Exhibit B. The Department will deliver these duplicate originals for execution to the Optionee within thirty (30) days after receipt of the Optionee's notice of exercise of the option. The Optionee must deliver the fully executed duplicate lease agreements to the Department within fourteen (14) days after receipt by the Optionee.

COMPENSATION TO FORMER LESSEE: The Lease Premises described on Exhibit A is a portion of the area described in the State of Montana Agricultural and Grazing Lease No. 4634. The Optionee shall compensate the lessee of the State of Montana Agricultural and Grazing Lease No. 4634 (hereinafter “Former Lessee”) for any and all damages resulting from the withdrawal of the Lease Premises from State of Montana Agricultural and Grazing Lease No. 4634. The Optionee shall indemnify, defend and hold harmless, including reasonable attorney’s fees, the State of Montana, the Montana Department of Natural Resources and Conservation, and its employees, agents, board members and representatives, against any and all claims or issues. Prior to exercising this option, the Optionee must enter into a full and final Settlement

Agreement concerning damages with the Former Lessee, and submit an executed copy to the Department. In the Settlement Agreement the Former Lessee must fully release the Optionee from any and all liability. **This option is contingent on the Department receiving a fully executed Settlement Agreement concerning damages, signed by the Optionee and the former lessee, prior exercising this option.**

Date: _____

STATE OF MONTANA, MONTANA
DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION

By: _____

John E. Tubbs, Director

ACKNOWLEDGMENT

STATE OF MONTANA)
) ss:
County of Lewis and Clark)

This instrument was acknowledged before me on _____, 2016,
by _____, as _____ of the Montana Department of
Natural Resources and Conservation.

[SEAL]

Print Name: _____
Notary Public for the State of _____
Residing at _____, _____
My Commission expires _____, 20__

Date: _____

OPTIONEE

By: _____

Its: _____

ACKNOWLEDGMENT

STATE OF _____)
) ss:
County of _____)

This instrument was acknowledged before me on _____, 2016,
by _____, as _____ of Optionee,
_____.

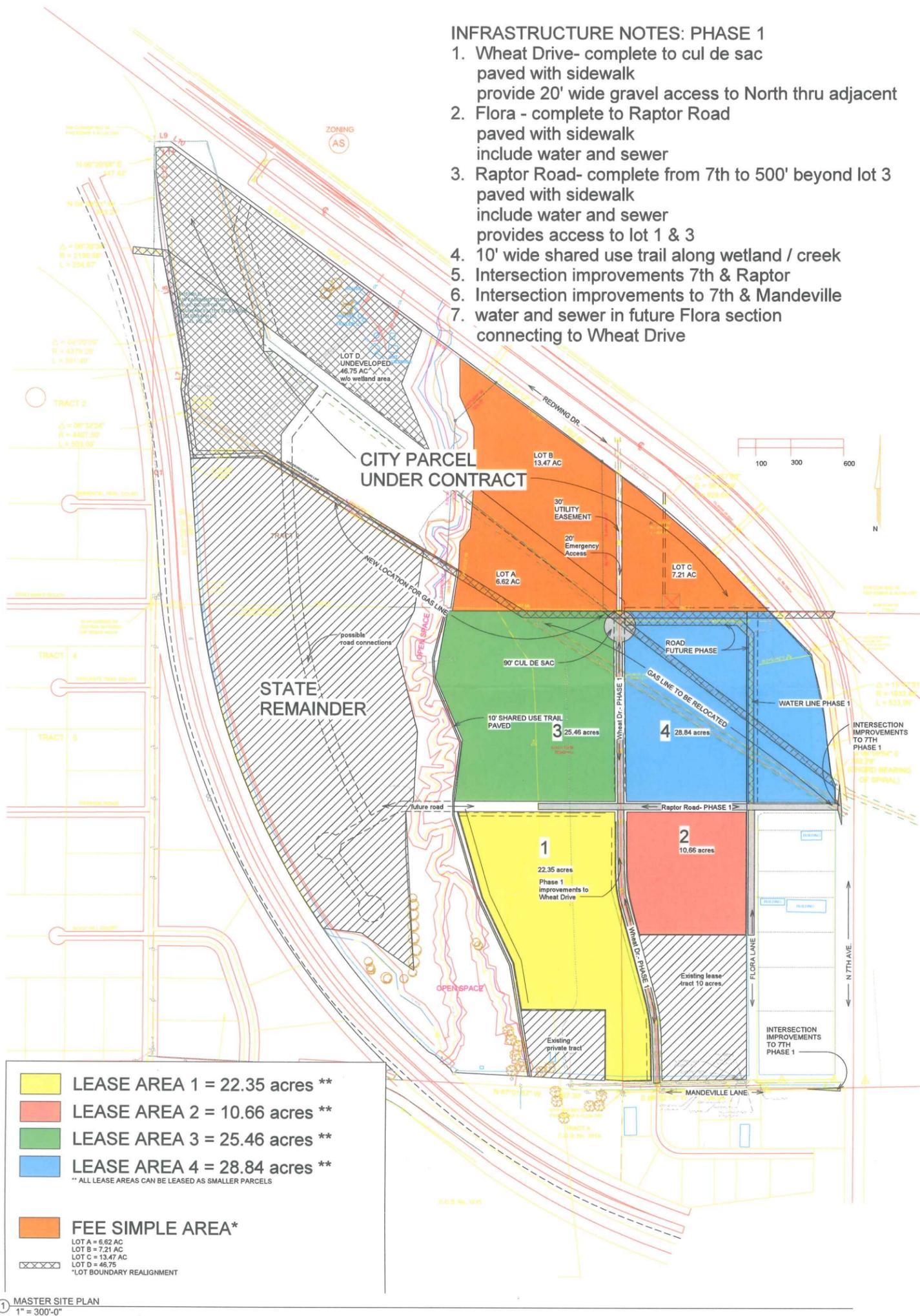
[SEAL]

Print Name: _____
Notary Public for the State of _____
Residing at _____, _____
My Commission expires _____, 20____

Exhibit A Site Plan

INFRASTRUCTURE NOTES: PHASE 1

1. Wheat Drive- complete to cul de sac paved with sidewalk provide 20' wide gravel access to North thru adjacent
2. Flora - complete to Raptor Road paved with sidewalk include water and sewer
3. Raptor Road- complete from 7th to 500' beyond lot 3 paved with sidewalk include water and sewer provides access to lot 1 & 3
4. 10' wide shared use trail along wetland / creek
5. Intersection improvements 7th & Raptor
6. Intersection improvements to 7th & Mandeville
7. water and sewer in future Flora section connecting to Wheat Drive



C1	MASTER SITE PLAN APPROVED	NORTH PARK -	 300 NORTH PARK DRIVE SUITE 100 NORTH PARK, IOWA 52801 P: 563.597.3928 / F: 563.597.4848 WWW.THINKTANKIA.COM
	CONCEPT	MASTER SITE PLAN	
PROJECT STATUS:	REVISION SCHEDULE	WARNING: IF MARKS DO NOT MEASURE FROM END TO END AND "IN BETWEEN" THEN DRAWING IS NOT TO SCALE. DO NOT SCALE DRAWINGS. USE ONLY PROVIDED DIMENSIONS	THINKTANK AIA © 2013

Option Exhibit B



NORTH PARK DEVELOPMENT PARTNERS, LLC

**NORTH PARK, PHASE 2
BOZEMAN, MONTANA**

LEASE NO. 3072942

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COMMERCIAL LEASE

THIS COMMERCIAL LEASE (this “Lease”) is entered into as of the _____ day of _____, (the “Commencement Date”), by and between the **Montana State Board of Land Commissioners**, whose address is P.O. BOX 201601 Helena, MT 59620-1601 (hereinafter referred to as “Lessor”), and **North Park Development Partners, LLC**, a Montana company whose address is 929 Nelson Rd., Bozeman, MT 59718 (hereinafter referred to as the “Lessee”).

1. LEASE TERMS AND PROPERTY DESCRIPTION

Lease Number	Commencement Date	Term of Lease	Expiration Date
3072942		30 Years	

Land Located in Gallatin County

Description	Sec.	Twp.	Rge.	Acres
Tract 2, North of the Highway including Part of the SE¼, a Part of the N½, and a Part of the SW¼.	36	1S	5E	10.7

2. BASE RENT SCHEDULE

Sample provided based on a start date of August 1. Actual Data will replace this sample upon date of Lease execution.

Lease Year	Calendar Period	Adjustment Period Escalator	Adjusted Base Rent	Rent Credit Amount	Amount Due After Rent Credit
1	1 st 12 calendar months	0	\$34,000	\$ 28,900	\$5,100
Supplemental Billing period	7 months to reach Feb 28	0	\$19,833	\$ 16,858	\$2,975
2	March 1 – February 28	2%	\$34,680	\$ 29,478	\$5,202
3	March 1 – February 28	2%	\$35,374	\$ 30,068	\$5,306
4	March 1 – February 28	2%	\$36,081	\$ 30,669	\$5,412
5	March 1 – February 28	2%	\$36,803	\$ 31,283	\$5,520
6	March 1 – February 28	2%	\$37,539	\$ 31,908	\$5,631
7	March 1 – February 28	2%	\$38,290	\$ 32,547	\$5,744
8	March 1 – February 28	2%	\$39,055	\$ 33,197	\$5,858
9	March 1 – February 28	2%	\$39,836	\$ 33,861	\$5,975
10	March 1 – February 28	2%	\$40,633	\$ 34,538	\$6,095
11	March 1 – February 28	2%	\$41,446	\$ 35,229	\$6,217
12	March 1 – February 28	2%	\$42,275	\$ 35,934	\$6,341
13	March 1 – February 28	2%	\$43,120	\$ 36,652	\$6,468
14	March 1 – February 28	2%	\$43,983	\$ 37,386	\$6,597
15	March 1 – February 28	2%	\$44,862	\$ 38,133	\$6,729

3. **DEFINITIONS.**

In this Lease, the following defined terms have the meanings set forth for them below:

“Adjustment Period” is a multi-year Lease period, as specified in the Base Rent Schedule in Section 2 of this lease, during which an Adjustment Period Escalator is applied annually to the prior year’s Base Rent.

“Adjustment Period Escalator” is 2% compounded annually and applied to the prior year’s Base Rent as demonstrated in the Base Rent Schedule. The Adjustment Period Escalator will not be applied to Base Rent for the First Lease Year and the first year that any Market Adjustment is applied (i.e. Year 16, 31, 46, 61...etc...).

“Base Rent” means the amount obtained by multiplying the Land Value by the Lease Rate Percentage and as periodically adjusted by the Adjustment Period Escalator.

“Building” means any enclosed building constructed or installed upon the Land.

“Commencement Date” means the date this Lease goes into effect, legally binding the Lessor and Lessee to the terms of the Lease.

“Commercial Purpose” per MCA 77-1-902(3)(a) means an industrial enterprise, retail sales outlet, business and professional office building, warehouse, motel, hotel, hospitality enterprise, commercial or concentrated recreational use, multifamily residential development, and other similar business.

“Default Rate” shall mean 1% compounded monthly.

“Department” means the Montana Department of Natural Resources and Conservation.

“Environmental Claims” means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating in any way to any Environmental Law (hereafter, “Claims”) or any permit issued under any such Environmental Law, including, without limitation (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Substances or arising from alleged injury or threat of injury to health, safety or the environment.

“Environmental Laws” means any existing and future Laws relating to, or imposing liability or standards of conduct concerning the protection of human health, the environment or natural resources, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling, Releases or threatened Releases of Hazardous Substances, including, without limitation, The Comprehensive Environmental Cleanup and Responsibility Act, 75-10-701, et seq., MCA; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601, et seq.; the Clean Air Act, 42 U.S.C. § 7401, et seq.; and the Safe Drinking Water Act, 42 U.S.C. § 300(f), et seq.

“First Lease Year” means the first twelve month period starting on the Commencement Date.

“Foreclosure Transferee” means any foreclosure purchaser or other transferee of Lessee’s interest under this Lease who acquires such interest at the sale conducted by virtue of, or otherwise in connection with, a foreclosure of any Leasehold Encumbrance or any conveyance in lieu of such foreclosure.

“Hazardous Substances” means any and all substances, materials or wastes that are declared to be, or defined or regulated as, hazardous or toxic in CECRA, Section 75-10-701, et seq., MCA, or under any Environmental Law.

“Improvements” mean any Buildings, structures, pavement, landscaping, lighting fixtures or other improvements now or later installed or constructed upon the Land.

“Land” means the real property described in paragraph 1.

“Land Value” means the full market value of the Land as determined by the applicable appraisal.

“Laws” means any and all present or future federal, state or local laws (including common law), statutes, ordinances, rules, regulations, orders, decrees or requirements of any and all governmental or quasi-governmental authorities having jurisdiction over the Land described in this Lease.

“Lease Rate Percentage” means 4%, as bid in the proposal response. The Lease Rate Percentage is applied to the Land Value to determine the initial Base Rent for the First Lease Year and for the first year after a Market Adjustment. This percentage may not be less than the rate provided in 77-1-905, MCA, and may be modified accordingly as part of a scheduled Market Adjustment.

“Lease Year” means, after the First Lease Year, each successive Lease Year is the one-year period during the Term from March 1 to the last day of February.

“Leasehold Encumbrance” means any Encumbrance, deed of trust, assignment of rents, assignment of leases, security agreement or other hypothecating instrument encumbering Lessee’s interest under this Lease or the leasehold estate in the Premises hereby created, Lessee’s rents and other sums due from any Sublessees, Lessee’s rights under Subleases and any other agreements executed in connection with Lessee’s use or operation of the Premises, or Lessee’s interest in any fixtures, machinery, equipment, Land, Buildings, Improvements or other property constituting a part of the Premises.

“Lender” means the holder(s) of any promissory note or the obligee(s) of any other obligation secured by a Leasehold Encumbrance.

“Lessee’s Address” means:

North Park Development Partners, LLC
929 Nelson Rd
Bozeman, MT 59718

“Lessor’s Address” means:

Montana Department of Natural
Resources and Conservation
Attn: Real Estate Management Bureau Property Mgmt Section
1625 Eleventh Avenue
PO BOX 201601
Helena, MT 59620-1601

With copies to:

Montana Department of Natural
Resources and Conservation
Bozeman Unit Manager
2273 Boothill Ct., #110
Bozeman, MT 59715

“Market Adjustment” means a review of current Base Rent factors, conducted at scheduled intervals during the term of the lease, which will be used to determine the Base Rent Schedule for the next period. It includes consideration of the minimum Lease Rate Percentage at the time, as well as an appraisal process to update the lease area land value. The Market Adjustment Schedule and Provisions are found in **EXHIBIT#B**.

“Premises” means the Land and all Improvements.

“Qualified Lender” means any Lender who notifies Lessor in writing of its name, its address for notices and the fact that it is a Lender and includes with such notice a copy of any Leasehold Encumbrance by virtue of which it became a Lender.

“Release” means disposing, discharging, injecting, spilling, leaking, leaching, dumping, emitting, escaping, emptying, seeping, placing or the like, into or upon any land, surface water, groundwater or air, or otherwise entering into the environment.

“Rent” means Base Rent and all other amounts required to be paid by Lessee under this Lease.

“Security Deposit” means a dollar amount equal to **\$11,220**.

“Sublease” means a sublease, license, concession or other agreement (whether written or oral) according to which Lessee grants any party the right to use or possess all or any portion of the Premises.

“Sublessee” means any party to whom Lessee grants the right to possess all or any portion of the Premises according to a Sublease.

“Substantial Damage” means harm to Improvements that renders the Premises inoperable for its intended use for more than 180 days.

“Substantial Taking” means a Taking of at least 15% of the Land or Improvements which, in Lessee’s and Lessor’s reasonable judgment, will materially and adversely interfere with any development or use of the Premises that Lessee is then conducting or intends in good faith to conduct in the future.

“Taking” means the taking of all or any portion of the Premises as a result of the exercise of the power of eminent domain or condemnation for public or quasi-public use or the sale or conveyance of all or part of the Premises under the threat of condemnation.

“Taking Date” means, with respect to any Taking, the date on which physical possession of the portion of the Premises that is the subject of such Taking is transferred to the condemning authority.

“Term” means the duration of this Lease as set forth in paragraph 1.

4. EXHIBITS.

The Exhibits listed below are attached to and incorporated into this Lease. In the event of any inconsistency between such Exhibits and the terms and provisions of this Lease, the terms and provisions of the Lease will control. The Exhibits to this Lease are:

Exhibit A - Site Map

Exhibit B – Market Adjustment Schedule and Provisions

5. LEASE TERM.**5.1 Lease.**

Subject to the terms, covenants, conditions and provisions of this Lease, Lessor leases to Lessee and Lessee leases from Lessor the Land for the Term of 30 years starting on the Commencement Date.

5.2 Renewal Option.

If all Rent due under this lease has been paid when due and Lessee is not in default, after opportunity to cure, of any terms of this Lease, Lessee may renew the Lease for an additional 15 years year Term and subsequently additional 15 year Terms for up to a maximum total of 99 years. The Base Rent will be adjusted at renewal according to the process outlined in **EXHIBIT#B**.

5.3 Lessor and Lessee Covenants.

Lessor covenants that Lessee will have quiet and peaceful possession of the Premises subject only to the terms and conditions of this Lease, and to observe and perform all of the terms, covenants and conditions applicable to Lessor in this Lease. Lessee covenants to pay the Rent when due, and to observe and perform all of the terms, covenants and conditions applicable to Lessee in this Lease.

5.4 Condition of Premises.

Except as expressly set forth in this Lease, Lessee accepts possession of the Premises on the Commencement Date in their then-current condition on an “AS IS, WHERE IS AND WITH ALL FAULTS” basis.

6. RENT.**6.1 Base Rent.**

All Rent due to Lessor will be paid in lawful money of the United States of America, at Lessor’s Address, post-marked on or before the due date, without notice or demand and without right of deduction, abatement or setoff.

6.2 Rent Credit.

Per MCA 77-1-905, the board may allow a credit against the annual rental payment for payments made by the lessee on behalf of the State of Montana for construction of structures and improvements. Accordingly, Lessor hereby agrees to accept costs for construction of structures and improvements that are specifically listed below, as payment made on behalf of the State. The payments made on behalf of the State listed below qualify for a credit toward annual Rent. The amount of the credit will be the lesser of actual construction costs or the amount provided below. Within 60 days of completion of all structures and improvements that are eligible for a rent credit listed below, the Lessee shall provide certified actual construction costs for those items. The Base Rent Schedule provided in Section 2 will be modified as necessary per the terms of this section upon Lessor receipt of certified actual construction costs.

The project is divided into four (4) phases. In no case shall the cumulative amount of the Rent Credit for all phases exceed \$4.4 million dollars. The \$4.4 million dollars in Rent Credit shall be divided, on a per square foot basis, between the four (4) separate lease agreements/phases with North Park Development Partners, LLC. As such, the total amount of Rent Credit allocated to this Lease and phase may not exceed \$536,800 dollars.

The following list includes the only structures and improvements eligible for a Rent Credit. Only the structure and improvement explicitly listed below will be allowed a Rent Credit. The Lessee hereby affirms and agrees that having actively negotiated the list below, any ambiguity in the list below shall be construed against the Lessee.

1. Roads and Sidewalks
2. Sanitary Sewer Improvements
3. City Water Supply Improvements
4. Storm Water Improvements
5. Surface Water Management Improvements
6. Engineering Design and Inspection
7. Natural Gas Services
8. Electrical Services
9. Communication Services
10. Public Street Lights

A Rent Credit shall be allowed for the actual cost of constructing the structures and improvements located on the lease premises, listed above, if absolutely required by the City of Bozeman.

All projects eligible for a Rent Credit shall be competitively bid. The Lessee must obtain at least three (3) signed and certified bids prior to awarding the project to the lowest qualified bidder. A qualified bidder is one with the experience and equipment necessary to complete the project. The certified actual construction costs will include information concerning the competitive bid process and a copy of the signed and certified bids.

Rent Credit will be applied to 85% of Rent due each year until the credit amount is exhausted.

6.3 Terms of Payment.

Per MCA 77-1-905(1), the First Lease Year is the twelve month period beginning on the Commencement Date. The First Lease Year Rent must be paid by cashier's check, drawn upon a Montana bank, and payment is due upon execution of the lease. Failure to pay the First Lease Year's Rent at the time of lease execution will result in the cancellation of the lease and forfeiture of all money paid.

Following the First Lease Year, a Lease Year will be March 1st – February 28th and Rent for the Lease Year will be payable annually, in advance, on or before the first day of March. If the First Lease Year does not end on February 28, there will be a supplemental billing period prorated at the First Lease Year's Rent for the difference in time between the end of the First Lease Year and February 28. See Base Rent Schedule.

6.4 Late Charge

Lessee hereby acknowledges that late payment by Lessee to Lessor of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Accordingly, if Lessor does not receive the full amount of any Rent postmarked on or before the due date, Lessee shall pay a late charge to Lessor. The late charge will be an amount equal to 10% of any overdue Rent for Lessor's cost of collecting and handling such late payment due as additional Rent. If payment of

the Rent and late charge are not made in full within 30 days of the due date, the outstanding balance of the unpaid Rent and the late fee shall accrue interest at the Default Rate. Interest on all delinquent amounts shall be calculated from the original due date to the date of payment. Lessor retains sole discretion to apply payments received to past due Rent, including any late charge(s) and interest, before applying a payment to current Rent. The parties hereby agree that such late charge represents a fair and reasonable estimate of the cost that Lessor will incur by reason of the late payment by Lessee.

6.5 Lien for Unpaid Rent.

Lessor shall have a lien upon all Lessee Improvements for payment of all Rent specified herein.

6.6 Additional Rent

This Lease is what is commonly called a “triple-net” Lease. It is the intent of the parties that the Base Rent provided in this Lease will be a net payment to Lessor and that Lessor will not be required to pay any costs or expenses or provide any services in connection with the Premises. Accordingly, Lessee covenants and agrees to separately pay, in addition to the Base Rent, all utilities and services, taxes and special assessments, and for all maintenance and repairs of the Premises.

7. IMPROVEMENTS AND ALTERATIONS.

7.1 Improvements and Alterations.

Lessee shall not construct, install, alter, or demolish and remove, any Improvements without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. All expenses of constructing, installing, altering, or demolishing any Improvements shall be the sole responsibility of Lessee. Lessee shall at all times comply with all Laws, including any applicable city and state building codes and fire codes. Lessor will have the right to post notices of non-responsibility or similar notices on the Premises in order to protect the Land against any liens resulting from such work. Upon completion of the initial Improvements for the Premises Lessee shall deliver to Lessor an engineer’s certificate for the Premises and, if available, an electronic “as-built” survey of the Premises in both AutoCAD and .pdf format.

7.2 Title to Improvements.

During the Term, Lessee will be deemed to own, and hold title to all Improvements subject only to the Lessor’s reversionary interest in the Improvements upon the expiration or termination of the Lease. Lessee shall have the right to grant liens or other security interests in the Improvements. Upon the expiration or earlier termination of the Lease, title to all Improvements then held by Lessee, except moveable personal property not constituting fixtures, will automatically vest in Lessor without representation or warranty per MCA §77-1-906(2).

8. USE AND ENVIRONMENTAL COMPLIANCE.

8.1 Use and Compliance

Lessee shall use the Premises in a manner that does not reduce the value of the Land. The Lessee agrees to comply with all applicable laws, rules, and regulations in effect upon the Commencement Date of this Lease and those laws, rules, and regulations which may be enacted or adopted thereafter from time to time and which do not impair or impede the obligations of this Lease and which do not deprive the Lessee of an existing property right recognized by law. Lessee shall keep the Premises in good repair, including necessary repairs to the interior, exterior and structure of any Buildings, mowing of grass and general landscaping, and contract for the same in Lessee’s own name and pay all costs and expenses in connection therewith. Lessee shall not commit waste or permit impairment or deterioration of the Premises, ordinary wear and tear and damage by casualty and condemnation excepted.

8.2 Compliance with Title 77 MCA

Lessor and Lessee specifically acknowledge that the Land is State school trust land managed by the Montana Board of Land Commissioners and agree that this Lease is subject to the provisions of Title 77 of the Montana Code Annotated and all associated Administrative Rules of Montana.

8.3 Wildlife

Bald eagles have been sighted and nested on or near the Leased Premises. As such, the Lessee hereby warrants and covenants that it will comply with the Migratory Bird Treaty Act, the Bald and Golden Eagle Protection Act, the Lacey Act, and any other applicable State, Federal, or Tribal Laws regarding Bald eagles. Lessee shall indemnify and hold Lessor harmless for any claims or damages caused by Lessee's actions or Lessee's inactions, regarding Bald eagles. The Lessor has applied for, and obtained, a take permit from the U.S. Fish & Wildlife Services as Take Permit No. MB84516B-0 and will comply with all terms and conditions therein. The Lessee shall not be responsible for damages resulting from Lessor's actions on the land in connection with Take Permit No. MB84516B-0.

8.4 Environmental Matters.

Lessor has made no representations to Lessee concerning the presence of Toxic or Hazardous Substances within the definition of the Montana Comprehensive Environmental Cleanup and Responsibility Act (CECRA) on the Land. Lessee agrees as follows: Lessee will (a) comply with all Environmental Laws applicable to the operation or use of the Premises by Lessee or the construction, installation, alteration or demolition of any Improvements by Lessee; (b) use reasonable efforts to cause all Sublessees and other persons occupying the Premises to comply with all Environmental Laws; (c) immediately pay or cause to be paid all costs and expenses incurred by Lessee in such compliance; and (d) keep or cause the Premises to be kept free and clear of any liens arising from Lessee's use and occupancy of the Premises imposed thereon pursuant to any Environmental Laws.

Lessee will not generate, use, treat, store, Release or dispose of, or permit the generation, use, treatment, storage, Release or disposal of, any Hazardous Substances on the Premises, or transport or permit the transportation of any Hazardous Substances to or from the Premises, in each case in any quantity or manner which violates any Environmental Law.

If Lessor has knowledge of any pending or threatened Environmental Claim against Lessee or the Premises or has good reason to believe that Lessee or the Premises are in violation of any Environmental Law, at Lessor's written request (such request shall describe the basis for such request in reasonable detail), at any time and from time to time, Lessee will provide to Lessor an environmental site assessment report concerning the Premises, prepared by an environmental consulting firm reasonably approved by Lessor, indicating the presence or absence of Hazardous Substances and the potential cost of any removal or remedial action in connection with any Hazardous Substances on the Premises. Any such environmental site assessment report will be conducted at Lessee's sole cost and expense. If Lessee fails to deliver to Lessor any such environmental site assessment report within 90 days after being requested to do so by Lessor pursuant to this Section, Lessor may obtain the same, and the cost of such assessment (together with interest thereon at the Default Rate) will be payable by Lessee on demand.

Lessor may, at its option, at any time and from time to time, obtain at its sole cost and expense an environmental site assessment report for the Premises.

At its sole expense, Lessee will conduct any investigation, study, sampling or testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Substances from the Premises, which are on the Premises as a result of Lessee's activities under the Lease, which must be so removed or cleaned up in accordance with the requirements of any applicable Environmental

Laws, to the reasonable satisfaction of a professional environmental consultant selected by Lessor, and in accordance with all such requirements and with orders and directives of all governmental authorities.

8.5 Lessee Indemnity for Environmental Compliance.

Lessee agrees to defend (with attorneys reasonably satisfactory to Lessor), protect, indemnify and hold harmless Lessor from and against any and all liabilities, obligations (including removal and remedial actions), losses, damages penalties, actions, judgments, suits, claims, costs, expenses and disbursements (including reasonable attorneys' and consultants' fees and disbursements) of any kind or nature whatsoever that may at any time be incurred by, imposed on or asserted against Lessor directly or indirectly based on, or arising or resulting, in whole or in part, from: (i) the actual or alleged presence of Hazardous Substances on the Premises Released by Lessee or anyone acting by, through or under Lessee in any quantity or manner which violates Environmental Law, or the removal, handling, transportation, disposal or storage of such Hazardous Substances by Lessee or anyone acting by, through or under Lessee; or (ii) any Environmental Claim with respect to Lessee or the Premises resulting from a Release by Lessee or anyone acting by, through or under Lessee regardless of when such indemnified matters arise.

8.6 Survival of Indemnification.

The remedial indemnification and reimbursement obligations under this Section 8 will survive the expiration or earlier termination of this Lease.

9. UTILITIES AND REPAIRS.

9.1 Installation and Repairs.

Lessee will install any water, sewer, storm water, electric, communication lines, natural gas lines, roads, sidewalks, and/or any other infrastructure as required for the development of the leased land. Lessee hereby agrees that shared costs with the Lessor for infrastructure, as authorized in 77-1-905 MCA are limited to those eligible improvements specified in Exhibit C, and reimbursement for construction costs will be in the form of a rent credit as described in Section 6.2 above, and shown in the base rent schedule provided in Section 2. Lessee, at its own cost, will maintain, repair, replace and keep all installed Utilities upon the Premises in reasonably good condition and repair.

9.2 Utilities.

Lessee will pay before delinquent all water, sewer, natural gas, electricity, telephone and any other utility charges related to the Premises including, without limitation, those which, if not paid, may be asserted as a lien or charge against the Premises.

10. TAXES.

10.1 Payment of Taxes.

Lessee will pay before delinquent, directly to the taxing authority, all Taxes that accrue during or are attributable to any part of the Term, including privilege taxes, also known as beneficial use taxes, per MCA 15-24-1203.

10.2 Special Assessments.

Lessee will pay all special assessments (i.e. SIDs, RIDs, etc.) and other like impositions levied, assessed, or attributable to the Land during the Term.

11. INSURANCE.

11.1 Acquisition of Insurance Policies.

Lessee shall, at its sole cost and expense, procure and maintain, or cause to be procured and maintained during the entire Term, the insurance described in this Section 11 issued by an insurance company(ies) licensed to do business in the State of Montana that are reasonably satisfactory to Lessor.

11.2 Types of Required Insurance.

Lessee shall procure and maintain, or cause one or more of its Sublessees to provide and keep in force and name Lessor as an additional insured, the following during the Term:

a) Liability Insurance. Comprehensive or commercial general liability insurance covering claims arising out of the ownership, operation, maintenance, condition or use of the Premises, for personal and bodily injury and death, and damage to others' property, with limits of not less than \$5,000,000.00 for any one accident or occurrence. Lessee may obtain some portion of this required coverage in the form of an excess liability policy. Lessor will be named as an additional insured in the policy(ies) providing such liability insurance, which will include cross liability and severability of interests clauses.

b) Property Insurance. All-risk fire and extended coverage insurance (including standard extended endorsement perils, leakage from fire protective devices and other water damage) covering loss or damage to the Improvements on a full replacement cost basis, excluding existing architectural and engineering fees, undamaged excavation, footings and foundations.

c) Workers' Compensation Insurance. Workers' compensation and employer's liability insurance covering Lessee's employees, officers, agents and representatives employed at the Premises.

11.3 Terms of Insurance.

The policies required above, shall name Lessor as an additional insured and Lessee shall provide promptly to Lessor certificates of insurance evidencing the policies obtained by Lessee hereunder as hereinafter described. Proof of insurance ("Proof") shall consist of either (a) an insurance binder or premium payment receipt, (b) a copy of the policy, or (c) an "ACORD 27 Evidence of Property Insurance" or "ACORD 25 Certificate of Liability Insurance," whichever is appropriate (or such other similar certificates), issued by Lessee's insurer with respect to each required policy. Lessee shall deliver Proof before the Lease is executed. Thereafter, during the Term, within 30 days after the renewal date of each policy, the issuance of a new policy or on such other date as Lessor reasonably requires, Lessee will deliver a copy of the latest Proof to Lessor. Each policy of insurance will require the issuer of the insurance policy to give Lessor 30 days' advance written notice of the termination or modification of the policy. Further, all policies of insurance described above, shall:

a) be written as primary policies not contributing with and not in excess of coverage that Lessor may carry;

b) contain an endorsement providing that such insurance may not be materially changed, amended or canceled except after 30 days' prior written notice from insurance company to Lessor;

c) expressly provide that Lessor shall not be required to give notice of accidents or claims and that Lessor shall have no liability for premiums; and

d) not have a deductible in excess of \$20,000.00.

12. DAMAGE OR DESTRUCTION.

In the event of any Substantial Damage to the Premises from any causes whatsoever, Lessee shall promptly give written notice thereof to Lessor. Lessee shall promptly repair or restore the Premises as nearly as possible to its condition immediately prior to such damage or destruction unless Lessor and Lessee mutually agree in writing that such repair and restoration is not feasible, in which event this Lease shall thereupon terminate upon Lessee completion of a remediation plan developed by the Department. Lessee's duty to repair any damage or destruction of the Premises shall not be conditioned upon the availability of insurance proceeds from which the cost of repairs may be paid. Unless this Lease is so terminated by mutual agreement, there shall be no abatement or reduction in Rent during such period of repair and restoration. If a Default by Lessee shall have occurred and be continuing at the time such damage or destruction occurs, Lessor may elect to terminate this Lease by providing written notice of such election to Lessee and Lessee shall forfeit the Security Deposit.

13. CONDEMNATION.**13.1 Notice.**

If either Lessor or Lessee learns that all or any portion of the Premises has been or is proposed to be subjected to a Taking, such party will immediately notify the other of such Taking.

13.2 Termination Option on Substantial Taking.

If a Substantial Taking occurs during the Term, Lessee may, at its option, terminate this Lease by giving notice to Lessor on or before 60 days after the Taking Date. In such event this Lease will terminate 30 days after the date of Lessee's notice of termination and all Base Rent and other Rent will be apportioned to the date Lessee surrenders possession.

13.3 Continuation of Lease.

If a Taking occurs during the Term that is not a Substantial Taking, then this Lease will remain in full force and effect according to its terms, except that effective as of the Taking Date this Lease will terminate automatically as to the portion of the Premises that is the subject of such Taking and Base Rent will be adjusted to reflect the reduced Land remaining after the Taking. If a Substantial Taking occurs but Lessee does not exercise its termination option this Lease will remain in full force and effect according to its terms, except that effective as of the Taking Date this Lease will terminate automatically as to the portion of the Premises that is the subject of such Taking and Base Rent after the Taking Date will be adjusted to reflect the reduced Land remaining after the Taking.

13.4 Awards for Permanent Taking.

If there is compensation paid as a result of any permanent Taking of the Premises, the award will be allocated as follows: Lessee will be entitled to receive an amount equal to the then current appraised fair market value of the Improvements placed by the Lessee upon the Premises and Lessor will be entitled to the balance of the award.

13.5 Award for Temporary Taking.

If all or any portion of the Premises shall be taken for temporary use or occupancy, the foregoing provisions shall not apply and the Lessee shall continue to pay the full amount of Rent and the Lessee shall perform and observe all of the other terms, covenants, conditions and obligations of this Lease as though the temporary Taking had not occurred, subject to any order of the condemning authority. In the event of a temporary Taking, Lessee shall be entitled to receive the entire amount of the compensation award for such taking, unless the period of temporary use or occupancy shall extend beyond the Expiration Date in which case the compensation shall be apportioned between the Lessor and the Lessee as of the Expiration Date.

14. ASSIGNMENT, SUBLETTING AND FINANCING

14.1 Assignment.

Lessee shall not assign its interest under this Lease, in whole or in part, without Lessor's prior written consent. Such consent shall be determined in Lessor's sole and absolute discretion. Lessor's consent will not be required for any transfer of Lessee's interest under this Lease to a Foreclosure Transferee. Lessor will recognize any Foreclosure Transferee as a substitute Lessee under this Lease and will honor all rights and interest of such substitute Lessee as if the substitute Lessee was the initial Lessee under this Lease and such Foreclosure Transferee shall be bound by the terms and conditions of this Lease. Additionally, if the Foreclosure Transferee is a Qualified Lender, such Qualified Lender shall have the right to assign its interest under this Lease without the consent of Lessor and, upon such assignment, Lessor shall recognize the assignee as a substitute Lessee under this Lease and the Qualified Lender shall be released of any further liability under the Lease. If Lessee assigns its rights in this Lease, as permitted pursuant to this Section, and the assignee assumes, in writing, Lessee's obligations hereunder which arise on or after the date of such assignment, then Lessee shall be relieved of all liabilities hereunder accruing from and after the date of such assignment, but this Lease shall otherwise remain in full force and effect.

14.2 Subletting.

Lessee may sublease the Premises or portions thereof in accordance with the terms of this section. Lessee shall require any sublessees to maintain the Premises pursuant to the terms and conditions contained in this Lease. Lessee shall inform Lessor of all subleases by delivering a copy of the sublease to the Lessor, addressed as follows: DNRC, Real Estate Management Bureau Chief, P.O. Box 201601, Helena, MT 59620. No sublease shall be effective until a valid sublease agreement with a valid attornment provision is delivered to the Lessor, as hereinafter provided. Upon receipt of copy of the sublease by Lessor, Lessor shall have thirty (30) days in which to object to the sublease. Lessor hereby reserves the right to object to any sublease arrangement for any reason, in the sole discretion of the Lessor. All subleases shall include an attornment provision whereby upon the early termination of this Lease or repossession of the Premises by Lessor, the Sublessee shall attorn to the Lessor as its landlord under all of the terms, covenants and conditions of this Lease (prorated for the actual amount of Land used by sublessee) for the balance of the remaining Term, with the same force and effect as if Sublessee were the Lessee under this Lease. Such attornment shall be effective and self-operative immediately upon Lessee's termination. Sublessee shall agree to execute, acknowledge and deliver to Lessor any document that Lessor reasonably requests to confirm such attornment.

14.3 Financing.

a) Lessee's Right to Encumber. Throughout the Term, Lessee or sublessees may from time to time and without Lessor's consent execute and deliver one or more Leasehold Encumbrances securing any indebtedness or other obligation of Lessee. Without limiting the generality of the foregoing, Lessee may execute and deliver Leasehold Encumbrances to secure promissory notes evidencing construction, interim or permanent financing for the Premises or to secure Lessee's obligations under development, reimbursement or other agreements with governmental or quasi-governmental entities, utility companies or other third parties concerning matters such as sales or property tax abatement or rebate programs, public improvements or utilities.

b) Qualified Lenders' Cure Rights. Prior to terminating this Lease or exercising any other right or remedy hereunder for a Default by Lessee, Lessor will give each Qualified Lender notice of such Default by Lessee and afford it a period of 30 days after such notice is given in which to cure such Default by Lessee; provided, however, that (i) if such Default by Lessee is not a failure to pay Rent and is susceptible of cure by a Qualified Lender but cannot reasonably be cured within such 30-day period, then so long as any Qualified Lender commences a cure within such 30-day period (and notifies Lessor that it has done so), its cure period will be extended for as long as reasonably necessary for it to diligently

pursue the cure to completion; (ii) if such Default by Lessee is not a failure to pay Rent and is susceptible of cure by a Qualified Lender but cannot reasonably be cured until the Qualified Lender obtains possession of the Premises, then so long as any Qualified Lender commences to obtain possession of the Premises within such 30-day period (and notifies Lessor that it has done so), its cure period will be extended for as long as reasonably necessary for it to obtain possession of the Premises and then promptly commence and thereafter diligently pursue the cure to completion.

c) Prohibition Against Mutual Rescission. No mutual termination, cancellation, rescission or modification of a material provision of this Lease by Lessor and Lessee will be effective unless and until the same is approved in writing by each Qualified Lender. All rights and remedies of the Qualified Lender hereunder will be cumulative with, in addition to and non-exclusive of one another.

14.4 Assignment by Lessor.

If Lessor sells or otherwise transfers the Land, or if Lessor assigns its interest in this Lease, Lessees will be notified of transfer in writing, and such purchaser, transferee or assignee thereof shall be deemed to have assumed Lessor's obligations hereunder which arise on or after the date of sale or transfer, and Lessor shall thereupon be relieved of all liabilities hereunder accruing from and after the date of such transfer or assignment, but this Lease shall otherwise remain in full force and effect.

15. DISPUTE RESOLUTION.

15.1 Issues Subject to Administrative Hearing.

Any controversy which may arise between Lessor and Lessee regarding the provisions hereof shall be resolved by an administrative contested case hearing before the Department under the Montana Administrative Procedures Act.

15.2 Administrative Hearing Procedure.

All administrative hearings hereunder shall be conducted in the offices of the Department in Helena, Montana. The findings of fact, conclusions of law, and proposed decision of the hearing examiner shall be rendered within sixty (60) days of the completion of the hearing and submission of any briefs. Either party may file exceptions to the hearing examiner's findings, conclusions, and proposed decision with the Department's Director. The Lessee may, as permitted by the Department's administrative rules, petition for judicial review of the final administrative decision of the Department. Fees of the respective counsel engaged by the parties, and fees of expert witnesses or other witnesses called for the parties shall be paid by the respective party engaging such counsel or calling or engaging such witness.

16. LEASE EXPIRATION.

16.1 Condition at End of Lease.

Upon vacating the Premises on the Expiration Date, Lessee shall leave the Premises in good condition and shall peaceably surrender the same to Lessor. Lessee shall remove all of its personal property on or before the Expiration Date. All personal property remaining on the Premises on the day after the Expiration Date shall be conclusively deemed abandoned by the Lessee and shall become property of Lessor without further notice to Lessee.

16.2 Holding Over.

If the Premises are not surrendered on the Expiration Date, Lessee shall immediately indemnify Lessor against loss or liability resulting from the delay by Lessee in so surrendering the Premises, including, without limitation, any claims made by any succeeding Lessee founded on such delay. Should the Lessee remain in possession of the Premises after the Expiration Date or termination without a written agreement providing for the same, Lessee will, at Lessor's option be deemed to be a Lessee from month to month, at

a monthly Base Rent, payable in advance, equal to 150% of monthly Base Rent payable during the last full "Lease Year" prior to the Expiration Date or termination of this Lease, and Lessee will be bound by all of the other terms, covenants and agreements of this Lease as the same may apply to a month-to-month tenancy.

17. LIENS AND ESTOPPEL CERTIFICATES.

17.1 Liens.

Lessee will not allow any liens to be recorded, filed, claimed or asserted against the Premises. In the event a lien is recorded, filed, claimed or asserted, the Lessee will cause the same to be released or discharged within 30 days thereafter. If the Lessee defaults under the foregoing covenant, then the Lessor may, upon written notice to Lessee, cause any such claimed lien to be released of record by bonding or payment or any other means available. All sums paid and costs and expenses incurred by the Lessor in connection therewith, together with interest on all such sums at the Default Rate from the date incurred until paid, will be due and owing from the Lessee to the Lessor upon demand therefore.

17.2 Lien Contests.

If Lessee has a good faith dispute as to any lien for which Lessee is responsible, Lessee may contest the same by appropriate proceedings so long as Lessee bonds over the lien or deposits with Lessor security in an amount acceptable to Lessor (but in no event more than the amount required by applicable Laws) which may be used by Lessor to release such lien and pay interest and costs if Lessee's contest is abandoned or is unsuccessful. Upon final determination of any permitted contest, Lessee will promptly pay any judgment rendered and cause the lien to be released.

17.3 Estoppel Certificates.

Lessor and Lessee agree that at any time and from time to time (but on not less than 10 business days' prior request by the other party), each party will execute, acknowledge and deliver to the other a certificate indicating any or all of the following: (a) the date on which the Term commenced and the date on which it is then scheduled to expire; (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the date and nature of each modification); (c) the date, if any, through which Rent had been paid; (d) that no Default by Lessor or Default by Lessee exists which has not been cured, except as to defaults stated in such certificate; (e) that the responding party has no existing defenses or set-offs to enforcement of this Lease, except as specifically stated in such certificate; and (f) such other matters as may be reasonably requested by the requesting party. Any such certificate may be relied upon by the requesting party.

18. DEFAULTS BY LESSEE AND LESSOR'S REMEDIES.

18.1 Defaults by Lessee.

Each of the following events, which continue beyond any applicable notice and cure period, will constitute a "Default by Lessee" under this Lease:

a) Failure to Pay Rent. Lessee fails to pay any Base Rent or any other Rent, including late charges and interest accruing thereon, payable by Lessee under the terms of this Lease when due, and such failure continues for 30 days after written notice from Lessor to Lessee of such failure.

b) Failure to Perform Other Obligations. Lessee breaches or fails to comply with any provision of this Lease applicable to Lessee other than a covenant to pay Rent, and such breach or noncompliance continues for a period of 30 days after written notice thereof from Lessor to Lessee; or, if such breach or noncompliance cannot be reasonably cured within such 30-day period, Lessee does not commence to cure

such breach or noncompliance within such 30-day period and thereafter pursue such cure in good faith to completion.

c) Execution and Attachment Against Lessee. Lessee's interest under this Lease or in the Premises is taken upon execution or by other process of law directed against Lessee, or is subject to any attachment by any creditor or claimant against Lessee and such attachment is not discharged or disposed of within 30 days after levy; provided, however, that this provision shall not apply in the event of a foreclosure or transfer in lieu of foreclosure under a Leasehold Encumbrance by a Qualified Lender or to a transfer of Lessee's interest in this Lease and the Premises to a Foreclosure Transferee.

d) Fraud or Misrepresentation. Lessee's fraud or misrepresentation, or concealment of material facts which if known would have prevented the issuance of this lease.

e) Unauthorized Use of Premises. Lessee's use, or knowledge or permission of someone else's use, of the Premises for any unlawful or unpermitted purpose, and such unlawful use continues for 30 days after written notice from Lessor to Lessee to cease such use.

18.2 Lessor's Remedies.

Time is of the essence. If any Default by Lessee occurs, Lessor will have the right, at Lessor's election, then or at any later time, to exercise any one or more of the remedies described below. Exercise of any of such remedies will not prevent the concurrent or subsequent exercise of any other remedy provided for in this Lease or otherwise available to Lessor at law or in equity.

18.3 Remedies

a) In the event of a Default by Lessee, Lessor may, at Lessor's option but without obligation to do so, and without releasing Lessee from any obligations under this Lease, make any payment or take any action as Lessor deems necessary or desirable to cure any Default by Lessee in such manner and to such extent as Lessor in good faith deems necessary or desirable, provided that, prior to making any such payment or taking any such action, Lessor notifies Lessee in writing of Lessor's intention to do so and affords Lessee at least 10 days in which to make such payment or take such action. Lessee will pay Lessor, upon written demand, all advances, costs and expenses of Lessor in connection with making any such payment or taking any such action, together with interest at the Default Rate, from the date of payment of any such advances, costs and expenses by Lessor.

b) Termination of Lease. In the event of a Default by Lessee, Lessor may terminate this Lease, effective at such time as may be specified by written notice to Lessee, and demand (and, if such demand is refused, recover) possession of the Premises from Lessee. In such event, Lessor will be entitled to recover from Lessee such damages as are allowable by applicable Laws.

c) Repossession and Reletting. In the event of a Default by Lessee, Lessor may reenter and take possession of all or any part of the Premises, without additional demand or notice, and repossess the same and expel Lessee and any party claiming by, through or under Lessee, and remove the effects of both, without being liable for prosecution for such action or being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of Rent or right to bring any proceeding for breach of covenants or conditions. No such reentry or taking possession of the Premises by Lessor will be construed as an election by Lessor to terminate this Lease unless a notice of termination is given to Lessee. No notice from Lessor or notice given under a forcible entry and detainer statute or similar Laws will constitute an election by Lessor to terminate this Lease unless such notice specifically so states. Lessor reserves the right, following any reentry or reletting, to exercise its right to terminate this Lease by giving Lessee such notice, in which event the Lease will terminate as specified in such notice. After

recovering possession of the Premises, Lessor will use reasonable efforts to relet the Premises on commercially reasonable terms and conditions. Lessor may make such repairs, alterations or improvements as Lessor considers appropriate to accomplish such reletting, and Lessee will reimburse Lessor upon demand for all reasonable costs and expenses, which Lessor may incur in connection with such reletting. Lessor may collect and receive the rents for such reletting but Lessor will in no way be responsible or liable for any inability to relet the Premises or to collect any rent due upon such reletting. Regardless of Lessor's recovery of possession of the Premises, so long as this Lease is not terminated Lessee will continue to pay on the dates specified in this Lease, the Base Rent and other Rent which would be payable if such repossession had not occurred, less a credit for any payments actually received by Lessor through any reletting of the Premises. However, in no instance will Lessee be liable for Rent beyond the first 3 years of the reletting period.

d) Receiver. To properly effectuate the recovery of damages and other sums owing from Lessee to Lessor hereunder following a Default by Lessee, Lessor, in conjunction with any dispossession proceeding commenced pursuant to this Lease may seek an appointment of a receiver by a court of competent jurisdiction to the extent provided for in and compliance with the requirements of Title 25, Chapter 14, Part 2 of the Montana Code Annotated and Rule 66 of the Montana Rules of Civil Procedure, as they may be amended. In no event will Lessor be obligated to post a bond in connection with the appointment of a receiver.

e) Bankruptcy Relief. Nothing contained in this Lease will limit or prejudice Lessor's right to obtain adequate assurances of the Lessee's future performance under 11 USC Section 365 or other applicable laws, or any other legal rights, in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding.

19. DEFAULTS BY LESSOR AND LESSEE'S REMEDIES.

19.1 Defaults by Lessor.

The following event, which continues beyond the applicable notice and cure period, will constitute a "Default by Lessor" under this Lease: Lessor breaches or fails to comply with any provision of this Lease applicable to Lessor, and such breach or noncompliance continues for a period of 30 days after notice thereof from Lessee to Lessor; or, if such breach or noncompliance cannot be reasonably cured within such 30-day period and Lessor does not commence to cure such breach or noncompliance within such 30-day period and does not thereafter pursue such cure in good faith to completion.

19.2 Lessee's Remedies.

If any Default by Lessor occurs, Lessee will have the right, at Lessee's election, then or at any later time, to exercise the remedy described herein. Exercise of such remedy will not prevent the concurrent or subsequent exercise of any other remedy otherwise available to Lessee at law or in equity.

- a) Termination of Lease. In the event of a Default by Lessor, Lessee may terminate this Lease, effective at such time as may be specified by written notice to Lessor. In such event, Lessee will be entitled to recover from Lessor such damages as are allowable by applicable Laws.

- b) Action to Cure. Lessee may, at Lessee's option but without obligation to do so, and without releasing Lessor from any obligations under this Lease, make any payment or take any action as Lessee deems necessary or desirable to cure any Default by Lessor in such manner and to such extent as Lessee in good faith deems necessary or desirable, provided that, prior to making any such payment or taking any such action, Lessee notifies Lessor of Lessee's intention to do so and affords Lessor at least 10 days in which to make such payment or take such action. Lessor will pay Lessee, upon demand, all advances, costs and expenses of Lessee in connection with making any such payment or taking any such action, together with interest at the Default Rate, from the date of payment of any such advances, costs and expenses by Lessee.

20. SECURITY DEPOSIT

To secure compliance with the terms of this Lease, on or before the Commencement Date, the Lessee shall deposit with Lessor a \$11,220 Security Deposit, to be held by Lessor without interest. Lessor shall not be required to segregate the Deposit from other funds of Lessor. In the event Lessor assigns or transfers Lessor's interest in this Lease, Lessor shall transfer the Security Deposit to Lessor's successor-in-interest, whereupon Lessor shall be automatically deemed released from all liability in connection with the Security Deposit.

20.1 Security Deposit upon the Expiration Date.

Upon the Expiration Date of this Lease, Lessor may deduct the amount necessary from the Security Deposit to compensate Lessor for all tangible loss, injury or deterioration of the Premises caused by Lessee, or Lessee's guests, plus all unpaid Rent and the Department's costs to reclaim the Land. Within sixty (60) days following Lessee's departure, Lessor will deliver to Lessee a written list of all deductions from the Security Deposit and pay the remaining balance (if any) to Lessee. Said list and payment will be mailed to Lessee's Address unless Lessee provides Lessor of a new address in writing. If the Security Deposit is insufficient to satisfy the damages, reclamation charges and unpaid Rent, Lessor may collect the deficiency from Lessee.

20.2 Security Deposit Upon Early Termination by Lessee.

Upon early termination of this Lease by Lessee for any reason other than a Taking or Substantial Damage, the parties acknowledge and agree that the Lessor will suffer damages the exact amount of which will be extremely difficult to ascertain. Accordingly, Lessee shall forfeit the entire amount of the Security Deposit and the parties hereby agree that such forfeiture represents a fair and reasonable estimate of the costs that Lessor will incur by reason of Lessee's early termination. If the Security Deposit is insufficient to satisfy the damages, reclamation charges and unpaid Rent, Lessor may collect the deficiency from Lessee.

20.3 Security Deposit Upon Default of Lessee

Upon a Default by Lessee, Lessor may, but without obligation to do so or prejudice to or waiver of any other remedy available to Lessor, use or apply the Security Deposit in the manner and to the extent deemed appropriate or necessary by Lessor, in its sole discretion (an "Application") to remedy, cure, or otherwise address the Default by Lessee, which Application shall not cure or waive such Event of Default and shall be restored to its original amount upon request by Lessor.

21. MISCELLANEOUS

21.1 Notices.

All notices required under this Lease must be in writing and will be deemed properly given and received (a) when actually given and received, if delivered in person to a party who acknowledges receipt in

writing; or (b) one business day after deposit with a private courier or overnight delivery service with a written acknowledgment of receipt; or (c) 5 business days after the date postmarked on the cover of any correspondence or notice when deposited in the United States mail, certified – return receipt requested, with postage prepaid. All such notices shall be sent to the noticee’s address shown in this Lease unless the party giving notice has been notified, in writing, of a more recent address for the noticee. In the case of notices to a Qualified Lender, to the address set forth in its most recent notice to Lessor.

21.2 Binding Effect.

Each of the provisions of this Lease will extend to bind or inure to the benefit of, as the case may be, Lessor and Lessee, and their respective heirs, successors and assigns.

21.3 Modifications.

This instrument contains the entire agreement between the parties, and no statement, promises or inducements made by either party, or agents of either party, which are not contained in this Lease shall be valid or binding. All modifications to this Lease must be in writing and signed by the Lessor and the Lessee. If executed properly under this section, modifications of this Lease do not need independent consideration to be legally enforceable.

21.4 Enforcement Expenses.

Regardless of any statutory rights, each party agrees to bear their own costs, charges and expenses, including the fees and out-of-pocket expenses of attorneys, agents and others retained, incurred in successfully enforcing the other party’s obligations under this Lease.

21.5 No Waiver.

No waiver of any provision of this Lease will be implied by any failure of either party to enforce any remedy upon the violation of such provision, even if such violation is continued or repeated subsequently. No express waiver will affect any provision other than the one specified in such waiver, and that only for the time and in the manner specifically stated.

21.6 Captions.

The captions of sections are for convenience of reference only and will not be deemed to limit, construe, affect or alter the meaning of such sections.

21.7 Severability.

If any provision of this Lease is declared void or unenforceable by a final judicial or administrative order, this Lease will continue in full force and effect, except that the void or unenforceable provision will be deemed deleted and replaced with a provision as similar in terms to such void or unenforceable provision as may be possible and be valid and enforceable.

21.8 Waiver of Jury Trial.

Lessor and Lessee waive trial by jury in any action, proceeding or counterclaim brought by Lessor or Lessee against the other with respect to any matter arising out of or in connection with this Lease, Lessee’s use and occupancy of the Premises, or the relationship of Lessor and Lessee.

21.9 Authority to Bind.

The individuals signing this Lease on behalf of Lessor and Lessee represent and warrant that they are empowered and duly authorized to bind Lessor or Lessee, as the case may be, to this Lease according to its terms.

21.10 Only Lessor/Lessee Relationship.

Lessor and Lessee agree that neither any provision of this Lease nor any act of the parties will be deemed to create any relationship between Lessor and Lessee other than the relationship of Lessor and Lessee.

21.11 Reservation of Oil, Gas, and Minerals.

Lessor expressly excepts and reserves from this Lease all rights to all oil, gas and other minerals in, on or under the Land and that might be produced or mined from the Land; provided, however, that no drilling, mining or other surface disturbance will be undertaken on the surface of this Lease, nor shall the Lessor interfere with the Lessee's right to subjacent support, during the Term of this Lease.

21.12 Reservation of Rights-Of-Way

Lessor expressly excepts and reserves from this Lease and retains the right to grant rights-of-way on the Land for other purposes to third-parties.

21.13 Right of Inspection

Lessor, or its authorized representatives, may, at any reasonable hour, enter upon and inspect the Premises to ascertain compliance with this Lease. Any inspection or examination of the Buildings and Improvements shall not interfere with Lessee's use of the Premises or the business conducted therein.

21.14 Reasonableness.

At any time during this Lease, if either party is to use reasonable judgment, it shall be deemed to mean ordinary business judgment.

21.15 Governing Law; Venue and Jurisdiction.

This Lease will be governed by and construed according to the laws of the State of Montana. Venue and jurisdiction for any dispute arising under this Lease shall be before the Lessor as a contested case proceeding under the Montana Administrative Procedures Act before the Department.

21.16 Time of Essence.

Time is expressly declared to be of the essence of this Lease.

21.17 Broker.

Lessor represents and warrants that no broker or agent negotiated, or was instrumental in negotiating or consummating this Lease on behalf of Lessor. Lessee will indemnify and hold Lessor harmless from all damages paid or incurred by the Lessee from any claims asserted against Lessor by brokers or agents claiming through the Lessee.

Having read and intending to be bound by the terms and provisions of this Lease, Lessor and Lessee have signed it as of the date first stated above.

STATE OF MONTANA)
) ss:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20____ by SHAWN THOMAS, TRUST LANDS DIVISION ADMINISTRATOR, State of Montana, DNRC.

Witness my hand and official seal.

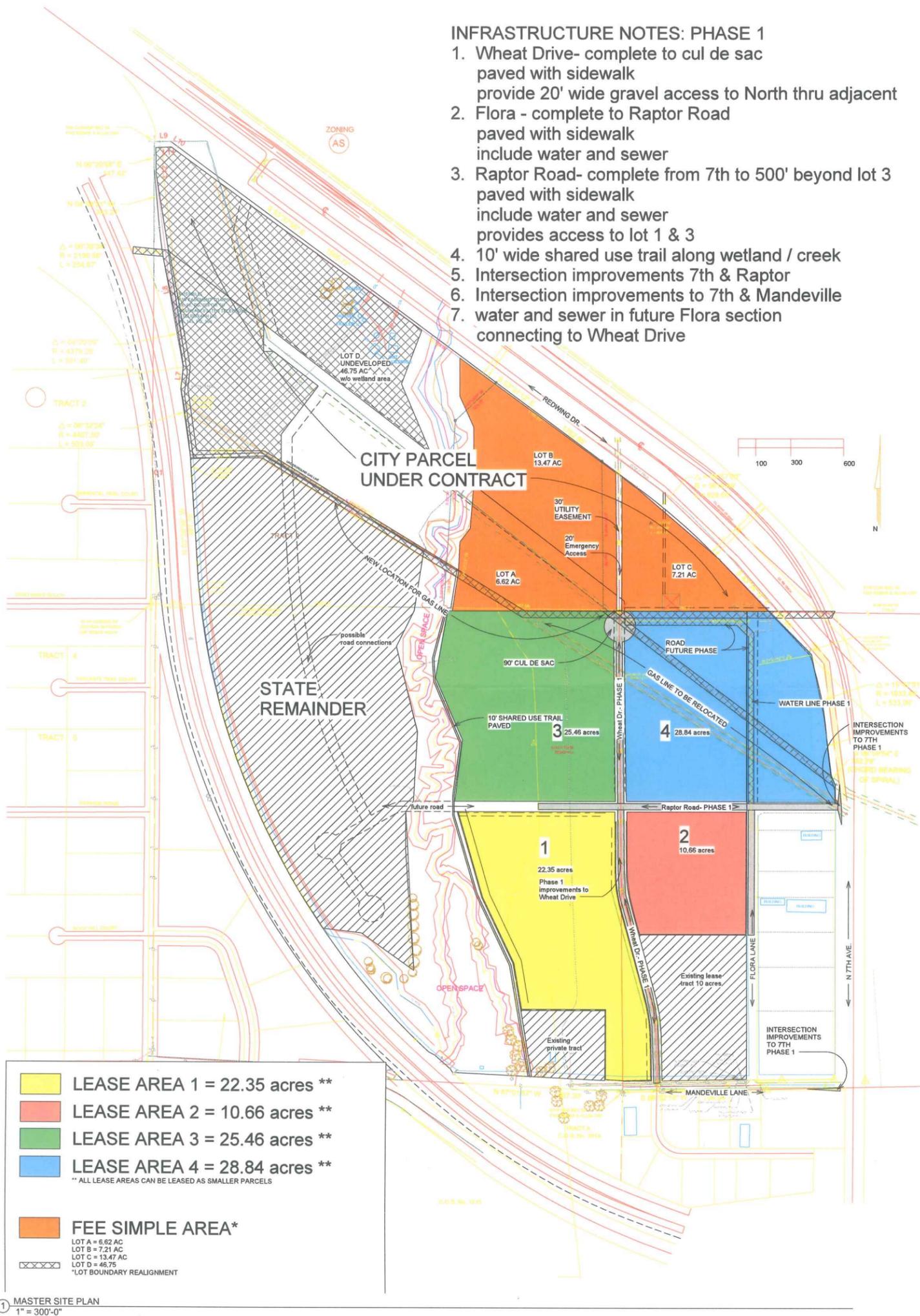
My commission expires: _____.

Notary Public

Exhibit A Site Plan

INFRASTRUCTURE NOTES: PHASE 1

1. Wheat Drive- complete to cul de sac paved with sidewalk provide 20' wide gravel access to North thru adjacent
2. Flora - complete to Raptor Road paved with sidewalk include water and sewer
3. Raptor Road- complete from 7th to 500' beyond lot 3 paved with sidewalk include water and sewer provides access to lot 1 & 3
4. 10' wide shared use trail along wetland / creek
5. Intersection improvements 7th & Raptor
6. Intersection improvements to 7th & Mandeville
7. water and sewer in future Flora section connecting to Wheat Drive



C1	MASTER SITE PLAN APPROVED	NO. REV. DATE REVISION SCHEDULE	NORTH PARK - ----- MASTER SITE PLAN	THINKTANK DESIGN GROUP INC. 300 NORTH PARK DRIVE SUITE 100 NORTH PARK, IOWA 52801 P: 563.597.3928 / F: 563.597.4818 WWW.THINKTANKAIA.COM
PROJECT STATUS:	CONCEPT		MASTER SITE PLAN	THINKTANK AIA © 2013

EXHIBIT B
MARKET ADJUSTMENT
SCHEDULE AND PROVISIONS

MARKET ADJUSTMENT PROVISIONS

Base Rent for the Land shall be subject to Market Adjustments determined in accordance with these provisions. The Market Adjustments will apply in Lease Year 16, 31, 46, 61, 76 and 91. The process for the Market Adjustment will commence on the date that is 90 days after the first day of Lease Years 15, 30, 45, 60, 75, and 90 as applicable (the "Market Date").

The Market Adjustment will be determined by appraisal in accordance with the following provisions:

SELECTION OF APPRAISERS

Lessor and Lessee shall each hire an appraiser meeting the qualifications set forth in these provisions and shall instruct such appraiser to prepare an appraisal of the market value of the Land based upon the assumptions and meeting the requirements set forth these provisions. The appraiser so retained by Lessor is herein referred to as "Lessor's Appraiser," and the appraisal prepared by Lessor's Appraiser is herein referred to as "Lessor's Appraisal." The appraiser so retained by Lessee is herein referred to as "Lessee's Appraiser," and the appraisal prepared by Lessee's Appraiser is herein referred to as "Lessee's Appraisal." Each appraiser shall be subject to the approval of the other party, which approval will not be unreasonably withheld. Lessor's Appraiser and Lessee's Appraiser shall each be instructed to complete their respective appraisals and deliver their results to both Lessor and Lessee.

DETERMINATION OF BASE RENT

If the difference between the dollar amount of Lessor's Appraisal and the dollar amount of Lessee's Appraisal is equal to or less than 10%, then the Land Value shall be deemed to be the mathematical average of the two appraisals. See the following example of a scheduled Market Adjustment for a 50,000 square foot lease, at a 6% lease rate with two different appraisal values:

Lessor Appraisal = \$6.50 per square foot

Lessee Appraisal = \$6.10 per square foot

Land Value= \$6.30 per square foot

New Annual Base Rent = \$6.30 x 50,000 (or applicable square footage) x 6% (or applicable Lease Rate) = \$18,900.

If the difference between the dollar amount of Lessor's Appraisal and the dollar amount of Lessee's Appraisal is greater than 10%, then:

- a) Lessor and Lessee shall have 30 days from the Appraisal Report Date within which to agree upon the Land Value between the two appraisals; OR
- b) If Lessor and Lessee are unable to agree on the Land Value within such 30 day period, then Lessor and Lessee shall jointly select a third appraiser to prepare an appraisal of the market value of the Land utilizing the same scope of work from the Lessor's Appraisal and the Lessee's Appraisal. The third appraiser shall be provided copies of both appraisals. The third appraisal shall be prepared and delivered to both Lessor and Lessee. The Land Value shall be the mathematical average of the two appraisals that are closest in dollar amount.

The Land Value determined in accordance with the foregoing provisions shall be binding and conclusive on the parties. Base Rent for the land, as adjusted by the Market Adjustment, shall be amount obtained

by multiplying the Land Value by a percentage determined in accordance with 77-1-905, MCA, or the rate bid in the lease proposal, whichever is higher.

QUALIFICATIONS OF APPRAISERS; REPLACEMENT

Each of Lessor’s Appraiser, Lessee’s Appraiser and any third appraiser must (a) have an MAI designation by the Appraisal Institute (or similar designation available on the Market Date); (b) be a Certified General Appraiser licensed in the State of Montana; and (c) have appraised similar types of uses in the three years prior to such Market Date. If any appraiser designated to serve in accordance with these provisions shall fail, refuse, or otherwise become unable to act, a new appraiser shall be appointed by the contracting party.

SCOPE OF WORK

The Lessor shall draw up the scope of work that meets the statutory requirements at the time, and supply the scope of work to all appraisers. All appraisals conducted during a Market Adjustment shall be subject to the same scope of work.

BRIEFING SESSION

Lessor’s Appraiser and Lessee’s Appraiser, should either so elect, shall be entitled to require a briefing session, to be held at Lessor’s offices on a day and at a time mutually acceptable to Lessor, Lessee, Lessor’s Appraiser and Lessee’s Appraiser but in all events not earlier than 10 nor later than 15 days following the Market Date. At such session, both such appraisers shall be present and each shall be entitled to ask such questions of Lessor and Lessee.

PAYMENT

Lessor shall pay all costs, fees and expenses of Lessor’s Appraiser, and Lessee shall pay all costs, fees and expenses of Lessee’s Appraiser. If a third appraiser is required, Lessor and Lessee shall share equally all costs, fees and expenses of such third appraiser.

MARKET ADJUSTMENT SCHEDULE

Lease Year	Schedule
16	“Market Adjustment”
17 through 30	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
31	“Market Adjustment”
32 through 45	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
46	“Market Adjustment”
47 through 60	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
61	“Market Adjustment”
62 through 75	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
76	“Market Adjustment”
77 through 90	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
91	“Market Adjustment”
92 through 99	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.

The above Market Adjustments are scheduled, however, either party may instigate a single additional market adjustment(s) up to 5 years following any market adjustment which causes an increase or decrease to the previous year’s Base Rent of more than 10%. These additional market adjustments are intended to protect both parties from unrealistic market highs and lows. The action is voluntary and may be exercised by either party with written notice arriving no later than December 1st of the 5th year following the standard Market Value Adjustment date.



MONTANA DEPARTMENT OF NATURAL
RESOURCES & CONSERVATION

OPTION TO LEASE AGREEMENT
North Park Phase 3 –Agreement #3072943

This Option to Lease Agreement, is entered into this 1st Day of August, 2016, by and between the Montana Department of Natural Resources and Conservation, whose address is P.O. Box 201601, Helena, MT 59620 (hereinafter referred to as the “Department”) and **North Park Development Partners, LLC**, whose address is 929 Nelson Rd., Bozeman, MT 59718 (hereinafter referred to as the “Optionee”).

GRANT OF OPTION: In consideration of \$11,475.00, payment and receipt of which is hereby acknowledged, the Department grants to the Optionee a non-assignable option to lease premises described in Exhibit A (hereinafter “Lease Premises”, attached hereto upon those terms and conditions as in the form, terms, and conditions of that lease agreement form attached hereto as Exhibit B, and incorporated herein as if fully set forth.

This Option to Lease shall remain in effect from the date of this Option to Lease Agreement until 12 noon Mountain Time on the 31st Day of July, 2018, at which time it will expire and terminate automatically.

MANNER OF EXERCISE OF OPTION: The Optionee may exercise the option granted in the preceding paragraph at any time before the expiration of the option period by giving written notice of exercise of the option to the Department, at the address of the Department set out above. The notice of exercise of the option must specify the date upon which the lease is to commence, and such date must be within the term of the option. If no date is specified, the lease term will begin immediately as of the date of the notice of exercise of the option. The notice of exercise of option must be accompanied by a check for the full amount of one year's rent plus the amount of any security deposit specified in the lease agreement as Exhibit B.

EXECUTION OF LEASE AGREEMENT: Upon receipt of the notice of exercise of lease option, the Department must prepare or cause to be prepared duplicate originals of the lease agreement which is attached as Exhibit B. The Department will deliver these duplicate originals for execution to the Optionee within thirty (30) days after receipt of the Optionee's notice of exercise of the option. The Optionee must deliver the fully executed duplicate lease agreements to the Department within fourteen (14) days after receipt by the Optionee.

COMPENSATION TO FORMER LESSEE: The Lease Premises described on Exhibit A is a portion of the area described in the State of Montana Agricultural and Grazing Lease No. 4634. The Optionee shall compensate the lessee of the State of Montana Agricultural and Grazing Lease No. 4634 (hereinafter “Former Lessee”) for any and all damages resulting from the withdrawal of the Lease Premises from State of Montana Agricultural and Grazing Lease No. 4634. The Optionee shall indemnify, defend and hold harmless, including reasonable attorney’s fees, the State of Montana, the Montana Department of Natural Resources and Conservation, and its employees, agents, board members and representatives, against any and all claims or issues. Prior to exercising this option, the Optionee must enter into a full and final Settlement

STATE OF _____)
) ss:
County of _____)

This instrument was acknowledged before me on _____, 2016,
by _____, as _____ of Optionee,
_____.

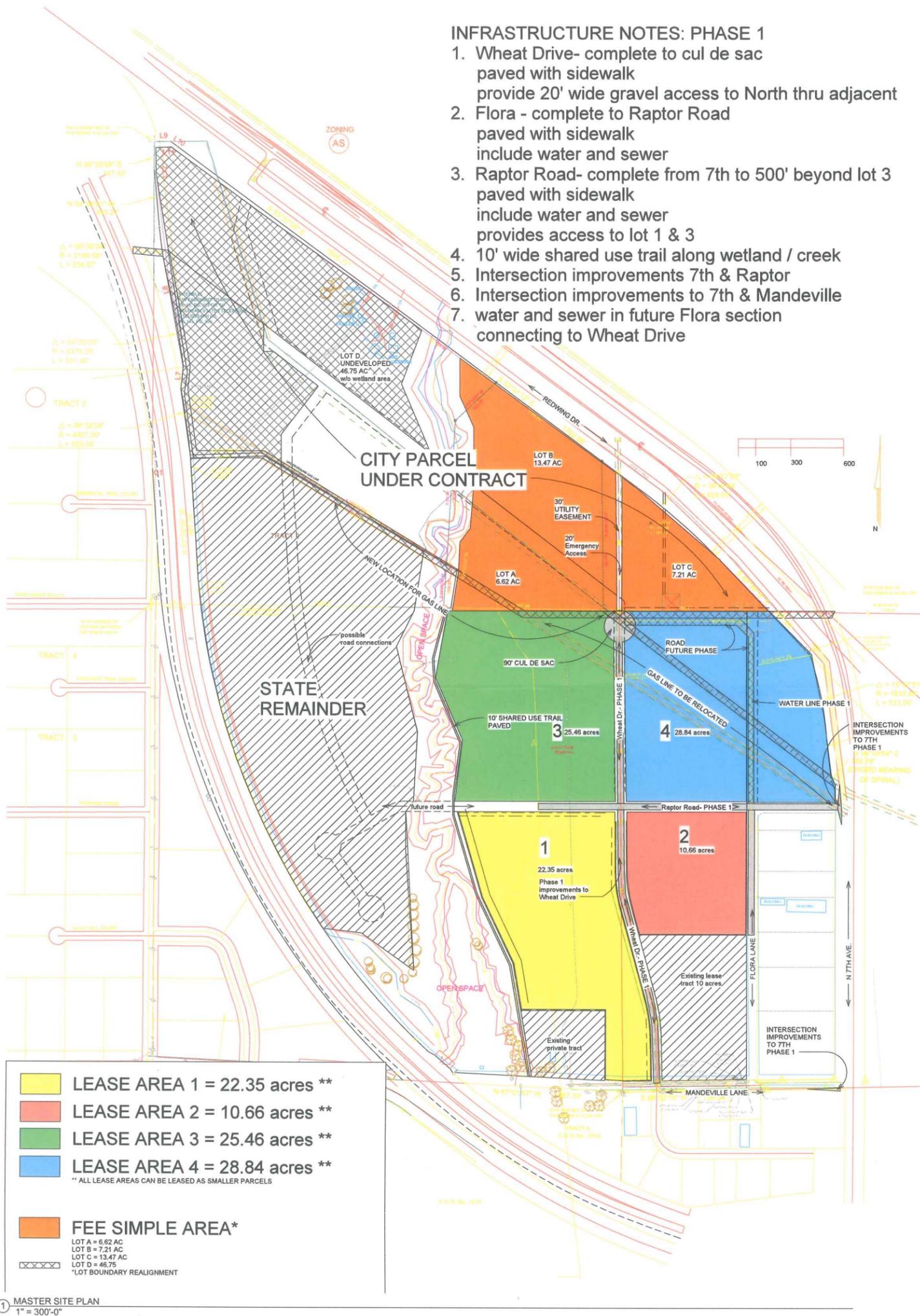
[SEAL]

Print Name: _____
Notary Public for the State of _____
Residing at _____, _____
My Commission expires _____, 20__

Exhibit A Site Plan

INFRASTRUCTURE NOTES: PHASE 1

1. Wheat Drive- complete to cul de sac paved with sidewalk provide 20' wide gravel access to North thru adjacent
2. Flora - complete to Raptor Road paved with sidewalk include water and sewer
3. Raptor Road- complete from 7th to 500' beyond lot 3 paved with sidewalk include water and sewer provides access to lot 1 & 3
4. 10' wide shared use trail along wetland / creek
5. Intersection improvements 7th & Raptor
6. Intersection improvements to 7th & Mandeville
7. water and sewer in future Flora section connecting to Wheat Drive



C1	MASTER SITE PLAN APPROVED	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 5%;">NO.</th> <th style="width: 10%;">REV.</th> <th style="width: 85%;">DATE</th> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> </table>	NO.	REV.	DATE				NORTH PARK -	MASTER SITE PLAN	<p>THINKTANK DESIGN GROUP INC. 300 NORTH PARK DRIVE SOUTH BEND, IN 46708 P: 406.937.3928 / F: 406.937.4818 WWW.THINKTANKAIA.COM</p>
NO.	REV.	DATE									
PROJECT STATUS:	CONCEPT		WARNING: IF MARKS DO NOT MEASURE FROM END TO END AND "1" IN BETWEEN THEN DRAWING IS NOT TO SCALE. DO NOT SCALE DRAWINGS. USE ONLY PROVIDED DIMENSIONS		THINKTANK AIA © 2013						

Option Exhibit B



NORTH PARK DEVELOPMENT PARTNERS, LLC

**NORTH PARK, PHASE 3
BOZEMAN, MONTANA**

LEASE NO. 3072943

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COMMERCIAL LEASE

THIS COMMERCIAL LEASE (this “Lease”) is entered into as of the _____ day of _____, (the “Commencement Date”), by and between the **Montana State Board of Land Commissioners**, whose address is P.O. BOX 201601 Helena, MT 59620-1601 (hereinafter referred to as “Lessor”), and **North Park Development Partners, LLC**, a Montana company whose address is 929 Nelson Rd., Bozeman, MT 59718 (hereinafter referred to as the “Lessee”).

1. LEASE TERMS AND PROPERTY DESCRIPTION

Lease Number	Commencement Date	Term of Lease	Expiration Date
3072943		30 Years	

Land Located in Gallatin County

Description	Sec.	Twp.	Rge.	Acres
Tract 3, North of the Highway including Part of the SE¼, a Part of the N½, and a Part of the SW¼.	36	1S	5E	25.5

2. BASE RENT SCHEDULE

Sample provided based on a start date of August 1. Actual Data will replace this sample upon date of Lease execution.

Lease Year	Calendar Period	Adjustment Period Escalator	Adjusted Base Rent	Rent Credit Amount	Amount Due After Rent Credit
1	1 st 12 calendar months	0	\$61,200	\$52,020	\$9,180
Supplemental Billing period	7 months to reach Feb 28	0	\$35,700	\$ 30,345	\$5,355
2	March 1 – February 28	2%	\$62,424	\$53,060	\$9,364
3	March 1 – February 28	2%	\$63,672	\$54,122	\$9,551
4	March 1 – February 28	2%	\$64,946	\$55,204	\$9,742
5	March 1 – February 28	2%	\$66,245	\$56,308	\$9,937
6	March 1 – February 28	2%	\$67,570	\$57,434	\$10,135
7	March 1 – February 28	2%	\$68,921	\$58,583	\$10,338
8	March 1 – February 28	2%	\$70,300	\$59,755	\$10,545
9	March 1 – February 28	2%	\$71,706	\$60,950	\$10,756
10	March 1 – February 28	2%	\$73,140	\$62,169	\$10,971
11	March 1 – February 28	2%	\$74,602	\$63,412	\$11,190
12	March 1 – February 28	2%	\$76,095	\$64,680	\$11,414
13	March 1 – February 28	2%	\$77,616	\$65,974	\$11,642
14	March 1 – February 28	2%	\$79,169	\$67,293	\$11,875
15	March 1 – February 28	2%	\$80,752	\$68,639	\$12,113

3. **DEFINITIONS.**

In this Lease, the following defined terms have the meanings set forth for them below:

“Adjustment Period” is a multi-year Lease period, as specified in the Base Rent Schedule in Section 2 of this lease, during which an Adjustment Period Escalator is applied annually to the prior year’s Base Rent.

“Adjustment Period Escalator” is 2% compounded annually and applied to the prior year’s Base Rent as demonstrated in the Base Rent Schedule. The Adjustment Period Escalator will not be applied to Base Rent for the First Lease Year and the first year that any Market Adjustment is applied (i.e. Year 16, 31, 46, 61...etc...).

“Base Rent” means the amount obtained by multiplying the Land Value by the Lease Rate Percentage and as periodically adjusted by the Adjustment Period Escalator.

“Building” means any enclosed building constructed or installed upon the Land.

“Commencement Date” means the date this Lease goes into effect, legally binding the Lessor and Lessee to the terms of the Lease.

“Commercial Purpose” per MCA 77-1-902(3)(a) means an industrial enterprise, retail sales outlet, business and professional office building, warehouse, motel, hotel, hospitality enterprise, commercial or concentrated recreational use, multifamily residential development, and other similar business.

“Default Rate” shall mean 1% compounded monthly.

“Department” means the Montana Department of Natural Resources and Conservation.

“Environmental Claims” means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating in any way to any Environmental Law (hereafter, “Claims”) or any permit issued under any such Environmental Law, including, without limitation (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Substances or arising from alleged injury or threat of injury to health, safety or the environment.

“Environmental Laws” means any existing and future Laws relating to, or imposing liability or standards of conduct concerning the protection of human health, the environment or natural resources, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling, Releases or threatened Releases of Hazardous Substances, including, without limitation, The Comprehensive Environmental Cleanup and Responsibility Act, 75-10-701, et seq., MCA; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601, et seq.; the Clean Air Act, 42 U.S.C. § 7401, et seq.; and the Safe Drinking Water Act, 42 U.S.C. § 300(f), et seq.

“First Lease Year” means the first twelve month period starting on the Commencement Date.

“Foreclosure Transferee” means any foreclosure purchaser or other transferee of Lessee’s interest under this Lease who acquires such interest at the sale conducted by virtue of, or otherwise in connection with, a foreclosure of any Leasehold Encumbrance or any conveyance in lieu of such foreclosure.

“Hazardous Substances” means any and all substances, materials or wastes that are declared to be, or defined or regulated as, hazardous or toxic in CECRA, Section 75-10-701, et seq., MCA, or under any Environmental Law.

“Improvements” mean any Buildings, structures, pavement, landscaping, lighting fixtures or other improvements now or later installed or constructed upon the Land.

“Land” means the real property described in paragraph 1.

“Land Value” means the full market value of the Land as determined by the applicable appraisal.

“Laws” means any and all present or future federal, state or local laws (including common law), statutes, ordinances, rules, regulations, orders, decrees or requirements of any and all governmental or quasi-governmental authorities having jurisdiction over the Land described in this Lease.

“Lease Rate Percentage” means 4%, as bid in the proposal response. The Lease Rate Percentage is applied to the Land Value to determine the initial Base Rent for the First Lease Year and for the first year after a Market Adjustment. This percentage may not be less than the rate provided in 77-1-905, MCA, and may be modified accordingly as part of a scheduled Market Adjustment.

“Lease Year” means, after the First Lease Year, each successive Lease Year is the one-year period during the Term from March 1 to the last day of February.

“Leasehold Encumbrance” means any Encumbrance, deed of trust, assignment of rents, assignment of leases, security agreement or other hypothecating instrument encumbering Lessee’s interest under this Lease or the leasehold estate in the Premises hereby created, Lessee’s rents and other sums due from any Sublessees, Lessee’s rights under Subleases and any other agreements executed in connection with Lessee’s use or operation of the Premises, or Lessee’s interest in any fixtures, machinery, equipment, Land, Buildings, Improvements or other property constituting a part of the Premises.

“Lender” means the holder(s) of any promissory note or the obligee(s) of any other obligation secured by a Leasehold Encumbrance.

“Lessee’s Address” means:

North Park Development Partners, LLC
929 Nelson Rd
Bozeman, MT 59718

“Lessor’s Address” means:

Montana Department of Natural
Resources and Conservation
Attn: Real Estate Management Bureau Property Mgmt Section
1625 Eleventh Avenue
PO BOX 201601
Helena, MT 59620-1601

With copies to:

Montana Department of Natural
Resources and Conservation
Bozeman Unit Manager
2273 Boothill Ct., #110
Bozeman, MT 59715

“Market Adjustment” means a review of current Base Rent factors, conducted at scheduled intervals during the term of the lease, which will be used to determine the Base Rent Schedule for the next period. It includes consideration of the minimum Lease Rate Percentage at the time, as well as an appraisal process to update the lease area land value. The Market Adjustment Schedule and Provisions are found in **EXHIBIT#B**.

“Premises” means the Land and all Improvements.

“Qualified Lender” means any Lender who notifies Lessor in writing of its name, its address for notices and the fact that it is a Lender and includes with such notice a copy of any Leasehold Encumbrance by virtue of which it became a Lender.

“Release” means disposing, discharging, injecting, spilling, leaking, leaching, dumping, emitting, escaping, emptying, seeping, placing or the like, into or upon any land, surface water, groundwater or air, or otherwise entering into the environment.

“Rent” means Base Rent and all other amounts required to be paid by Lessee under this Lease.

“Security Deposit” means a dollar amount equal to **\$17,867**.

“Sublease” means a sublease, license, concession or other agreement (whether written or oral) according to which Lessee grants any party the right to use or possess all or any portion of the Premises.

“Sublessee” means any party to whom Lessee grants the right to possess all or any portion of the Premises according to a Sublease.

“Substantial Damage” means harm to Improvements that renders the Premises inoperable for its intended use for more than 180 days.

“Substantial Taking” means a Taking of at least 15% of the Land or Improvements which, in Lessee’s and Lessor’s reasonable judgment, will materially and adversely interfere with any development or use of the Premises that Lessee is then conducting or intends in good faith to conduct in the future.

“Taking” means the taking of all or any portion of the Premises as a result of the exercise of the power of eminent domain or condemnation for public or quasi-public use or the sale or conveyance of all or part of the Premises under the threat of condemnation.

“Taking Date” means, with respect to any Taking, the date on which physical possession of the portion of the Premises that is the subject of such Taking is transferred to the condemning authority.

“Term” means the duration of this Lease as set forth in paragraph 1.

4. EXHIBITS.

The Exhibits listed below are attached to and incorporated into this Lease. In the event of any inconsistency between such Exhibits and the terms and provisions of this Lease, the terms and provisions of the Lease will control. The Exhibits to this Lease are:

Exhibit A - Site Map

Exhibit B – Market Adjustment Schedule and Provisions

5. LEASE TERM.

5.1 Lease.

Subject to the terms, covenants, conditions and provisions of this Lease, Lessor leases to Lessee and Lessee leases from Lessor the Land for the Term of 30 years starting on the Commencement Date.

5.2 Renewal Option.

If all Rent due under this lease has been paid when due and Lessee is not in default, after opportunity to cure, of any terms of this Lease, Lessee may renew the Lease for an additional 15 years year Term and subsequently additional 15 year Terms for up to a maximum total of 99 years. The Base Rent will be adjusted at renewal according to the process outlined in **EXHIBIT#B**.

5.3 Lessor and Lessee Covenants.

Lessor covenants that Lessee will have quiet and peaceful possession of the Premises subject only to the terms and conditions of this Lease, and to observe and perform all of the terms, covenants and conditions applicable to Lessor in this Lease. Lessee covenants to pay the Rent when due, and to observe and perform all of the terms, covenants and conditions applicable to Lessee in this Lease.

5.4 Condition of Premises.

Except as expressly set forth in this Lease, Lessee accepts possession of the Premises on the Commencement Date in their then-current condition on an “AS IS, WHERE IS AND WITH ALL FAULTS” basis.

6. RENT.

6.1 Base Rent.

All Rent due to Lessor will be paid in lawful money of the United States of America, at Lessor’s Address, post-marked on or before the due date, without notice or demand and without right of deduction, abatement or setoff.

6.2 Rent Credit.

Per MCA 77-1-905, the board may allow a credit against the annual rental payment for payments made by the lessee on behalf of the State of Montana for construction of structures and improvements. Accordingly, Lessor hereby agrees to accept costs for construction of structures and improvements that are specifically listed below, as payment made on behalf of the State. The payments made on behalf of the State listed below qualify for a credit toward annual Rent. The amount of the credit will be the lesser of actual construction costs or the amount provided below. Within 60 days of completion of all structures and improvements that are eligible for a rent credit listed below, the Lessee shall provide certified actual construction costs for those items. The Base Rent Schedule provided in Section 2 will be modified as necessary per the terms of this section upon Lessor receipt of certified actual construction costs.

The project is divided into four (4) phases. In no case shall the cumulative amount of the Rent Credit for all phases exceed \$4.4 million dollars. The \$4.4 million dollars in Rent Credit shall be divided, on a per

square foot basis, between the four (4) separate lease agreements/phases with North Park Development Partners, LLC. As such, the total amount of Rent Credit allocated to this Lease and phase may not exceed \$1,284,800 dollars.

The following list includes the only structures and improvements eligible for a Rent Credit. Only the structure and improvement explicitly listed below will be allowed a Rent Credit. The Lessee hereby affirms and agrees that having actively negotiated the list below, any ambiguity in the list below shall be construed against the Lessee.

1. Roads and Sidewalks
2. Sanitary Sewer Improvements
3. City Water Supply Improvements
4. Storm Water Improvements
5. Surface Water Management Improvements
6. Engineering Design and Inspection
7. Natural Gas Services
8. Electrical Services
9. Communication Services
10. Public Street Lights

A Rent Credit shall be allowed for the actual cost of constructing the structures and improvements located on the lease premises, listed above, if absolutely required by the City of Bozeman.

All projects eligible for a Rent Credit shall be competitively bid. The Lessee must obtain at least three (3) signed and certified bids prior to awarding the project to the lowest qualified bidder. A qualified bidder is one with the experience and equipment necessary to complete the project. The certified actual construction costs will include information concerning the competitive bid process and a copy of the signed and certified bids.

Rent Credit will be applied to 85% of Rent due each year until the credit amount is exhausted. .

6.3 Terms of Payment.

Per MCA 77-1-905(1), the First Lease Year is the twelve month period beginning on the Commencement Date. The First Lease Year Rent must be paid by cashier's check, drawn upon a Montana bank, and payment is due upon execution of the lease. Failure to pay the First Lease Year's Rent at the time of lease execution will result in the cancellation of the lease and forfeiture of all money paid.

Following the First Lease Year, a Lease Year will be March 1st – February 28th and Rent for the Lease Year will be payable annually, in advance, on or before the first day of March. If the First Lease Year does not end on February 28, there will be a supplemental billing period prorated at the First Lease Year's Rent for the difference in time between the end of the First Lease Year and February 28. See Base Rent Schedule.

6.4 Late Charge

Lessee hereby acknowledges that late payment by Lessee to Lessor of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Accordingly, if Lessor does not receive the full amount of any Rent postmarked on or before the due date, Lessee shall pay a late charge to Lessor. The late charge will be an amount equal to 10% of any overdue Rent for Lessor's cost of collecting and handling such late payment due as additional Rent. If payment of the Rent and late charge are not made in full within 30 days of the due date, the outstanding balance of the unpaid Rent and the late fee shall accrue interest at the Default Rate. Interest on all delinquent amounts

shall be calculated from the original due date to the date of payment. Lessor retains sole discretion to apply payments received to past due Rent, including any late charge(s) and interest, before applying a payment to current Rent. The parties hereby agree that such late charge represents a fair and reasonable estimate of the cost that Lessor will incur by reason of the late payment by Lessee.

6.5 Lien for Unpaid Rent.

Lessor shall have a lien upon all Lessee Improvements for payment of all Rent specified herein.

6.6 Additional Rent

This Lease is what is commonly called a “triple-net” Lease. It is the intent of the parties that the Base Rent provided in this Lease will be a net payment to Lessor and that Lessor will not be required to pay any costs or expenses or provide any services in connection with the Premises. Accordingly, Lessee covenants and agrees to separately pay, in addition to the Base Rent, all utilities and services, taxes and special assessments, and for all maintenance and repairs of the Premises.

7. IMPROVEMENTS AND ALTERATIONS.

7.1 Improvements and Alterations.

Lessee shall not construct, install, alter, or demolish and remove, any Improvements without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. All expenses of constructing, installing, altering, or demolishing any Improvements shall be the sole responsibility of Lessee. Lessee shall at all times comply with all Laws, including any applicable city and state building codes and fire codes. Lessor will have the right to post notices of non-responsibility or similar notices on the Premises in order to protect the Land against any liens resulting from such work. Upon completion of the initial Improvements for the Premises Lessee shall deliver to Lessor an engineer’s certificate for the Premises and, if available, an electronic “as-built” survey of the Premises in both AutoCAD and .pdf format.

7.2 Title to Improvements.

During the Term, Lessee will be deemed to own, and hold title to all Improvements subject only to the Lessor’s reversionary interest in the Improvements upon the expiration or termination of the Lease. Lessee shall have the right to grant liens or other security interests in the Improvements. Upon the expiration or earlier termination of the Lease, title to all Improvements then held by Lessee, except moveable personal property not constituting fixtures, will automatically vest in Lessor without representation or warranty per MCA §77-1-906(2).

8. USE AND ENVIRONMENTAL COMPLIANCE.

8.1 Use and Compliance

Lessee shall use the Premises in a manner that does not reduce the value of the Land. The Lessee agrees to comply with all applicable laws, rules, and regulations in effect upon the Commencement Date of this Lease and those laws, rules, and regulations which may be enacted or adopted thereafter from time to time and which do not impair or impede the obligations of this Lease and which do not deprive the Lessee of an existing property right recognized by law. Lessee shall keep the Premises in good repair, including necessary repairs to the interior, exterior and structure of any Buildings, mowing of grass and general landscaping, and contract for the same in Lessee’s own name and pay all costs and expenses in connection therewith. Lessee shall not commit waste or permit impairment or deterioration of the Premises, ordinary wear and tear and damage by casualty and condemnation excepted.

8.2 Compliance with Title 77 MCA

Lessor and Lessee specifically acknowledge that the Land is State school trust land managed by the Montana Board of Land Commissioners and agree that this Lease is subject to the provisions of Title 77 of the Montana Code Annotated and all associated Administrative Rules of Montana.

8.3 Wildlife

Bald eagles have been sighted and nested on or near the Leased Premises. As such, the Lessee hereby warrants and covenants that it will comply with the Migratory Bird Treaty Act, the Bald and Golden Eagle Protection Act, the Lacey Act, and any other applicable State, Federal, or Tribal Laws regarding Bald eagles. Lessee shall indemnify and hold Lessor harmless for any claims or damages caused by Lessee's actions or Lessee's inactions, regarding Bald eagles. The Lessor has applied for, and obtained, a take permit from the U.S. Fish & Wildlife Services as Take Permit No. MB84516B-0 and will comply with all terms and conditions therein. The Lessee shall not be responsible for damages resulting from Lessor's actions on the land in connection with Take Permit No. MB84516B-0.

8.4 Environmental Matters.

Lessor has made no representations to Lessee concerning the presence of Toxic or Hazardous Substances within the definition of the Montana Comprehensive Environmental Cleanup and Responsibility Act (CECRA) on the Land. Lessee agrees as follows: Lessee will (a) comply with all Environmental Laws applicable to the operation or use of the Premises by Lessee or the construction, installation, alteration or demolition of any Improvements by Lessee; (b) use reasonable efforts to cause all Sublessees and other persons occupying the Premises to comply with all Environmental Laws; (c) immediately pay or cause to be paid all costs and expenses incurred by Lessee in such compliance; and (d) keep or cause the Premises to be kept free and clear of any liens arising from Lessee's use and occupancy of the Premises imposed thereon pursuant to any Environmental Laws.

Lessee will not generate, use, treat, store, Release or dispose of, or permit the generation, use, treatment, storage, Release or disposal of, any Hazardous Substances on the Premises, or transport or permit the transportation of any Hazardous Substances to or from the Premises, in each case in any quantity or manner which violates any Environmental Law.

If Lessor has knowledge of any pending or threatened Environmental Claim against Lessee or the Premises or has good reason to believe that Lessee or the Premises are in violation of any Environmental Law, at Lessor's written request (such request shall describe the basis for such request in reasonable detail), at any time and from time to time, Lessee will provide to Lessor an environmental site assessment report concerning the Premises, prepared by an environmental consulting firm reasonably approved by Lessor, indicating the presence or absence of Hazardous Substances and the potential cost of any removal or remedial action in connection with any Hazardous Substances on the Premises. Any such environmental site assessment report will be conducted at Lessee's sole cost and expense. If Lessee fails to deliver to Lessor any such environmental site assessment report within 90 days after being requested to do so by Lessor pursuant to this Section, Lessor may obtain the same, and the cost of such assessment (together with interest thereon at the Default Rate) will be payable by Lessee on demand.

Lessor may, at its option, at any time and from time to time, obtain at its sole cost and expense an environmental site assessment report for the Premises.

At its sole expense, Lessee will conduct any investigation, study, sampling or testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Substances from the Premises, which are on the Premises as a result of Lessee's activities under the Lease, which must be so removed or cleaned up in accordance with the requirements of any applicable Environmental

Laws, to the reasonable satisfaction of a professional environmental consultant selected by Lessor, and in accordance with all such requirements and with orders and directives of all governmental authorities.

8.5 Lessee Indemnity for Environmental Compliance.

Lessee agrees to defend (with attorneys reasonably satisfactory to Lessor), protect, indemnify and hold harmless Lessor from and against any and all liabilities, obligations (including removal and remedial actions), losses, damages penalties, actions, judgments, suits, claims, costs, expenses and disbursements (including reasonable attorneys' and consultants' fees and disbursements) of any kind or nature whatsoever that may at any time be incurred by, imposed on or asserted against Lessor directly or indirectly based on, or arising or resulting, in whole or in part, from: (i) the actual or alleged presence of Hazardous Substances on the Premises Released by Lessee or anyone acting by, through or under Lessee in any quantity or manner which violates Environmental Law, or the removal, handling, transportation, disposal or storage of such Hazardous Substances by Lessee or anyone acting by, through or under Lessee; or (ii) any Environmental Claim with respect to Lessee or the Premises resulting from a Release by Lessee or anyone acting by, through or under Lessee regardless of when such indemnified matters arise.

8.6 Survival of Indemnification.

The remedial indemnification and reimbursement obligations under this Section 8 will survive the expiration or earlier termination of this Lease.

9. UTILITIES AND REPAIRS.

9.1 Installation and Repairs.

Lessee will install any water, sewer, storm water, electric, communication lines, natural gas lines, roads, sidewalks, and/or any other infrastructure as required for the development of the leased land. Lessee hereby agrees that shared costs with the Lessor for infrastructure, as authorized in 77-1-905 MCA are limited to those eligible improvements specified in Exhibit C, and reimbursement for construction costs will be in the form of a rent credit as described in Section 6.2 above, and shown in the base rent schedule provided in Section 2. Lessee, at its own cost, will maintain, repair, replace and keep all installed Utilities upon the Premises in reasonably good condition and repair.

9.2 Utilities.

Lessee will pay before delinquent all water, sewer, natural gas, electricity, telephone and any other utility charges related to the Premises including, without limitation, those which, if not paid, may be asserted as a lien or charge against the Premises.

10. TAXES.

10.1 Payment of Taxes.

Lessee will pay before delinquent, directly to the taxing authority, all Taxes that accrue during or are attributable to any part of the Term, including privilege taxes, also known as beneficial use taxes, per MCA 15-24-1203.

10.2 Special Assessments.

Lessee will pay all special assessments (i.e. SIDs, RIDs, etc.) and other like impositions levied, assessed, or attributable to the Land during the Term.

11. INSURANCE.

11.1 Acquisition of Insurance Policies.

Lessee shall, at its sole cost and expense, procure and maintain, or cause to be procured and maintained during the entire Term, the insurance described in this Section 11 issued by an insurance company(ies) licensed to do business in the State of Montana that are reasonably satisfactory to Lessor.

11.2 Types of Required Insurance.

Lessee shall procure and maintain, or cause one or more of its Sublessees to provide and keep in force and name Lessor as an additional insured, the following during the Term:

a) Liability Insurance. Comprehensive or commercial general liability insurance covering claims arising out of the ownership, operation, maintenance, condition or use of the Premises, for personal and bodily injury and death, and damage to others' property, with limits of not less than \$5,000,000.00 for any one accident or occurrence. Lessee may obtain some portion of this required coverage in the form of an excess liability policy. Lessor will be named as an additional insured in the policy(ies) providing such liability insurance, which will include cross liability and severability of interests clauses.

b) Property Insurance. All-risk fire and extended coverage insurance (including standard extended endorsement perils, leakage from fire protective devices and other water damage) covering loss or damage to the Improvements on a full replacement cost basis, excluding existing architectural and engineering fees, undamaged excavation, footings and foundations.

c) Workers' Compensation Insurance. Workers' compensation and employer's liability insurance covering Lessee's employees, officers, agents and representatives employed at the Premises.

11.3 Terms of Insurance.

The policies required above, shall name Lessor as an additional insured and Lessee shall provide promptly to Lessor certificates of insurance evidencing the policies obtained by Lessee hereunder as hereinafter described. Proof of insurance ("Proof") shall consist of either (a) an insurance binder or premium payment receipt, (b) a copy of the policy, or (c) an "ACORD 27 Evidence of Property Insurance" or "ACORD 25 Certificate of Liability Insurance," whichever is appropriate (or such other similar certificates), issued by Lessee's insurer with respect to each required policy. Lessee shall deliver Proof before the Lease is executed. Thereafter, during the Term, within 30 days after the renewal date of each policy, the issuance of a new policy or on such other date as Lessor reasonably requires, Lessee will deliver a copy of the latest Proof to Lessor. Each policy of insurance will require the issuer of the insurance policy to give Lessor 30 days' advance written notice of the termination or modification of the policy. Further, all policies of insurance described above, shall:

a) be written as primary policies not contributing with and not in excess of coverage that Lessor may carry;

b) contain an endorsement providing that such insurance may not be materially changed, amended or canceled except after 30 days' prior written notice from insurance company to Lessor;

c) expressly provide that Lessor shall not be required to give notice of accidents or claims and that Lessor shall have no liability for premiums; and

d) not have a deductible in excess of \$20,000.00.

12. DAMAGE OR DESTRUCTION.

In the event of any Substantial Damage to the Premises from any causes whatsoever, Lessee shall promptly give written notice thereof to Lessor. Lessee shall promptly repair or restore the Premises as nearly as possible to its condition immediately prior to such damage or destruction unless Lessor and Lessee mutually agree in writing that such repair and restoration is not feasible, in which event this Lease shall thereupon terminate upon Lessee completion of a remediation plan developed by the Department. Lessee's duty to repair any damage or destruction of the Premises shall not be conditioned upon the availability of insurance proceeds from which the cost of repairs may be paid. Unless this Lease is so terminated by mutual agreement, there shall be no abatement or reduction in Rent during such period of repair and restoration. If a Default by Lessee shall have occurred and be continuing at the time such damage or destruction occurs, Lessor may elect to terminate this Lease by providing written notice of such election to Lessee and Lessee shall forfeit the Security Deposit.

13. CONDEMNATION.**13.1 Notice.**

If either Lessor or Lessee learns that all or any portion of the Premises has been or is proposed to be subjected to a Taking, such party will immediately notify the other of such Taking.

13.2 Termination Option on Substantial Taking.

If a Substantial Taking occurs during the Term, Lessee may, at its option, terminate this Lease by giving notice to Lessor on or before 60 days after the Taking Date. In such event this Lease will terminate 30 days after the date of Lessee's notice of termination and all Base Rent and other Rent will be apportioned to the date Lessee surrenders possession.

13.3 Continuation of Lease.

If a Taking occurs during the Term that is not a Substantial Taking, then this Lease will remain in full force and effect according to its terms, except that effective as of the Taking Date this Lease will terminate automatically as to the portion of the Premises that is the subject of such Taking and Base Rent will be adjusted to reflect the reduced Land remaining after the Taking. If a Substantial Taking occurs but Lessee does not exercise its termination option this Lease will remain in full force and effect according to its terms, except that effective as of the Taking Date this Lease will terminate automatically as to the portion of the Premises that is the subject of such Taking and Base Rent after the Taking Date will be adjusted to reflect the reduced Land remaining after the Taking.

13.4 Awards for Permanent Taking.

If there is compensation paid as a result of any permanent Taking of the Premises, the award will be allocated as follows: Lessee will be entitled to receive an amount equal to the then current appraised fair market value of the Improvements placed by the Lessee upon the Premises and Lessor will be entitled to the balance of the award.

13.5 Award for Temporary Taking.

If all or any portion of the Premises shall be taken for temporary use or occupancy, the foregoing provisions shall not apply and the Lessee shall continue to pay the full amount of Rent and the Lessee shall perform and observe all of the other terms, covenants, conditions and obligations of this Lease as though the temporary Taking had not occurred, subject to any order of the condemning authority. In the event of a temporary Taking, Lessee shall be entitled to receive the entire amount of the compensation award for such taking, unless the period of temporary use or occupancy shall extend beyond the Expiration Date in which case the compensation shall be apportioned between the Lessor and the Lessee as of the Expiration Date.

14. ASSIGNMENT, SUBLETTING AND FINANCING

14.1 Assignment.

Lessee shall not assign its interest under this Lease, in whole or in part, without Lessor's prior written consent. Such consent shall be determined in Lessor's sole and absolute discretion. Lessor's consent will not be required for any transfer of Lessee's interest under this Lease to a Foreclosure Transferee. Lessor will recognize any Foreclosure Transferee as a substitute Lessee under this Lease and will honor all rights and interest of such substitute Lessee as if the substitute Lessee was the initial Lessee under this Lease and such Foreclosure Transferee shall be bound by the terms and conditions of this Lease. Additionally, if the Foreclosure Transferee is a Qualified Lender, such Qualified Lender shall have the right to assign its interest under this Lease without the consent of Lessor and, upon such assignment, Lessor shall recognize the assignee as a substitute Lessee under this Lease and the Qualified Lender shall be released of any further liability under the Lease. If Lessee assigns its rights in this Lease, as permitted pursuant to this Section, and the assignee assumes, in writing, Lessee's obligations hereunder which arise on or after the date of such assignment, then Lessee shall be relieved of all liabilities hereunder accruing from and after the date of such assignment, but this Lease shall otherwise remain in full force and effect.

14.2 Subletting.

Lessee may sublease the Premises or portions thereof in accordance with the terms of this section. Lessee shall require any sublessees to maintain the Premises pursuant to the terms and conditions contained in this Lease. Lessee shall inform Lessor of all subleases by delivering a copy of the sublease to the Lessor, addressed as follows: DNRC, Real Estate Management Bureau Chief, P.O. Box 201601, Helena, MT 59620. No sublease shall be effective until a valid sublease agreement with a valid attornment provision is delivered to the Lessor, as hereinafter provided. Upon receipt of copy of the sublease by Lessor, Lessor shall have thirty (30) days in which to object to the sublease. Lessor hereby reserves the right to object to any sublease arrangement for any reason, in the sole discretion of the Lessor. All subleases shall include an attornment provision whereby upon the early termination of this Lease or repossession of the Premises by Lessor, the Sublessee shall attorn to the Lessor as its landlord under all of the terms, covenants and conditions of this Lease (prorated for the actual amount of Land used by sublessee) for the balance of the remaining Term, with the same force and effect as if Sublessee were the Lessee under this Lease. Such attornment shall be effective and self-operative immediately upon Lessee's termination. Sublessee shall agree to execute, acknowledge and deliver to Lessor any document that Lessor reasonably requests to confirm such attornment.

14.3 Financing.

a) Lessee's Right to Encumber. Throughout the Term, Lessee or sublessees may from time to time and without Lessor's consent execute and deliver one or more Leasehold Encumbrances securing any indebtedness or other obligation of Lessee. Without limiting the generality of the foregoing, Lessee may execute and deliver Leasehold Encumbrances to secure promissory notes evidencing construction, interim or permanent financing for the Premises or to secure Lessee's obligations under development, reimbursement or other agreements with governmental or quasi-governmental entities, utility companies or other third parties concerning matters such as sales or property tax abatement or rebate programs, public improvements or utilities.

b) Qualified Lenders' Cure Rights. Prior to terminating this Lease or exercising any other right or remedy hereunder for a Default by Lessee, Lessor will give each Qualified Lender notice of such Default by Lessee and afford it a period of 30 days after such notice is given in which to cure such Default by Lessee; provided, however, that (i) if such Default by Lessee is not a failure to pay Rent and is susceptible of cure by a Qualified Lender but cannot reasonably be cured within such 30-day period, then so long as any Qualified Lender commences a cure within such 30-day period (and notifies Lessor that it has done so), its cure period will be extended for as long as reasonably necessary for it to diligently

pursue the cure to completion; (ii) if such Default by Lessee is not a failure to pay Rent and is susceptible of cure by a Qualified Lender but cannot reasonably be cured until the Qualified Lender obtains possession of the Premises, then so long as any Qualified Lender commences to obtain possession of the Premises within such 30-day period (and notifies Lessor that it has done so), its cure period will be extended for as long as reasonably necessary for it to obtain possession of the Premises and then promptly commence and thereafter diligently pursue the cure to completion.

c) Prohibition Against Mutual Rescission. No mutual termination, cancellation, rescission or modification of a material provision of this Lease by Lessor and Lessee will be effective unless and until the same is approved in writing by each Qualified Lender. All rights and remedies of the Qualified Lender hereunder will be cumulative with, in addition to and non-exclusive of one another.

14.4 Assignment by Lessor.

If Lessor sells or otherwise transfers the Land, or if Lessor assigns its interest in this Lease, Lessees will be notified of transfer in writing, and such purchaser, transferee or assignee thereof shall be deemed to have assumed Lessor's obligations hereunder which arise on or after the date of sale or transfer, and Lessor shall thereupon be relieved of all liabilities hereunder accruing from and after the date of such transfer or assignment, but this Lease shall otherwise remain in full force and effect.

15. DISPUTE RESOLUTION.

15.1 Issues Subject to Administrative Hearing.

Any controversy which may arise between Lessor and Lessee regarding the provisions hereof shall be resolved by an administrative contested case hearing before the Department under the Montana Administrative Procedures Act.

15.2 Administrative Hearing Procedure.

All administrative hearings hereunder shall be conducted in the offices of the Department in Helena, Montana. The findings of fact, conclusions of law, and proposed decision of the hearing examiner shall be rendered within sixty (60) days of the completion of the hearing and submission of any briefs. Either party may file exceptions to the hearing examiner's findings, conclusions, and proposed decision with the Department's Director. The Lessee may, as permitted by the Department's administrative rules, petition for judicial review of the final administrative decision of the Department. Fees of the respective counsel engaged by the parties, and fees of expert witnesses or other witnesses called for the parties shall be paid by the respective party engaging such counsel or calling or engaging such witness.

16. LEASE EXPIRATION.

16.1 Condition at End of Lease.

Upon vacating the Premises on the Expiration Date, Lessee shall leave the Premises in good condition and shall peaceably surrender the same to Lessor. Lessee shall remove all of its personal property on or before the Expiration Date. All personal property remaining on the Premises on the day after the Expiration Date shall be conclusively deemed abandoned by the Lessee and shall become property of Lessor without further notice to Lessee.

16.2 Holding Over.

If the Premises are not surrendered on the Expiration Date, Lessee shall immediately indemnify Lessor against loss or liability resulting from the delay by Lessee in so surrendering the Premises, including, without limitation, any claims made by any succeeding Lessee founded on such delay. Should the Lessee remain in possession of the Premises after the Expiration Date or termination without a written agreement providing for the same, Lessee will, at Lessor's option be deemed to be a Lessee from month to month, at

a monthly Base Rent, payable in advance, equal to 150% of monthly Base Rent payable during the last full "Lease Year" prior to the Expiration Date or termination of this Lease, and Lessee will be bound by all of the other terms, covenants and agreements of this Lease as the same may apply to a month-to-month tenancy.

17. LIENS AND ESTOPPEL CERTIFICATES.

17.1 Liens.

Lessee will not allow any liens to be recorded, filed, claimed or asserted against the Premises. In the event a lien is recorded, filed, claimed or asserted, the Lessee will cause the same to be released or discharged within 30 days thereafter. If the Lessee defaults under the foregoing covenant, then the Lessor may, upon written notice to Lessee, cause any such claimed lien to be released of record by bonding or payment or any other means available. All sums paid and costs and expenses incurred by the Lessor in connection therewith, together with interest on all such sums at the Default Rate from the date incurred until paid, will be due and owing from the Lessee to the Lessor upon demand therefore.

17.2 Lien Contests.

If Lessee has a good faith dispute as to any lien for which Lessee is responsible, Lessee may contest the same by appropriate proceedings so long as Lessee bonds over the lien or deposits with Lessor security in an amount acceptable to Lessor (but in no event more than the amount required by applicable Laws) which may be used by Lessor to release such lien and pay interest and costs if Lessee's contest is abandoned or is unsuccessful. Upon final determination of any permitted contest, Lessee will promptly pay any judgment rendered and cause the lien to be released.

17.3 Estoppel Certificates.

Lessor and Lessee agree that at any time and from time to time (but on not less than 10 business days' prior request by the other party), each party will execute, acknowledge and deliver to the other a certificate indicating any or all of the following: (a) the date on which the Term commenced and the date on which it is then scheduled to expire; (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the date and nature of each modification); (c) the date, if any, through which Rent had been paid; (d) that no Default by Lessor or Default by Lessee exists which has not been cured, except as to defaults stated in such certificate; (e) that the responding party has no existing defenses or set-offs to enforcement of this Lease, except as specifically stated in such certificate; and (f) such other matters as may be reasonably requested by the requesting party. Any such certificate may be relied upon by the requesting party.

18. DEFAULTS BY LESSEE AND LESSOR'S REMEDIES.

18.1 Defaults by Lessee.

Each of the following events, which continue beyond any applicable notice and cure period, will constitute a "Default by Lessee" under this Lease:

a) Failure to Pay Rent. Lessee fails to pay any Base Rent or any other Rent, including late charges and interest accruing thereon, payable by Lessee under the terms of this Lease when due, and such failure continues for 30 days after written notice from Lessor to Lessee of such failure.

b) Failure to Perform Other Obligations. Lessee breaches or fails to comply with any provision of this Lease applicable to Lessee other than a covenant to pay Rent, and such breach or noncompliance continues for a period of 30 days after written notice thereof from Lessor to Lessee; or, if such breach or noncompliance cannot be reasonably cured within such 30-day period, Lessee does not commence to cure

such breach or noncompliance within such 30-day period and thereafter pursue such cure in good faith to completion.

c) Execution and Attachment Against Lessee. Lessee's interest under this Lease or in the Premises is taken upon execution or by other process of law directed against Lessee, or is subject to any attachment by any creditor or claimant against Lessee and such attachment is not discharged or disposed of within 30 days after levy; provided, however, that this provision shall not apply in the event of a foreclosure or transfer in lieu of foreclosure under a Leasehold Encumbrance by a Qualified Lender or to a transfer of Lessee's interest in this Lease and the Premises to a Foreclosure Transferee.

d) Fraud or Misrepresentation. Lessee's fraud or misrepresentation, or concealment of material facts which if known would have prevented the issuance of this lease.

e) Unauthorized Use of Premises. Lessee's use, or knowledge or permission of someone else's use, of the Premises for any unlawful or unpermitted purpose, and such unlawful use continues for 30 days after written notice from Lessor to Lessee to cease such use.

18.2 Lessor's Remedies.

Time is of the essence. If any Default by Lessee occurs, Lessor will have the right, at Lessor's election, then or at any later time, to exercise any one or more of the remedies described below. Exercise of any of such remedies will not prevent the concurrent or subsequent exercise of any other remedy provided for in this Lease or otherwise available to Lessor at law or in equity.

18.3 Remedies.

a) In the event of a Default by Lessee, Lessor may, at Lessor's option but without obligation to do so, and without releasing Lessee from any obligations under this Lease, make any payment or take any action as Lessor deems necessary or desirable to cure any Default by Lessee in such manner and to such extent as Lessor in good faith deems necessary or desirable, provided that, prior to making any such payment or taking any such action, Lessor notifies Lessee in writing of Lessor's intention to do so and affords Lessee at least 10 days in which to make such payment or take such action. Lessee will pay Lessor, upon written demand, all advances, costs and expenses of Lessor in connection with making any such payment or taking any such action, together with interest at the Default Rate, from the date of payment of any such advances, costs and expenses by Lessor.

b) Termination of Lease. In the event of a Default by Lessee, Lessor may terminate this Lease, effective at such time as may be specified by written notice to Lessee, and demand (and, if such demand is refused, recover) possession of the Premises from Lessee. In such event, Lessor will be entitled to recover from Lessee such damages as are allowable by applicable Laws.

c) Repossession and Reletting. In the event of a Default by Lessee, Lessor may reenter and take possession of all or any part of the Premises, without additional demand or notice, and repossess the same and expel Lessee and any party claiming by, through or under Lessee, and remove the effects of both, without being liable for prosecution for such action or being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of Rent or right to bring any proceeding for breach of covenants or conditions. No such reentry or taking possession of the Premises by Lessor will be construed as an election by Lessor to terminate this Lease unless a notice of termination is given to Lessee. No notice from Lessor or notice given under a forcible entry and detainer statute or similar Laws will constitute an election by Lessor to terminate this Lease unless such notice specifically so states. Lessor reserves the right, following any reentry or reletting, to exercise its right to terminate this Lease by giving Lessee such notice, in which event the Lease will terminate as specified in such notice. After recovering possession of the Premises, Lessor will use reasonable efforts to relet the Premises on

commercially reasonable terms and conditions. Lessor may make such repairs, alterations or improvements as Lessor considers appropriate to accomplish such reletting, and Lessee will reimburse Lessor upon demand for all reasonable costs and expenses, which Lessor may incur in connection with such reletting. Lessor may collect and receive the rents for such reletting but Lessor will in no way be responsible or liable for any inability to relet the Premises or to collect any rent due upon such reletting. Regardless of Lessor's recovery of possession of the Premises, so long as this Lease is not terminated Lessee will continue to pay on the dates specified in this Lease, the Base Rent and other Rent which would be payable if such repossession had not occurred, less a credit for any payments actually received by Lessor through any reletting of the Premises. However, in no instance will Lessee be liable for Rent beyond the first 3 years of the reletting period.

d) Receiver. To properly effectuate the recovery of damages and other sums owing from Lessee to Lessor hereunder following a Default by Lessee, Lessor, in conjunction with any dispossession proceeding commenced pursuant to this Lease may seek an appointment of a receiver by a court of competent jurisdiction to the extent provided for in and compliance with the requirements of Title 25, Chapter 14, Part 2 of the Montana Code Annotated and Rule 66 of the Montana Rules of Civil Procedure, as they may be amended. In no event will Lessor be obligated to post a bond in connection with the appointment of a receiver.

e) Bankruptcy Relief. Nothing contained in this Lease will limit or prejudice Lessor's right to obtain adequate assurances of the Lessee's future performance under 11 USC Section 365 or other applicable laws, or any other legal rights, in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding.

19. DEFAULTS BY LESSOR AND LESSEE'S REMEDIES.

19.1 Defaults by Lessor.

The following event, which continues beyond the applicable notice and cure period, will constitute a "Default by Lessor" under this Lease: Lessor breaches or fails to comply with any provision of this Lease applicable to Lessor, and such breach or noncompliance continues for a period of 30 days after notice thereof from Lessee to Lessor; or, if such breach or noncompliance cannot be reasonably cured within such 30-day period and Lessor does not commence to cure such breach or noncompliance within such 30-day period and does not thereafter pursue such cure in good faith to completion.

19.2 Lessee's Remedies.

If any Default by Lessor occurs, Lessee will have the right, at Lessee's election, then or at any later time, to exercise the remedy described herein. Exercise of such remedy will not prevent the concurrent or subsequent exercise of any other remedy otherwise available to Lessee at law or in equity.

- a) Termination of Lease. In the event of a Default by Lessor, Lessee may terminate this Lease, effective at such time as may be specified by written notice to Lessor. In such event, Lessee will be entitled to recover from Lessor such damages as are allowable by applicable Laws.
- b) Action to Cure. Lessee may, at Lessee's option but without obligation to do so, and without releasing Lessor from any obligations under this Lease, make any payment or take any action as Lessee deems necessary or desirable to cure any Default by Lessor in such manner and to such extent as Lessee in good faith deems necessary or desirable, provided that, prior to making any such payment or taking any such action, Lessee notifies Lessor of Lessee's intention to do so and affords Lessor at least 10 days in which to make such payment or take such action. Lessor will pay Lessee, upon demand, all advances, costs and expenses of Lessee in connection with making any such payment or taking any such action, together with interest at the Default Rate, from the date of payment of any such advances, costs and expenses by Lessee.

20. SECURITY DEPOSIT

To secure compliance with the terms of this Lease, on or before the Commencement Date, the Lessee shall deposit with Lessor a \$17,867 Security Deposit, to be held by Lessor without interest. Lessor shall not be required to segregate the Deposit from other funds of Lessor. In the event Lessor assigns or transfers Lessor's interest in this Lease, Lessor shall transfer the Security Deposit to Lessor's successor-in-interest, whereupon Lessor shall be automatically deemed released from all liability in connection with the Security Deposit.

20.1 Security Deposit upon the Expiration Date.

Upon the Expiration Date of this Lease, Lessor may deduct the amount necessary from the Security Deposit to compensate Lessor for all tangible loss, injury or deterioration of the Premises caused by Lessee, or Lessee's guests, plus all unpaid Rent and the Department's costs to reclaim the Land. Within sixty (60) days following Lessee's departure, Lessor will deliver to Lessee a written list of all deductions from the Security Deposit and pay the remaining balance (if any) to Lessee. Said list and payment will be mailed to Lessee's Address unless Lessee provides Lessor of a new address in writing. If the Security Deposit is insufficient to satisfy the damages, reclamation charges and unpaid Rent, Lessor may collect the deficiency from Lessee.

20.2 Security Deposit Upon Early Termination by Lessee.

Upon early termination of this Lease by Lessee for any reason other than a Taking or Substantial Damage, the parties acknowledge and agree that the Lessor will suffer damages the exact amount of which will be extremely difficult to ascertain. Accordingly, Lessee shall forfeit the entire amount of the Security Deposit and the parties hereby agree that such forfeiture represents a fair and reasonable estimate of the costs that Lessor will incur by reason of Lessee's early termination. If the Security Deposit is insufficient to satisfy the damages, reclamation charges and unpaid Rent, Lessor may collect the deficiency from Lessee.

20.3 Security Deposit Upon Default of Lessee

Upon a Default by Lessee, Lessor may, but without obligation to do so or prejudice to or waiver of any other remedy available to Lessor, use or apply the Security Deposit in the manner and to the extent deemed appropriate or necessary by Lessor, in its sole discretion (an "Application") to remedy, cure, or otherwise address the Default by Lessee, which Application shall not cure or waive such Event of Default and shall be restored to its original amount upon request by Lessor.

21. MISCELLANEOUS

21.1 Notices.

All notices required under this Lease must be in writing and will be deemed properly given and received (a) when actually given and received, if delivered in person to a party who acknowledges receipt in writing; or (b) one business day after deposit with a private courier or overnight delivery service with a written acknowledgment of receipt; or (c) 5 business days after the date postmarked on the cover of any correspondence or notice when deposited in the United States mail, certified – return receipt requested, with postage prepaid. All such notices shall be sent to the noticee’s address shown in this Lease unless the party giving notice has been notified, in writing, of a more recent address for the noticee. In the case of notices to a Qualified Lender, to the address set forth in its most recent notice to Lessor.

21.2 Binding Effect.

Each of the provisions of this Lease will extend to bind or inure to the benefit of, as the case may be, Lessor and Lessee, and their respective heirs, successors and assigns.

21.3 Modifications.

This instrument contains the entire agreement between the parties, and no statement, promises or inducements made by either party, or agents of either party, which are not contained in this Lease shall be valid or binding. All modifications to this Lease must be in writing and signed by the Lessor and the Lessee. If executed properly under this section, modifications of this Lease do not need independent consideration to be legally enforceable.

21.4 Enforcement Expenses.

Regardless of any statutory rights, each party agrees to bear their own costs, charges and expenses, including the fees and out-of-pocket expenses of attorneys, agents and others retained, incurred in successfully enforcing the other party’s obligations under this Lease.

21.5 No Waiver.

No waiver of any provision of this Lease will be implied by any failure of either party to enforce any remedy upon the violation of such provision, even if such violation is continued or repeated subsequently. No express waiver will affect any provision other than the one specified in such waiver, and that only for the time and in the manner specifically stated.

21.6 Captions.

The captions of sections are for convenience of reference only and will not be deemed to limit, construe, affect or alter the meaning of such sections.

21.7 Severability.

If any provision of this Lease is declared void or unenforceable by a final judicial or administrative order, this Lease will continue in full force and effect, except that the void or unenforceable provision will be deemed deleted and replaced with a provision as similar in terms to such void or unenforceable provision as may be possible and be valid and enforceable.

21.8 Waiver of Jury Trial.

Lessor and Lessee waive trial by jury in any action, proceeding or counterclaim brought by Lessor or Lessee against the other with respect to any matter arising out of or in connection with this Lease, Lessee’s use and occupancy of the Premises, or the relationship of Lessor and Lessee.

21.9 Authority to Bind.

The individuals signing this Lease on behalf of Lessor and Lessee represent and warrant that they are empowered and duly authorized to bind Lessor or Lessee, as the case may be, to this Lease according to its terms.

21.10 Only Lessor/Lessee Relationship.

Lessor and Lessee agree that neither any provision of this Lease nor any act of the parties will be deemed to create any relationship between Lessor and Lessee other than the relationship of Lessor and Lessee.

21.11 Reservation of Oil, Gas, and Minerals.

Lessor expressly excepts and reserves from this Lease all rights to all oil, gas and other minerals in, on or under the Land and that might be produced or mined from the Land; provided, however, that no drilling, mining or other surface disturbance will be undertaken on the surface of this Lease, nor shall the Lessor interfere with the Lessee's right to subjacent support, during the Term of this Lease.

21.12 Reservation of Rights-Of-Way

Lessor expressly excepts and reserves from this Lease and retains the right to grant rights-of-way on the Land for other purposes to third-parties.

21.13 Right of Inspection

Lessor, or its authorized representatives, may, at any reasonable hour, enter upon and inspect the Premises to ascertain compliance with this Lease. Any inspection or examination of the Buildings and Improvements shall not interfere with Lessee's use of the Premises or the business conducted therein.

21.14 Reasonableness.

At any time during this Lease, if either party is to use reasonable judgment, it shall be deemed to mean ordinary business judgment.

21.15 Governing Law; Venue and Jurisdiction.

This Lease will be governed by and construed according to the laws of the State of Montana. Venue and jurisdiction for any dispute arising under this Lease shall be before the Lessor as a contested case proceeding under the Montana Administrative Procedures Act before the Department.

21.16 Time of Essence.

Time is expressly declared to be of the essence of this Lease.

21.17 Broker.

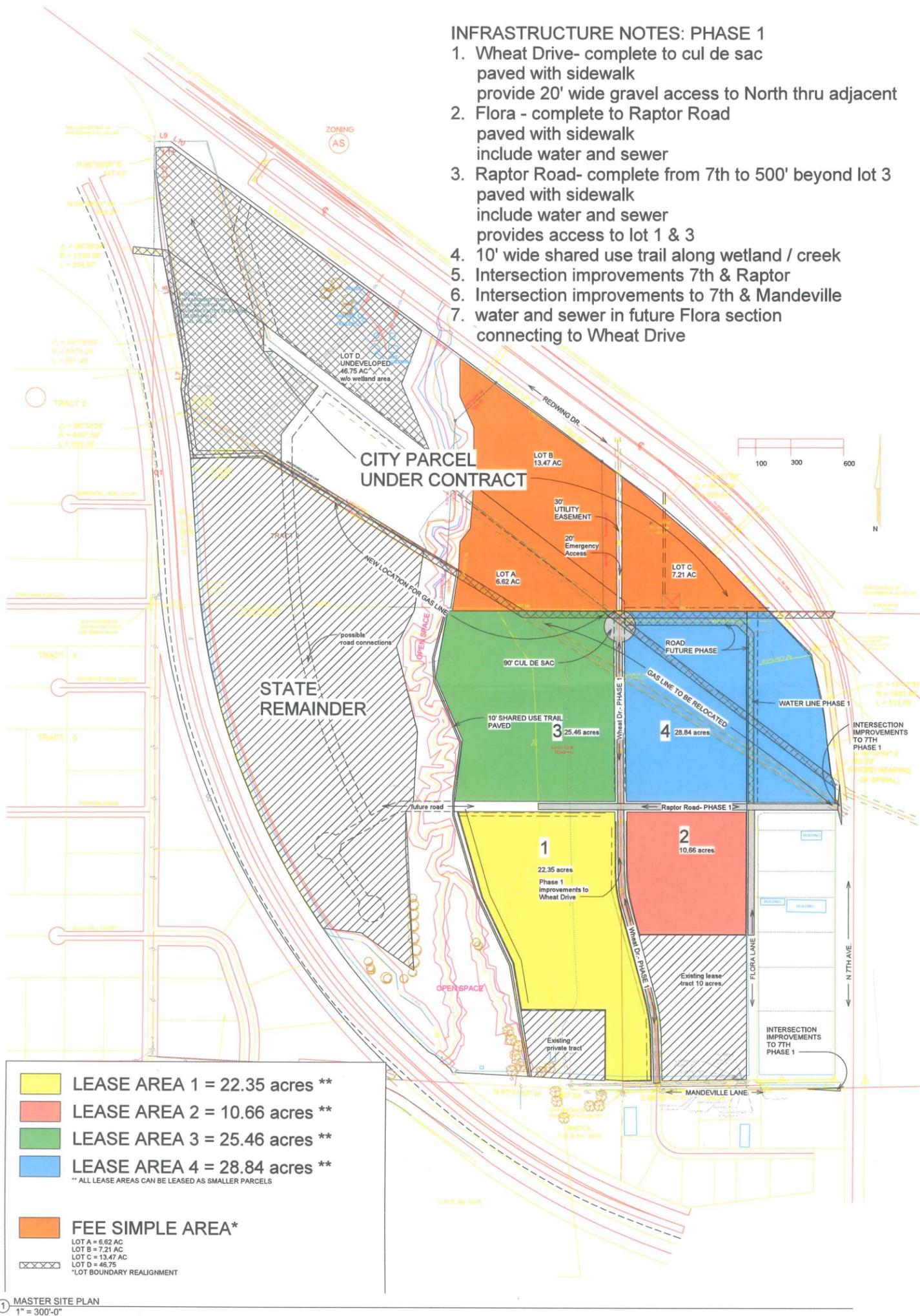
Lessor represents and warrants that no broker or agent negotiated, or was instrumental in negotiating or consummating this Lease on behalf of Lessor. Lessee will indemnify and hold Lessor harmless from all damages paid or incurred by the Lessee from any claims asserted against Lessor by brokers or agents claiming through the Lessee.

Having read and intending to be bound by the terms and provisions of this Lease, Lessor and Lessee have signed it as of the date first stated above.

Exhibit A Site Plan

INFRASTRUCTURE NOTES: PHASE 1

1. Wheat Drive- complete to cul de sac paved with sidewalk provide 20' wide gravel access to North thru adjacent
2. Flora - complete to Raptor Road paved with sidewalk include water and sewer
3. Raptor Road- complete from 7th to 500' beyond lot 3 paved with sidewalk include water and sewer provides access to lot 1 & 3
4. 10' wide shared use trail along wetland / creek
5. Intersection improvements 7th & Raptor
6. Intersection improvements to 7th & Mandeville
7. water and sewer in future Flora section connecting to Wheat Drive



C1	MASTER SITE PLAN APPROVED	NO. REV. DATE	REVISION SCHEDULE	NORTH PARK -	 300 NORTH PARK DRIVE SUITE 100 NORTH PARK, IOWA 52801 P: 563.597.3928 / F: 563.597.4848 WWW.THINKTANKAIA.COM
	CONCEPT			MASTER SITE PLAN	
PROJECT STATUS:				WARNING: IF MARKS DO NOT MEASURE FROM END TO END AND " IN BETWEEN THEN DRAWING IS NOT TO SCALE, DO NOT SCALE DRAWINGS, USE ONLY PROVIDED DIMENSIONS	THINKTANK AIA © 2013

EXHIBIT B
MARKET ADJUSTMENT
SCHEDULE AND PROVISIONS

MARKET ADJUSTMENT PROVISIONS

Base Rent for the Land shall be subject to Market Adjustments determined in accordance with these provisions. The Market Adjustments will apply in Lease Year 16, 31, 46, 61, 76 and 91. The process for the Market Adjustment will commence on the date that is 90 days after the first day of Lease Years 15, 30, 45, 60, 75, and 90 as applicable (the "Market Date").

The Market Adjustment will be determined by appraisal in accordance with the following provisions:

SELECTION OF APPRAISERS

Lessor and Lessee shall each hire an appraiser meeting the qualifications set forth in these provisions and shall instruct such appraiser to prepare an appraisal of the market value of the Land based upon the assumptions and meeting the requirements set forth these provisions. The appraiser so retained by Lessor is herein referred to as "Lessor's Appraiser," and the appraisal prepared by Lessor's Appraiser is herein referred to as "Lessor's Appraisal." The appraiser so retained by Lessee is herein referred to as "Lessee's Appraiser," and the appraisal prepared by Lessee's Appraiser is herein referred to as "Lessee's Appraisal." Each appraiser shall be subject to the approval of the other party, which approval will not be unreasonably withheld. Lessor's Appraiser and Lessee's Appraiser shall each be instructed to complete their respective appraisals and deliver their results to both Lessor and Lessee.

DETERMINATION OF BASE RENT

If the difference between the dollar amount of Lessor's Appraisal and the dollar amount of Lessee's Appraisal is equal to or less than 10%, then the Land Value shall be deemed to be the mathematical average of the two appraisals. See the following example of a scheduled Market Adjustment for a 50,000 square foot lease, at a 6% lease rate with two different appraisal values:

Lessor Appraisal = \$6.50 per square foot

Lessee Appraisal = \$6.10 per square foot

Land Value= \$6.30 per square foot

New Annual Base Rent = \$6.30 x 50,000 (or applicable square footage) x 6% (or applicable Lease Rate) = \$18,900.

If the difference between the dollar amount of Lessor's Appraisal and the dollar amount of Lessee's Appraisal is greater than 10%, then:

- a) Lessor and Lessee shall have 30 days from the Appraisal Report Date within which to agree upon the Land Value between the two appraisals; OR
- b) If Lessor and Lessee are unable to agree on the Land Value within such 30 day period, then Lessor and Lessee shall jointly select a third appraiser to prepare an appraisal of the market value of the Land utilizing the same scope of work from the Lessor's Appraisal and the Lessee's Appraisal. The third appraiser shall be provided copies of both appraisals. The third appraisal shall be prepared and delivered to both Lessor and Lessee. The Land Value shall be the mathematical average of the two appraisals that are closest in dollar amount.

The Land Value determined in accordance with the foregoing provisions shall be binding and conclusive on the parties. Base Rent for the land, as adjusted by the Market Adjustment, shall be amount obtained

by multiplying the Land Value by a percentage determined in accordance with 77-1-905, MCA, or the rate bid in the lease proposal, whichever is higher.

QUALIFICATIONS OF APPRAISERS; REPLACEMENT

Each of Lessor’s Appraiser, Lessee’s Appraiser and any third appraiser must (a) have an MAI designation by the Appraisal Institute (or similar designation available on the Market Date); (b) be a Certified General Appraiser licensed in the State of Montana; and (c) have appraised similar types of uses in the three years prior to such Market Date. If any appraiser designated to serve in accordance with these provisions shall fail, refuse, or otherwise become unable to act, a new appraiser shall be appointed by the contracting party.

SCOPE OF WORK

The Lessor shall draw up the scope of work that meets the statutory requirements at the time, and supply the scope of work to all appraisers. All appraisals conducted during a Market Adjustment shall be subject to the same scope of work.

BRIEFING SESSION

Lessor’s Appraiser and Lessee’s Appraiser, should either so elect, shall be entitled to require a briefing session, to be held at Lessor’s offices on a day and at a time mutually acceptable to Lessor, Lessee, Lessor’s Appraiser and Lessee’s Appraiser but in all events not earlier than 10 nor later than 15 days following the Market Date. At such session, both such appraisers shall be present and each shall be entitled to ask such questions of Lessor and Lessee.

PAYMENT

Lessor shall pay all costs, fees and expenses of Lessor’s Appraiser, and Lessee shall pay all costs, fees and expenses of Lessee’s Appraiser. If a third appraiser is required, Lessor and Lessee shall share equally all costs, fees and expenses of such third appraiser.

MARKET ADJUSTMENT SCHEDULE

Lease Year	Schedule
16	“Market Adjustment”
17 through 30	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
31	“Market Adjustment”
32 through 45	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
46	“Market Adjustment”
47 through 60	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
61	“Market Adjustment”
62 through 75	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
76	“Market Adjustment”
77 through 90	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
91	“Market Adjustment”
92 through 99	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.

The above Market Adjustments are scheduled, however, either party may instigate a single additional market adjustment(s) up to 5 years following any market adjustment which causes an increase or decrease to the previous year’s Base Rent of more than 10%. These additional market adjustments are intended to protect both parties from unrealistic market highs and lows. The action is voluntary and may be exercised by either party with written notice arriving no later than December 1st of the 5th year following the standard Market Value Adjustment date.



MONTANA DEPARTMENT OF NATURAL
RESOURCES & CONSERVATION

OPTION TO LEASE AGREEMENT
North Park Phase 4 –Agreement #3072944

This Option to Lease Agreement, is entered into this 1st Day of August, 2016, by and between the Montana Department of Natural Resources and Conservation, whose address is P.O. Box 201601, Helena, MT 59620 (hereinafter referred to as the “Department”) and **North Park Development Partners, LLC**, whose address is 929 Nelson Rd., Bozeman, MT 59718 (hereinafter referred to as the “Optionee”).

GRANT OF OPTION: In consideration of \$12,975.00, payment and receipt of which is hereby acknowledged, the Department grants to the Optionee a non-assignable option to lease premises described in Exhibit A (hereinafter “Lease Premises”, attached hereto upon those terms and conditions as in the form, terms, and conditions of that lease agreement form attached hereto as Exhibit B, and incorporated herein as if fully set forth.

This Option to Lease shall remain in effect from the date of this Option to Lease Agreement until 12 noon Mountain Time on the 31st Day of July, 2018, at which time it will expire and terminate automatically.

MANNER OF EXERCISE OF OPTION: The Optionee may exercise the option granted in the preceding paragraph at any time before the expiration of the option period by giving written notice of exercise of the option to the Department, at the address of the Department set out above. The notice of exercise of the option must specify the date upon which the lease is to commence, and such date must be within the term of the option. If no date is specified, the lease term will begin immediately as of the date of the notice of exercise of the option. The notice of exercise of option must be accompanied by a check for the full amount of one year's rent plus the amount of any security deposit specified in the lease agreement as Exhibit B.

EXECUTION OF LEASE AGREEMENT: Upon receipt of the notice of exercise of lease option, the Department must prepare or cause to be prepared duplicate originals of the lease agreement which is attached as Exhibit B. The Department will deliver these duplicate originals for execution to the Optionee within thirty (30) days after receipt of the Optionee's notice of exercise of the option. The Optionee must deliver the fully executed duplicate lease agreements to the Department within fourteen (14) days after receipt by the Optionee.

COMPENSATION TO FORMER LESSEE: The Lease Premises described on Exhibit A is a portion of the area described in the State of Montana Agricultural and Grazing Lease No. 4634. The Optionee shall compensate the lessee of the State of Montana Agricultural and Grazing Lease No. 4634 (hereinafter “Former Lessee”) for any and all damages resulting from the withdrawal of the Lease Premises from State of Montana Agricultural and Grazing Lease No. 4634. The Optionee shall indemnify, defend and hold harmless, including reasonable attorney’s fees, the State of Montana, the Montana Department of Natural Resources and Conservation, and its employees, agents, board members and representatives, against any and all claims or issues. Prior to exercising this option, the Optionee must enter into a full and final Settlement

Agreement concerning damages with the Former Lessee, and submit an executed copy to the Department. In the Settlement Agreement the Former Lessee must fully release the Optionee from any and all liability. **This option is contingent on the Department receiving a fully executed Settlement Agreement concerning damages, signed by the Optionee and the former lessee, prior exercising this option.**

Date: _____

STATE OF MONTANA, MONTANA
DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION

By: _____

John E. Tubbs, Director

ACKNOWLEDGMENT

STATE OF MONTANA)
) ss:
County of Lewis and Clark)

This instrument was acknowledged before me on _____, 2016,
by _____, as _____ of the Montana Department of
Natural Resources and Conservation.

[SEAL]

Print Name: _____
Notary Public for the State of _____
Residing at _____,
My Commission expires _____, 20__

Date: _____

OPTIONEE

By: _____

Its: _____

ACKNOWLEDGMENT

STATE OF _____)
) ss:
County of _____)

This instrument was acknowledged before me on _____, 2016,
by _____, as _____ of Optionee,
_____.

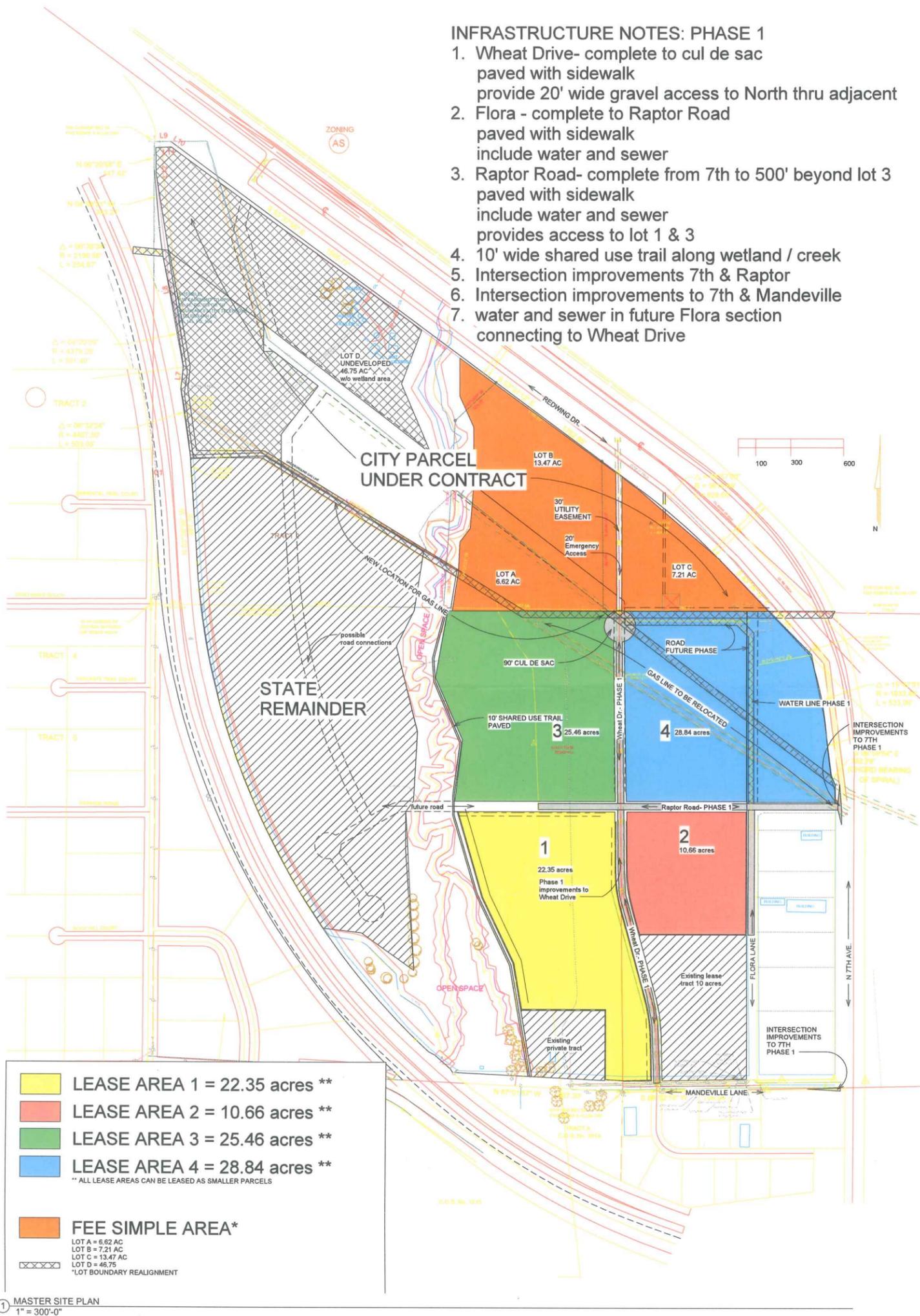
[SEAL]

Print Name: _____
Notary Public for the State of _____
Residing at _____, _____
My Commission expires _____, 20__

Exhibit A Site Plan

INFRASTRUCTURE NOTES: PHASE 1

1. Wheat Drive- complete to cul de sac paved with sidewalk provide 20' wide gravel access to North thru adjacent
2. Flora - complete to Raptor Road paved with sidewalk include water and sewer
3. Raptor Road- complete from 7th to 500' beyond lot 3 paved with sidewalk include water and sewer provides access to lot 1 & 3
4. 10' wide shared use trail along wetland / creek
5. Intersection improvements 7th & Raptor
6. Intersection improvements to 7th & Mandeville
7. water and sewer in future Flora section connecting to Wheat Drive



C1	MASTER SITE PLAN APPROVED	NO. REV. DATE REVISION SCHEDULE	NORTH PARK - ----- MASTER SITE PLAN	THINKTANK DESIGN GROUP INC. 300 NORTH PARK DRIVE SUITE 100 NORTH PARK, IOWA 52801 P: 563.597.3928 / F: 563.597.4848 WWW.THINKTANKIA.COM
PROJECT STATUS:	CONCEPT		WARNING: IF MARKS DO NOT MEASURE FROM END TO END AND " IN BETWEEN THEN DRAWING IS NOT TO SCALE, DO NOT SCALE DRAWINGS, USE ONLY PROVIDED DIMENSIONS	THINKTANK AIA © 2013

Option Exhibit B



NORTH PARK DEVELOPMENT PARTNERS, LLC

**NORTH PARK, PHASE 4
BOZEMAN, MONTANA**

LEASE NO. 3072944

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COMMERCIAL LEASE

THIS COMMERCIAL LEASE (this “Lease”) is entered into as of the _____ day of _____, (the “Commencement Date”), by and between the **Montana State Board of Land Commissioners**, whose address is P.O. BOX 201601 Helena, MT 59620-1601 (hereinafter referred to as “Lessor”), and **North Park Development Partners, LLC**, a Montana company whose address is 929 Nelson Rd., Bozeman, MT 59718 (hereinafter referred to as the “Lessee”).

1. LEASE TERMS AND PROPERTY DESCRIPTION

Lease Number	Commencement Date	Term of Lease	Expiration Date
3072944		30 Years	

Land Located in Gallatin County

Description	Sec.	Twp.	Rge.	Acres
Tract 4, North of the Highway including Part of the SE¼, a Part of the N½, and a Part of the SW¼.	36	1S	5E	28.8

2. BASE RENT SCHEDULE

Sample provided based on a start date of August 1. Actual Data will replace this sample upon date of Lease execution.

Lease Year	Calendar Period	Adjustment Period Escalator	Adjusted Base Rent	Rent Credit Amount	Amount Due After Rent Credit
1	1 st 12 calendar months	0	\$69,200	\$58,820	\$10,380
Supplemental Billing period	7 months to reach Feb 28	0	\$40,367	\$ 34,312	\$6,055
2	March 1 – February 28	2%	\$71,996	\$61,196	\$10,799
3	March 1 – February 28	2%	\$73,436	\$62,420	\$11,015
4	March 1 – February 28	2%	\$74,904	\$63,669	\$11,236
5	March 1 – February 28	2%	\$76,402	\$64,942	\$11,460
6	March 1 – February 28	2%	\$77,930	\$66,241	\$11,690
7	March 1 – February 28	2%	\$79,489	\$67,566	\$11,923
8	March 1 – February 28	2%	\$81,079	\$68,917	\$12,162
9	March 1 – February 28	2%	\$82,700	\$70,295	\$12,405
10	March 1 – February 28	2%	\$84,354	\$71,701	\$12,653
11	March 1 – February 28	2%	\$86,042	\$73,135	\$12,906
12	March 1 – February 28	2%	\$87,762	\$74,598	\$13,164
13	March 1 – February 28	2%	\$89,518	\$76,090	\$13,428
14	March 1 – February 28	2%	\$91,308	\$77,612	\$13,696
15	March 1 – February 28	2%	\$71,996	\$61,196	\$10,799

3. **DEFINITIONS.**

In this Lease, the following defined terms have the meanings set forth for them below:

“Adjustment Period” is a multi-year Lease period, as specified in the Base Rent Schedule in Section 2 of this lease, during which an Adjustment Period Escalator is applied annually to the prior year’s Base Rent.

“Adjustment Period Escalator” is 2% compounded annually and applied to the prior year’s Base Rent as demonstrated in the Base Rent Schedule. The Adjustment Period Escalator will not be applied to Base Rent for the First Lease Year and the first year that any Market Adjustment is applied (i.e. Year 16, 31, 46, 61...etc...).

“Base Rent” means the amount obtained by multiplying the Land Value by the Lease Rate Percentage and as periodically adjusted by the Adjustment Period Escalator.

“Building” means any enclosed building constructed or installed upon the Land.

“Commencement Date” means the date this Lease goes into effect, legally binding the Lessor and Lessee to the terms of the Lease.

“Commercial Purpose” per MCA 77-1-902(3)(a) means an industrial enterprise, retail sales outlet, business and professional office building, warehouse, motel, hotel, hospitality enterprise, commercial or concentrated recreational use, multifamily residential development, and other similar business.

“Default Rate” shall mean 1% compounded monthly.

“Department” means the Montana Department of Natural Resources and Conservation.

“Environmental Claims” means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating in any way to any Environmental Law (hereafter, “Claims”) or any permit issued under any such Environmental Law, including, without limitation (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Substances or arising from alleged injury or threat of injury to health, safety or the environment.

“Environmental Laws” means any existing and future Laws relating to, or imposing liability or standards of conduct concerning the protection of human health, the environment or natural resources, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling, Releases or threatened Releases of Hazardous Substances, including, without limitation, The Comprehensive Environmental Cleanup and Responsibility Act, 75-10-701, et seq., MCA; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601, et seq.; the Clean Air Act, 42 U.S.C. § 7401, et seq.; and the Safe Drinking Water Act, 42 U.S.C. § 300(f), et seq.

“First Lease Year” means the first twelve month period starting on the Commencement Date.

“Foreclosure Transferee” means any foreclosure purchaser or other transferee of Lessee’s interest under this Lease who acquires such interest at the sale conducted by virtue of, or otherwise in connection with, a foreclosure of any Leasehold Encumbrance or any conveyance in lieu of such foreclosure.

“Hazardous Substances” means any and all substances, materials or wastes that are declared to be, or defined or regulated as, hazardous or toxic in CECRA, Section 75-10-701, et seq., MCA, or under any Environmental Law.

“Improvements” mean any Buildings, structures, pavement, landscaping, lighting fixtures or other improvements now or later installed or constructed upon the Land.

“Land” means the real property described in paragraph 1.

“Land Value” means the full market value of the Land as determined by the applicable appraisal.

“Laws” means any and all present or future federal, state or local laws (including common law), statutes, ordinances, rules, regulations, orders, decrees or requirements of any and all governmental or quasi-governmental authorities having jurisdiction over the Land described in this Lease.

“Lease Rate Percentage” means 4%, as bid in the proposal response. The Lease Rate Percentage is applied to the Land Value to determine the initial Base Rent for the First Lease Year and for the first year after a Market Adjustment. This percentage may not be less than the rate provided in 77-1-905, MCA, and may be modified accordingly as part of a scheduled Market Adjustment.

“Lease Year” means, after the First Lease Year, each successive Lease Year is the one-year period during the Term from March 1 to the last day of February.

“Leasehold Encumbrance” means any Encumbrance, deed of trust, assignment of rents, assignment of leases, security agreement or other hypothecating instrument encumbering Lessee’s interest under this Lease or the leasehold estate in the Premises hereby created, Lessee’s rents and other sums due from any Sublessees, Lessee’s rights under Subleases and any other agreements executed in connection with Lessee’s use or operation of the Premises, or Lessee’s interest in any fixtures, machinery, equipment, Land, Buildings, Improvements or other property constituting a part of the Premises.

“Lender” means the holder(s) of any promissory note or the obligee(s) of any other obligation secured by a Leasehold Encumbrance.

“Lessee’s Address” means:

North Park Development Partners, LLC
929 Nelson Rd
Bozeman, MT 59718

“Lessor’s Address” means:

Montana Department of Natural
Resources and Conservation
Attn: Real Estate Management Bureau Property Mgmt Section
1625 Eleventh Avenue
PO BOX 201601
Helena, MT 59620-1601

With copies to:

Montana Department of Natural
Resources and Conservation
Bozeman Unit Manager
2273 Boothill Ct., #110
Bozeman, MT 59715

“Market Adjustment” means a review of current Base Rent factors, conducted at scheduled intervals during the term of the lease, which will be used to determine the Base Rent Schedule for the next period. It includes consideration of the minimum Lease Rate Percentage at the time, as well as an appraisal process to update the lease area land value. The Market Adjustment Schedule and Provisions are found in **EXHIBIT#B**.

“Premises” means the Land and all Improvements.

“Qualified Lender” means any Lender who notifies Lessor in writing of its name, its address for notices and the fact that it is a Lender and includes with such notice a copy of any Leasehold Encumbrance by virtue of which it became a Lender.

“Release” means disposing, discharging, injecting, spilling, leaking, leaching, dumping, emitting, escaping, emptying, seeping, placing or the like, into or upon any land, surface water, groundwater or air, or otherwise entering into the environment.

“Rent” means Base Rent and all other amounts required to be paid by Lessee under this Lease.

“Security Deposit” means a dollar amount equal to **\$22,836**.

“Sublease” means a sublease, license, concession or other agreement (whether written or oral) according to which Lessee grants any party the right to use or possess all or any portion of the Premises.

“Sublessee” means any party to whom Lessee grants the right to possess all or any portion of the Premises according to a Sublease.

“Substantial Damage” means harm to Improvements that renders the Premises inoperable for its intended use for more than 180 days.

“Substantial Taking” means a Taking of at least 15% of the Land or Improvements which, in Lessee’s and Lessor’s reasonable judgment, will materially and adversely interfere with any development or use of the Premises that Lessee is then conducting or intends in good faith to conduct in the future.

“Taking” means the taking of all or any portion of the Premises as a result of the exercise of the power of eminent domain or condemnation for public or quasi-public use or the sale or conveyance of all or part of the Premises under the threat of condemnation.

“Taking Date” means, with respect to any Taking, the date on which physical possession of the portion of the Premises that is the subject of such Taking is transferred to the condemning authority.

“Term” means the duration of this Lease as set forth in paragraph 1.

4. EXHIBITS.

The Exhibits listed below are attached to and incorporated into this Lease. In the event of any inconsistency between such Exhibits and the terms and provisions of this Lease, the terms and provisions of the Lease will control. The Exhibits to this Lease are:

Exhibit A - Site Map

Exhibit B – Market Adjustment Schedule and Provisions

5. LEASE TERM.

5.1 Lease.

Subject to the terms, covenants, conditions and provisions of this Lease, Lessor leases to Lessee and Lessee leases from Lessor the Land for the Term of 30 years starting on the Commencement Date.

5.2 Renewal Option.

If all Rent due under this lease has been paid when due and Lessee is not in default, after opportunity to cure, of any terms of this Lease, Lessee may renew the Lease for an additional 15 years year Term and subsequently additional 15 year Terms for up to a maximum total of 99 years. The Base Rent will be adjusted at renewal according to the process outlined in **EXHIBIT#B**.

5.3 Lessor and Lessee Covenants.

Lessor covenants that Lessee will have quiet and peaceful possession of the Premises subject only to the terms and conditions of this Lease, and to observe and perform all of the terms, covenants and conditions applicable to Lessor in this Lease. Lessee covenants to pay the Rent when due, and to observe and perform all of the terms, covenants and conditions applicable to Lessee in this Lease.

5.4 Condition of Premises.

Except as expressly set forth in this Lease, Lessee accepts possession of the Premises on the Commencement Date in their then-current condition on an “AS IS, WHERE IS AND WITH ALL FAULTS” basis.

6. RENT.

6.1 Base Rent.

All Rent due to Lessor will be paid in lawful money of the United States of America, at Lessor’s Address, post-marked on or before the due date, without notice or demand and without right of deduction, abatement or setoff.

6.2 Rent Credit.

Per MCA 77-1-905, the board may allow a credit against the annual rental payment for payments made by the lessee on behalf of the State of Montana for construction of structures and improvements. Accordingly, Lessor hereby agrees to accept costs for construction of structures and improvements that are specifically listed below, as payment made on behalf of the State. The payments made on behalf of the State listed below qualify for a credit toward annual Rent. The amount of the credit will be the lesser of actual construction costs or the amount provided below. Within 60 days of completion of all structures and improvements that are eligible for a rent credit listed below, the Lessee shall provide certified actual construction costs for those items. The Base Rent Schedule provided in Section 2 will be modified as necessary per the terms of this section upon Lessor receipt of certified actual construction costs.

The project is divided into four (4) phases. In no case shall the cumulative amount of the Rent Credit for all phases exceed \$4.4 million dollars. The \$4.4 million dollars in Rent Credit shall be divided, on a per

square foot basis, between the four (4) separate lease agreements/phases with North Park Development Partners, LLC. As such, the total amount of Rent Credit allocated to this Lease and phase may not exceed \$1,452,000 dollars.

The following list includes the only structures and improvements eligible for a Rent Credit. Only the structure and improvement explicitly listed below will be allowed a Rent Credit. The Lessee hereby affirms and agrees that having actively negotiated the list below, any ambiguity in the list below shall be construed against the Lessee.

1. Roads and Sidewalks
2. Sanitary Sewer Improvements
3. City Water Supply Improvements
4. Storm Water Improvements
5. Surface Water Management Improvements
6. Engineering Design and Inspection
7. Natural Gas Services
8. Electrical Services
9. Communication Services
10. Public Street Lights

A Rent Credit shall be allowed for the actual cost of constructing the structures and improvements located on the lease premises, listed above, if absolutely required by the City of Bozeman.

All projects eligible for a Rent Credit shall be competitively bid. The Lessee must obtain at least three (3) signed and certified bids prior to awarding the project to the lowest qualified bidder. A qualified bidder is one with the experience and equipment necessary to complete the project. The certified actual construction costs will include information concerning the competitive bid process and a copy of the signed and certified bids.

Rent Credit will be applied to 85% of Rent due each year until the credit amount is exhausted..

6.3 Terms of Payment.

Per MCA 77-1-905(1), the First Lease Year is the twelve month period beginning on the Commencement Date. The First Lease Year Rent must be paid by cashier's check, drawn upon a Montana bank, and payment is due upon execution of the lease. Failure to pay the First Lease Year's Rent at the time of lease execution will result in the cancellation of the lease and forfeiture of all money paid.

Following the First Lease Year, a Lease Year will be March 1st – February 28th and Rent for the Lease Year will be payable annually, in advance, on or before the first day of March. If the First Lease Year does not end on February 28, there will be a supplemental billing period prorated at the First Lease Year's Rent for the difference in time between the end of the First Lease Year and February 28. See Base Rent Schedule.

6.4 Late Charge

Lessee hereby acknowledges that late payment by Lessee to Lessor of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Accordingly, if Lessor does not receive the full amount of any Rent postmarked on or before the due date, Lessee shall pay a late charge to Lessor. The late charge will be an amount equal to 10% of any overdue Rent for Lessor's cost of collecting and handling such late payment due as additional Rent. If payment of the Rent and late charge are not made in full within 30 days of the due date, the outstanding balance of the unpaid Rent and the late fee shall accrue interest at the Default Rate. Interest on all delinquent amounts

shall be calculated from the original due date to the date of payment. Lessor retains sole discretion to apply payments received to past due Rent, including any late charge(s) and interest, before applying a payment to current Rent. The parties hereby agree that such late charge represents a fair and reasonable estimate of the cost that Lessor will incur by reason of the late payment by Lessee.

6.5 Lien for Unpaid Rent.

Lessor shall have a lien upon all Lessee Improvements for payment of all Rent specified herein.

6.6 Additional Rent

This Lease is what is commonly called a “triple-net” Lease. It is the intent of the parties that the Base Rent provided in this Lease will be a net payment to Lessor and that Lessor will not be required to pay any costs or expenses or provide any services in connection with the Premises. Accordingly, Lessee covenants and agrees to separately pay, in addition to the Base Rent, all utilities and services, taxes and special assessments, and for all maintenance and repairs of the Premises.

7. IMPROVEMENTS AND ALTERATIONS.

7.1 Improvements and Alterations.

Lessee shall not construct, install, alter, or demolish and remove, any Improvements without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. All expenses of constructing, installing, altering, or demolishing any Improvements shall be the sole responsibility of Lessee. Lessee shall at all times comply with all Laws, including any applicable city and state building codes and fire codes. Lessor will have the right to post notices of non-responsibility or similar notices on the Premises in order to protect the Land against any liens resulting from such work. Upon completion of the initial Improvements for the Premises Lessee shall deliver to Lessor an engineer’s certificate for the Premises and, if available, an electronic “as-built” survey of the Premises in both AutoCAD and .pdf format.

7.2 Title to Improvements.

During the Term, Lessee will be deemed to own, and hold title to all Improvements subject only to the Lessor’s reversionary interest in the Improvements upon the expiration or termination of the Lease. Lessee shall have the right to grant liens or other security interests in the Improvements. Upon the expiration or earlier termination of the Lease, title to all Improvements then held by Lessee, except moveable personal property not constituting fixtures, will automatically vest in Lessor without representation or warranty per MCA §77-1-906(2).

8. USE AND ENVIRONMENTAL COMPLIANCE.

8.1 Use and Compliance

Lessee shall use the Premises in a manner that does not reduce the value of the Land. The Lessee agrees to comply with all applicable laws, rules, and regulations in effect upon the Commencement Date of this Lease and those laws, rules, and regulations which may be enacted or adopted thereafter from time to time and which do not impair or impede the obligations of this Lease and which do not deprive the Lessee of an existing property right recognized by law. Lessee shall keep the Premises in good repair, including necessary repairs to the interior, exterior and structure of any Buildings, mowing of grass and general landscaping, and contract for the same in Lessee’s own name and pay all costs and expenses in connection therewith. Lessee shall not commit waste or permit impairment or deterioration of the Premises, ordinary wear and tear and damage by casualty and condemnation excepted.

8.2 Compliance with Title 77 MCA

Lessor and Lessee specifically acknowledge that the Land is State school trust land managed by the Montana Board of Land Commissioners and agree that this Lease is subject to the provisions of Title 77 of the Montana Code Annotated and all associated Administrative Rules of Montana.

8.3 Wildlife

Bald eagles have been sighted and nested on or near the Leased Premises. As such, the Lessee hereby warrants and covenants that it will comply with the Migratory Bird Treaty Act, the Bald and Golden Eagle Protection Act, the Lacey Act, and any other applicable State, Federal, or Tribal Laws regarding Bald eagles. Lessee shall indemnify and hold Lessor harmless for any claims or damages caused by Lessee's actions or Lessee's inactions, regarding Bald eagles. The Lessor has applied for, and obtained, a take permit from the U.S. Fish & Wildlife Services as Take Permit No. MB84516B-0 and will comply with all terms and conditions therein. The Lessee shall not be responsible for damages resulting from Lessor's actions on the land in connection with Take Permit No. MB84516B-0.

8.4 Environmental Matters.

Lessor has made no representations to Lessee concerning the presence of Toxic or Hazardous Substances within the definition of the Montana Comprehensive Environmental Cleanup and Responsibility Act (CECRA) on the Land. Lessee agrees as follows: Lessee will (a) comply with all Environmental Laws applicable to the operation or use of the Premises by Lessee or the construction, installation, alteration or demolition of any Improvements by Lessee; (b) use reasonable efforts to cause all Sublessees and other persons occupying the Premises to comply with all Environmental Laws; (c) immediately pay or cause to be paid all costs and expenses incurred by Lessee in such compliance; and (d) keep or cause the Premises to be kept free and clear of any liens arising from Lessee's use and occupancy of the Premises imposed thereon pursuant to any Environmental Laws.

Lessee will not generate, use, treat, store, Release or dispose of, or permit the generation, use, treatment, storage, Release or disposal of, any Hazardous Substances on the Premises, or transport or permit the transportation of any Hazardous Substances to or from the Premises, in each case in any quantity or manner which violates any Environmental Law.

If Lessor has knowledge of any pending or threatened Environmental Claim against Lessee or the Premises or has good reason to believe that Lessee or the Premises are in violation of any Environmental Law, at Lessor's written request (such request shall describe the basis for such request in reasonable detail), at any time and from time to time, Lessee will provide to Lessor an environmental site assessment report concerning the Premises, prepared by an environmental consulting firm reasonably approved by Lessor, indicating the presence or absence of Hazardous Substances and the potential cost of any removal or remedial action in connection with any Hazardous Substances on the Premises. Any such environmental site assessment report will be conducted at Lessee's sole cost and expense. If Lessee fails to deliver to Lessor any such environmental site assessment report within 90 days after being requested to do so by Lessor pursuant to this Section, Lessor may obtain the same, and the cost of such assessment (together with interest thereon at the Default Rate) will be payable by Lessee on demand.

Lessor may, at its option, at any time and from time to time, obtain at its sole cost and expense an environmental site assessment report for the Premises.

At its sole expense, Lessee will conduct any investigation, study, sampling or testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Substances

from the Premises, which are on the Premises as a result of Lessee's activities under the Lease, which must be so removed or cleaned up in accordance with the requirements of any applicable Environmental Laws, to the reasonable satisfaction of a professional environmental consultant selected by Lessor, and in accordance with all such requirements and with orders and directives of all governmental authorities.

8.5 Lessee Indemnity for Environmental Compliance.

Lessee agrees to defend (with attorneys reasonably satisfactory to Lessor), protect, indemnify and hold harmless Lessor from and against any and all liabilities, obligations (including removal and remedial actions), losses, damages penalties, actions, judgments, suits, claims, costs, expenses and disbursements (including reasonable attorneys' and consultants' fees and disbursements) of any kind or nature whatsoever that may at any time be incurred by, imposed on or asserted against Lessor directly or indirectly based on, or arising or resulting, in whole or in part, from: (i) the actual or alleged presence of Hazardous Substances on the Premises Released by Lessee or anyone acting by, through or under Lessee in any quantity or manner which violates Environmental Law, or the removal, handling, transportation, disposal or storage of such Hazardous Substances by Lessee or anyone acting by, through or under Lessee; or (ii) any Environmental Claim with respect to Lessee or the Premises resulting from a Release by Lessee or anyone acting by, through or under Lessee regardless of when such indemnified matters arise.

8.6 Survival of Indemnification.

The remedial indemnification and reimbursement obligations under this Section 8 will survive the expiration or earlier termination of this Lease.

9. UTILITIES AND REPAIRS.

9.1 Installation and Repairs.

Lessee will install any water, sewer, storm water, electric, communication lines, natural gas lines, roads, sidewalks, and/or any other infrastructure as required for the development of the leased land. Lessee hereby agrees that shared costs with the Lessor for infrastructure, as authorized in 77-1-905 MCA are limited to those eligible improvements specified in Exhibit C, and reimbursement for construction costs will be in the form of a rent credit as described in Section 6.2 above, and shown in the base rent schedule provided in Section 2. Lessee, at its own cost, will maintain, repair, replace and keep all installed Utilities upon the Premises in reasonably good condition and repair.

9.2 Utilities.

Lessee will pay before delinquent all water, sewer, natural gas, electricity, telephone and any other utility charges related to the Premises including, without limitation, those which, if not paid, may be asserted as a lien or charge against the Premises.

10. TAXES.

10.1 Payment of Taxes.

Lessee will pay before delinquent, directly to the taxing authority, all Taxes that accrue during or are attributable to any part of the Term, including privilege taxes, also known as beneficial use taxes, per MCA 15-24-1203.

10.2 Special Assessments.

Lessee will pay all special assessments (i.e. SIDs, RIDs, etc.) and other like impositions levied, assessed, or attributable to the Land during the Term.

11. INSURANCE.

11.1 Acquisition of Insurance Policies.

Lessee shall, at its sole cost and expense, procure and maintain, or cause to be procured and maintained during the entire Term, the insurance described in this Section 11 issued by an insurance company(ies) licensed to do business in the State of Montana that are reasonably satisfactory to Lessor.

11.2 Types of Required Insurance.

Lessee shall procure and maintain, or cause one or more of its Sublessees to provide and keep in force and name Lessor as an additional insured, the following during the Term:

a) Liability Insurance. Comprehensive or commercial general liability insurance covering claims arising out of the ownership, operation, maintenance, condition or use of the Premises, for personal and bodily injury and death, and damage to others' property, with limits of not less than \$5,000,000.00 for any one accident or occurrence. Lessee may obtain some portion of this required coverage in the form of an excess liability policy. Lessor will be named as an additional insured in the policy(ies) providing such liability insurance, which will include cross liability and severability of interests clauses.

b) Property Insurance. All-risk fire and extended coverage insurance (including standard extended endorsement perils, leakage from fire protective devices and other water damage) covering loss or damage to the Improvements on a full replacement cost basis, excluding existing architectural and engineering fees, undamaged excavation, footings and foundations.

c) Workers' Compensation Insurance. Workers' compensation and employer's liability insurance covering Lessee's employees, officers, agents and representatives employed at the Premises.

11.3 Terms of Insurance.

The policies required above, shall name Lessor as an additional insured and Lessee shall provide promptly to Lessor certificates of insurance evidencing the policies obtained by Lessee hereunder as hereinafter described. Proof of insurance ("Proof") shall consist of either (a) an insurance binder or premium payment receipt, (b) a copy of the policy, or (c) an "ACORD 27 Evidence of Property Insurance" or "ACORD 25 Certificate of Liability Insurance," whichever is appropriate (or such other similar certificates), issued by Lessee's insurer with respect to each required policy. Lessee shall deliver Proof before the Lease is executed. Thereafter, during the Term, within 30 days after the renewal date of each policy, the issuance of a new policy or on such other date as Lessor reasonably requires, Lessee will deliver a copy of the latest Proof to Lessor. Each policy of insurance will require the issuer of the insurance policy to give Lessor 30 days' advance written notice of the termination or modification of the policy. Further, all policies of insurance described above, shall:

a) be written as primary policies not contributing with and not in excess of coverage that Lessor may carry;

b) contain an endorsement providing that such insurance may not be materially changed, amended or canceled except after 30 days' prior written notice from insurance company to Lessor;

c) expressly provide that Lessor shall not be required to give notice of accidents or claims and that Lessor shall have no liability for premiums; and

d) not have a deductible in excess of \$20,000.00.

12. DAMAGE OR DESTRUCTION.

In the event of any Substantial Damage to the Premises from any causes whatsoever, Lessee shall promptly give written notice thereof to Lessor. Lessee shall promptly repair or restore the Premises as nearly as possible to its condition immediately prior to such damage or destruction unless Lessor and Lessee mutually agree in writing that such repair and restoration is not feasible, in which event this Lease shall thereupon terminate upon Lessee completion of a remediation plan developed by the Department. Lessee's duty to repair any damage or destruction of the Premises shall not be conditioned upon the availability of insurance proceeds from which the cost of repairs may be paid. Unless this Lease is so terminated by mutual agreement, there shall be no abatement or reduction in Rent during such period of repair and restoration. If a Default by Lessee shall have occurred and be continuing at the time such damage or destruction occurs, Lessor may elect to terminate this Lease by providing written notice of such election to Lessee and Lessee shall forfeit the Security Deposit.

13. CONDEMNATION.**13.1 Notice.**

If either Lessor or Lessee learns that all or any portion of the Premises has been or is proposed to be subjected to a Taking, such party will immediately notify the other of such Taking.

13.2 Termination Option on Substantial Taking.

If a Substantial Taking occurs during the Term, Lessee may, at its option, terminate this Lease by giving notice to Lessor on or before 60 days after the Taking Date. In such event this Lease will terminate 30 days after the date of Lessee's notice of termination and all Base Rent and other Rent will be apportioned to the date Lessee surrenders possession.

13.3 Continuation of Lease.

If a Taking occurs during the Term that is not a Substantial Taking, then this Lease will remain in full force and effect according to its terms, except that effective as of the Taking Date this Lease will terminate automatically as to the portion of the Premises that is the subject of such Taking and Base Rent will be adjusted to reflect the reduced Land remaining after the Taking. If a Substantial Taking occurs but Lessee does not exercise its termination option this Lease will remain in full force and effect according to its terms, except that effective as of the Taking Date this Lease will terminate automatically as to the portion of the Premises that is the subject of such Taking and Base Rent after the Taking Date will be adjusted to reflect the reduced Land remaining after the Taking.

13.4 Awards for Permanent Taking.

If there is compensation paid as a result of any permanent Taking of the Premises, the award will be allocated as follows: Lessee will be entitled to receive an amount equal to the then current appraised fair market value of the Improvements placed by the Lessee upon the Premises and Lessor will be entitled to the balance of the award.

13.5 Award for Temporary Taking.

If all or any portion of the Premises shall be taken for temporary use or occupancy, the foregoing provisions shall not apply and the Lessee shall continue to pay the full amount of Rent and the Lessee shall perform and observe all of the other terms, covenants, conditions and obligations of this Lease as though the temporary Taking had not occurred, subject to any order of the condemning authority. In the event of a temporary Taking, Lessee shall be entitled to receive the entire amount of the compensation award for such taking, unless the period of temporary use or occupancy shall extend beyond the Expiration Date in which case the compensation shall be apportioned between the Lessor and the Lessee as of the Expiration Date.

14. ASSIGNMENT, SUBLETTING AND FINANCING

14.1 Assignment.

Lessee shall not assign its interest under this Lease, in whole or in part, without Lessor's prior written consent. Such consent shall be determined in Lessor's sole and absolute discretion. Lessor's consent will not be required for any transfer of Lessee's interest under this Lease to a Foreclosure Transferee. Lessor will recognize any Foreclosure Transferee as a substitute Lessee under this Lease and will honor all rights and interest of such substitute Lessee as if the substitute Lessee was the initial Lessee under this Lease and such Foreclosure Transferee shall be bound by the terms and conditions of this Lease. Additionally, if the Foreclosure Transferee is a Qualified Lender, such Qualified Lender shall have the right to assign its interest under this Lease without the consent of Lessor and, upon such assignment, Lessor shall recognize the assignee as a substitute Lessee under this Lease and the Qualified Lender shall be released of any further liability under the Lease. If Lessee assigns its rights in this Lease, as permitted pursuant to this Section, and the assignee assumes, in writing, Lessee's obligations hereunder which arise on or after the date of such assignment, then Lessee shall be relieved of all liabilities hereunder accruing from and after the date of such assignment, but this Lease shall otherwise remain in full force and effect.

14.2 Subletting.

Lessee may sublease the Premises or portions thereof in accordance with the terms of this section. Lessee shall require any sublessees to maintain the Premises pursuant to the terms and conditions contained in this Lease. Lessee shall inform Lessor of all subleases by delivering a copy of the sublease to the Lessor, addressed as follows: DNRC, Real Estate Management Bureau Chief, P.O. Box 201601, Helena, MT 59620. No sublease shall be effective until a valid sublease agreement with a valid attornment provision is delivered to the Lessor, as hereinafter provided. Upon receipt of copy of the sublease by Lessor, Lessor shall have thirty (30) days in which to object to the sublease. Lessor hereby reserves the right to object to any sublease arrangement for any reason, in the sole discretion of the Lessor. All subleases shall include an attornment provision whereby upon the early termination of this Lease or repossession of the Premises by Lessor, the Sublessee shall attorn to the Lessor as its landlord under all of the terms, covenants and conditions of this Lease (prorated for the actual amount of Land used by sublessee) for the balance of the remaining Term, with the same force and effect as if Sublessee were the Lessee under this Lease. Such attornment shall be effective and self-operative immediately upon Lessee's termination. Sublessee shall agree to execute, acknowledge and deliver to Lessor any document that Lessor reasonably requests to confirm such attornment.

14.3 Financing.

a) Lessee's Right to Encumber. Throughout the Term, Lessee or sublessees may from time to time and without Lessor's consent execute and deliver one or more Leasehold Encumbrances securing any indebtedness or other obligation of Lessee. Without limiting the generality of the foregoing, Lessee may execute and deliver Leasehold Encumbrances to secure promissory notes evidencing construction, interim or permanent financing for the Premises or to secure Lessee's obligations under development, reimbursement or other agreements with governmental or quasi-governmental entities, utility companies or other third parties concerning matters such as sales or property tax abatement or rebate programs, public improvements or utilities.

b) Qualified Lenders' Cure Rights. Prior to terminating this Lease or exercising any other right or remedy hereunder for a Default by Lessee, Lessor will give each Qualified Lender notice of such Default by Lessee and afford it a period of 30 days after such notice is given in which to cure such Default by Lessee; provided, however, that (i) if such Default by Lessee is not a failure to pay Rent and is susceptible of cure by a Qualified Lender but cannot reasonably be cured within such 30-day period, then so long as any Qualified Lender commences a cure within such 30-day period (and notifies Lessor that it has done so), its cure period will be extended for as long as reasonably necessary for it to diligently

pursue the cure to completion; (ii) if such Default by Lessee is not a failure to pay Rent and is susceptible of cure by a Qualified Lender but cannot reasonably be cured until the Qualified Lender obtains possession of the Premises, then so long as any Qualified Lender commences to obtain possession of the Premises within such 30-day period (and notifies Lessor that it has done so), its cure period will be extended for as long as reasonably necessary for it to obtain possession of the Premises and then promptly commence and thereafter diligently pursue the cure to completion.

c) Prohibition Against Mutual Rescission. No mutual termination, cancellation, rescission or modification of a material provision of this Lease by Lessor and Lessee will be effective unless and until the same is approved in writing by each Qualified Lender. All rights and remedies of the Qualified Lender hereunder will be cumulative with, in addition to and non-exclusive of one another.

14.4 Assignment by Lessor.

If Lessor sells or otherwise transfers the Land, or if Lessor assigns its interest in this Lease, Lessees will be notified of transfer in writing, and such purchaser, transferee or assignee thereof shall be deemed to have assumed Lessor's obligations hereunder which arise on or after the date of sale or transfer, and Lessor shall thereupon be relieved of all liabilities hereunder accruing from and after the date of such transfer or assignment, but this Lease shall otherwise remain in full force and effect.

15. DISPUTE RESOLUTION.

15.1 Issues Subject to Administrative Hearing.

Any controversy which may arise between Lessor and Lessee regarding the provisions hereof shall be resolved by an administrative contested case hearing before the Department under the Montana Administrative Procedures Act.

15.2 Administrative Hearing Procedure.

All administrative hearings hereunder shall be conducted in the offices of the Department in Helena, Montana. The findings of fact, conclusions of law, and proposed decision of the hearing examiner shall be rendered within sixty (60) days of the completion of the hearing and submission of any briefs. Either party may file exceptions to the hearing examiner's findings, conclusions, and proposed decision with the Department's Director. The Lessee may, as permitted by the Department's administrative rules, petition for judicial review of the final administrative decision of the Department. Fees of the respective counsel engaged by the parties, and fees of expert witnesses or other witnesses called for the parties shall be paid by the respective party engaging such counsel or calling or engaging such witness.

16. LEASE EXPIRATION.

16.1 Condition at End of Lease.

Upon vacating the Premises on the Expiration Date, Lessee shall leave the Premises in good condition and shall peaceably surrender the same to Lessor. Lessee shall remove all of its personal property on or before the Expiration Date. All personal property remaining on the Premises on the day after the Expiration Date shall be conclusively deemed abandoned by the Lessee and shall become property of Lessor without further notice to Lessee.

16.2 Holding Over.

If the Premises are not surrendered on the Expiration Date, Lessee shall immediately indemnify Lessor against loss or liability resulting from the delay by Lessee in so surrendering the Premises, including, without limitation, any claims made by any succeeding Lessee founded on such delay. Should the Lessee remain in possession of the Premises after the Expiration Date or termination without a written agreement providing for the same, Lessee will, at Lessor's option be deemed to be a Lessee from month to month, at

a monthly Base Rent, payable in advance, equal to 150% of monthly Base Rent payable during the last full "Lease Year" prior to the Expiration Date or termination of this Lease, and Lessee will be bound by all of the other terms, covenants and agreements of this Lease as the same may apply to a month-to-month tenancy.

17. LIENS AND ESTOPPEL CERTIFICATES.

17.1 Liens.

Lessee will not allow any liens to be recorded, filed, claimed or asserted against the Premises. In the event a lien is recorded, filed, claimed or asserted, the Lessee will cause the same to be released or discharged within 30 days thereafter. If the Lessee defaults under the foregoing covenant, then the Lessor may, upon written notice to Lessee, cause any such claimed lien to be released of record by bonding or payment or any other means available. All sums paid and costs and expenses incurred by the Lessor in connection therewith, together with interest on all such sums at the Default Rate from the date incurred until paid, will be due and owing from the Lessee to the Lessor upon demand therefore.

17.2 Lien Contests.

If Lessee has a good faith dispute as to any lien for which Lessee is responsible, Lessee may contest the same by appropriate proceedings so long as Lessee bonds over the lien or deposits with Lessor security in an amount acceptable to Lessor (but in no event more than the amount required by applicable Laws) which may be used by Lessor to release such lien and pay interest and costs if Lessee's contest is abandoned or is unsuccessful. Upon final determination of any permitted contest, Lessee will promptly pay any judgment rendered and cause the lien to be released.

17.3 Estoppel Certificates.

Lessor and Lessee agree that at any time and from time to time (but on not less than 10 business days' prior request by the other party), each party will execute, acknowledge and deliver to the other a certificate indicating any or all of the following: (a) the date on which the Term commenced and the date on which it is then scheduled to expire; (b) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the date and nature of each modification); (c) the date, if any, through which Rent had been paid; (d) that no Default by Lessor or Default by Lessee exists which has not been cured, except as to defaults stated in such certificate; (e) that the responding party has no existing defenses or set-offs to enforcement of this Lease, except as specifically stated in such certificate; and (f) such other matters as may be reasonably requested by the requesting party. Any such certificate may be relied upon by the requesting party.

18. DEFAULTS BY LESSEE AND LESSOR'S REMEDIES.

18.1 Defaults by Lessee.

Each of the following events, which continue beyond any applicable notice and cure period, will constitute a "Default by Lessee" under this Lease:

a) Failure to Pay Rent. Lessee fails to pay any Base Rent or any other Rent, including late charges and interest accruing thereon, payable by Lessee under the terms of this Lease when due, and such failure continues for 30 days after written notice from Lessor to Lessee of such failure.

b) Failure to Perform Other Obligations. Lessee breaches or fails to comply with any provision of this Lease applicable to Lessee other than a covenant to pay Rent, and such breach or noncompliance continues for a period of 30 days after written notice thereof from Lessor to Lessee; or, if such breach or noncompliance cannot be reasonably cured within such 30-day period, Lessee does not commence to cure

such breach or noncompliance within such 30-day period and thereafter pursue such cure in good faith to completion.

c) Execution and Attachment Against Lessee. Lessee's interest under this Lease or in the Premises is taken upon execution or by other process of law directed against Lessee, or is subject to any attachment by any creditor or claimant against Lessee and such attachment is not discharged or disposed of within 30 days after levy; provided, however, that this provision shall not apply in the event of a foreclosure or transfer in lieu of foreclosure under a Leasehold Encumbrance by a Qualified Lender or to a transfer of Lessee's interest in this Lease and the Premises to a Foreclosure Transferee.

d) Fraud or Misrepresentation. Lessee's fraud or misrepresentation, or concealment of material facts which if known would have prevented the issuance of this lease.

e) Unauthorized Use of Premises. Lessee's use, or knowledge or permission of someone else's use, of the Premises for any unlawful or unpermitted purpose, and such unlawful use continues for 30 days after written notice from Lessor to Lessee to cease such use.

18.2 Lessor's Remedies.

Time is of the essence. If any Default by Lessee occurs, Lessor will have the right, at Lessor's election, then or at any later time, to exercise any one or more of the remedies described below. Exercise of any of such remedies will not prevent the concurrent or subsequent exercise of any other remedy provided for in this Lease or otherwise available to Lessor at law or in equity.

18.3 Remedies.

a) In the event of a Default by Lessee, Lessor may, at Lessor's option but without obligation to do so, and without releasing Lessee from any obligations under this Lease, make any payment or take any action as Lessor deems necessary or desirable to cure any Default by Lessee in such manner and to such extent as Lessor in good faith deems necessary or desirable, provided that, prior to making any such payment or taking any such action, Lessor notifies Lessee in writing of Lessor's intention to do so and affords Lessee at least 10 days in which to make such payment or take such action. Lessee will pay Lessor, upon written demand, all advances, costs and expenses of Lessor in connection with making any such payment or taking any such action, together with interest at the Default Rate, from the date of payment of any such advances, costs and expenses by Lessor.

b) Termination of Lease. In the event of a Default by Lessee, Lessor may terminate this Lease, effective at such time as may be specified by written notice to Lessee, and demand (and, if such demand is refused, recover) possession of the Premises from Lessee. In such event, Lessor will be entitled to recover from Lessee such damages as are allowable by applicable Laws.

c) Repossession and Reletting. In the event of a Default by Lessee, Lessor may reenter and take possession of all or any part of the Premises, without additional demand or notice, and repossess the same and expel Lessee and any party claiming by, through or under Lessee, and remove the effects of both, without being liable for prosecution for such action or being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of Rent or right to bring any proceeding for breach of covenants or conditions. No such reentry or taking possession of the Premises by Lessor will be construed as an election by Lessor to terminate this Lease unless a notice of termination is given to Lessee. No notice from Lessor or notice given under a forcible entry and detainer statute or similar Laws will constitute an election by Lessor to terminate this Lease unless such notice specifically so states. Lessor reserves the right, following any reentry or reletting, to exercise its right to terminate this Lease by giving Lessee such notice, in which event the Lease will terminate as specified in such notice. After recovering possession of the Premises, Lessor will use reasonable efforts to relet the Premises on

commercially reasonable terms and conditions. Lessor may make such repairs, alterations or improvements as Lessor considers appropriate to accomplish such reletting, and Lessee will reimburse Lessor upon demand for all reasonable costs and expenses, which Lessor may incur in connection with such reletting. Lessor may collect and receive the rents for such reletting but Lessor will in no way be responsible or liable for any inability to relet the Premises or to collect any rent due upon such reletting. Regardless of Lessor's recovery of possession of the Premises, so long as this Lease is not terminated Lessee will continue to pay on the dates specified in this Lease, the Base Rent and other Rent which would be payable if such repossession had not occurred, less a credit for any payments actually received by Lessor through any reletting of the Premises. However, in no instance will Lessee be liable for Rent beyond the first 3 years of the reletting period.

d) Receiver. To properly effectuate the recovery of damages and other sums owing from Lessee to Lessor hereunder following a Default by Lessee, Lessor, in conjunction with any dispossession proceeding commenced pursuant to this Lease may seek an appointment of a receiver by a court of competent jurisdiction to the extent provided for in and compliance with the requirements of Title 25, Chapter 14, Part 2 of the Montana Code Annotated and Rule 66 of the Montana Rules of Civil Procedure, as they may be amended. In no event will Lessor be obligated to post a bond in connection with the appointment of a receiver.

e) Bankruptcy Relief. Nothing contained in this Lease will limit or prejudice Lessor's right to obtain adequate assurances of the Lessee's future performance under 11 USC Section 365 or other applicable laws, or any other legal rights, in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding.

19. DEFAULTS BY LESSOR AND LESSEE'S REMEDIES.

19.1 Defaults by Lessor.

The following event, which continues beyond the applicable notice and cure period, will constitute a "Default by Lessor" under this Lease: Lessor breaches or fails to comply with any provision of this Lease applicable to Lessor, and such breach or noncompliance continues for a period of 30 days after notice thereof from Lessee to Lessor; or, if such breach or noncompliance cannot be reasonably cured within such 30-day period and Lessor does not commence to cure such breach or noncompliance within such 30-day period and does not thereafter pursue such cure in good faith to completion.

19.2 Lessee's Remedies.

If any Default by Lessor occurs, Lessee will have the right, at Lessee's election, then or at any later time, to exercise the remedy described herein. Exercise of such remedy will not prevent the concurrent or subsequent exercise of any other remedy otherwise available to Lessee at law or in equity.

- a) Termination of Lease. In the event of a Default by Lessor, Lessee may terminate this Lease, effective at such time as may be specified by written notice to Lessor. In such event, Lessee will be entitled to recover from Lessor such damages as are allowable by applicable Laws.
- b) Action to Cure. Lessee may, at Lessee's option but without obligation to do so, and without releasing Lessor from any obligations under this Lease, make any payment or take any action as Lessee deems necessary or desirable to cure any Default by Lessor in such manner and to such extent as Lessee in good faith deems necessary or desirable, provided that, prior to making any such payment or taking any such action, Lessee notifies Lessor of Lessee's intention to do so and affords Lessor at least 10 days in which to make such payment or take such action. Lessor will pay Lessee, upon demand, all advances, costs and expenses of Lessee in connection with making any such payment or taking any such action, together with interest at the Default Rate, from the date of payment of any such advances, costs and expenses by Lessee.

20. SECURITY DEPOSIT

To secure compliance with the terms of this Lease, on or before the Commencement Date, the Lessee shall deposit with Lessor a \$22,836 Security Deposit, to be held by Lessor without interest. Lessor shall not be required to segregate the Deposit from other funds of Lessor. In the event Lessor assigns or transfers Lessor's interest in this Lease, Lessor shall transfer the Security Deposit to Lessor's successor-in-interest, whereupon Lessor shall be automatically deemed released from all liability in connection with the Security Deposit.

20.1 Security Deposit upon the Expiration Date.

Upon the Expiration Date of this Lease, Lessor may deduct the amount necessary from the Security Deposit to compensate Lessor for all tangible loss, injury or deterioration of the Premises caused by Lessee, or Lessee's guests, plus all unpaid Rent and the Department's costs to reclaim the Land. Within sixty (60) days following Lessee's departure, Lessor will deliver to Lessee a written list of all deductions from the Security Deposit and pay the remaining balance (if any) to Lessee. Said list and payment will be mailed to Lessee's Address unless Lessee provides Lessor of a new address in writing. If the Security Deposit is insufficient to satisfy the damages, reclamation charges and unpaid Rent, Lessor may collect the deficiency from Lessee.

20.2 Security Deposit Upon Early Termination by Lessee.

Upon early termination of this Lease by Lessee for any reason other than a Taking or Substantial Damage, the parties acknowledge and agree that the Lessor will suffer damages the exact amount of which will be extremely difficult to ascertain. Accordingly, Lessee shall forfeit the entire amount of the Security Deposit and the parties hereby agree that such forfeiture represents a fair and reasonable estimate of the costs that Lessor will incur by reason of Lessee's early termination. If the Security Deposit is insufficient to satisfy the damages, reclamation charges and unpaid Rent, Lessor may collect the deficiency from Lessee.

20.3 Security Deposit Upon Default of Lessee

Upon a Default by Lessee, Lessor may, but without obligation to do so or prejudice to or waiver of any other remedy available to Lessor, use or apply the Security Deposit in the manner and to the extent deemed appropriate or necessary by Lessor, in its sole discretion (an "Application") to remedy, cure, or otherwise address the Default by Lessee, which Application shall not cure or waive such Event of Default and shall be restored to its original amount upon request by Lessor.

21. MISCELLANEOUS

21.1 Notices.

All notices required under this Lease must be in writing and will be deemed properly given and received (a) when actually given and received, if delivered in person to a party who acknowledges receipt in writing; or (b) one business day after deposit with a private courier or overnight delivery service with a written acknowledgment of receipt; or (c) 5 business days after the date postmarked on the cover of any correspondence or notice when deposited in the United States mail, certified – return receipt requested, with postage prepaid. All such notices shall be sent to the noticee's address shown in this Lease unless the party giving notice has been notified, in writing, of a more recent address for the noticee. In the case of notices to a Qualified Lender, to the address set forth in its most recent notice to Lessor.

21.2 Binding Effect.

Each of the provisions of this Lease will extend to bind or inure to the benefit of, as the case may be, Lessor and Lessee, and their respective heirs, successors and assigns.

21.3 Modifications.

This instrument contains the entire agreement between the parties, and no statement, promises or inducements made by either party, or agents of either party, which are not contained in this Lease shall be valid or binding. All modifications to this Lease must be in writing and signed by the Lessor and the Lessee. If executed properly under this section, modifications of this Lease do not need independent consideration to be legally enforceable.

21.4 Enforcement Expenses.

Regardless of any statutory rights, each party agrees to bear their own costs, charges and expenses, including the fees and out-of-pocket expenses of attorneys, agents and others retained, incurred in successfully enforcing the other party's obligations under this Lease.

21.5 No Waiver.

No waiver of any provision of this Lease will be implied by any failure of either party to enforce any remedy upon the violation of such provision, even if such violation is continued or repeated subsequently. No express waiver will affect any provision other than the one specified in such waiver, and that only for the time and in the manner specifically stated.

21.6 Captions.

The captions of sections are for convenience of reference only and will not be deemed to limit, construe, affect or alter the meaning of such sections.

21.7 Severability.

If any provision of this Lease is declared void or unenforceable by a final judicial or administrative order, this Lease will continue in full force and effect, except that the void or unenforceable provision will be deemed deleted and replaced with a provision as similar in terms to such void or unenforceable provision as may be possible and be valid and enforceable.

21.8 Waiver of Jury Trial.

Lessor and Lessee waive trial by jury in any action, proceeding or counterclaim brought by Lessor or Lessee against the other with respect to any matter arising out of or in connection with this Lease, Lessee's use and occupancy of the Premises, or the relationship of Lessor and Lessee.

21.9 Authority to Bind.

The individuals signing this Lease on behalf of Lessor and Lessee represent and warrant that they are empowered and duly authorized to bind Lessor or Lessee, as the case may be, to this Lease according to its terms.

21.10 Only Lessor/Lessee Relationship.

Lessor and Lessee agree that neither any provision of this Lease nor any act of the parties will be deemed to create any relationship between Lessor and Lessee other than the relationship of Lessor and Lessee.

21.11 Reservation of Oil, Gas, and Minerals.

Lessor expressly excepts and reserves from this Lease all rights to all oil, gas and other minerals in, on or under the Land and that might be produced or mined from the Land; provided, however, that no drilling, mining or other surface disturbance will be undertaken on the surface of this Lease, nor shall the Lessor interfere with the Lessee's right to subjacent support, during the Term of this Lease.

21.12 Reservation of Rights-Of-Way

Lessor expressly excepts and reserves from this Lease and retains the right to grant rights-of-way on the Land for other purposes to third-parties.

21.13 Right of Inspection

Lessor, or its authorized representatives, may, at any reasonable hour, enter upon and inspect the Premises to ascertain compliance with this Lease. Any inspection or examination of the Buildings and Improvements shall not interfere with Lessee's use of the Premises or the business conducted therein.

21.14 Reasonableness.

At any time during this Lease, if either party is to use reasonable judgment, it shall be deemed to mean ordinary business judgment.

21.15 Governing Law; Venue and Jurisdiction.

This Lease will be governed by and construed according to the laws of the State of Montana. Venue and jurisdiction for any dispute arising under this Lease shall be before the Lessor as a contested case proceeding under the Montana Administrative Procedures Act before the Department.

21.16 Time of Essence.

Time is expressly declared to be of the essence of this Lease.

21.17 Broker.

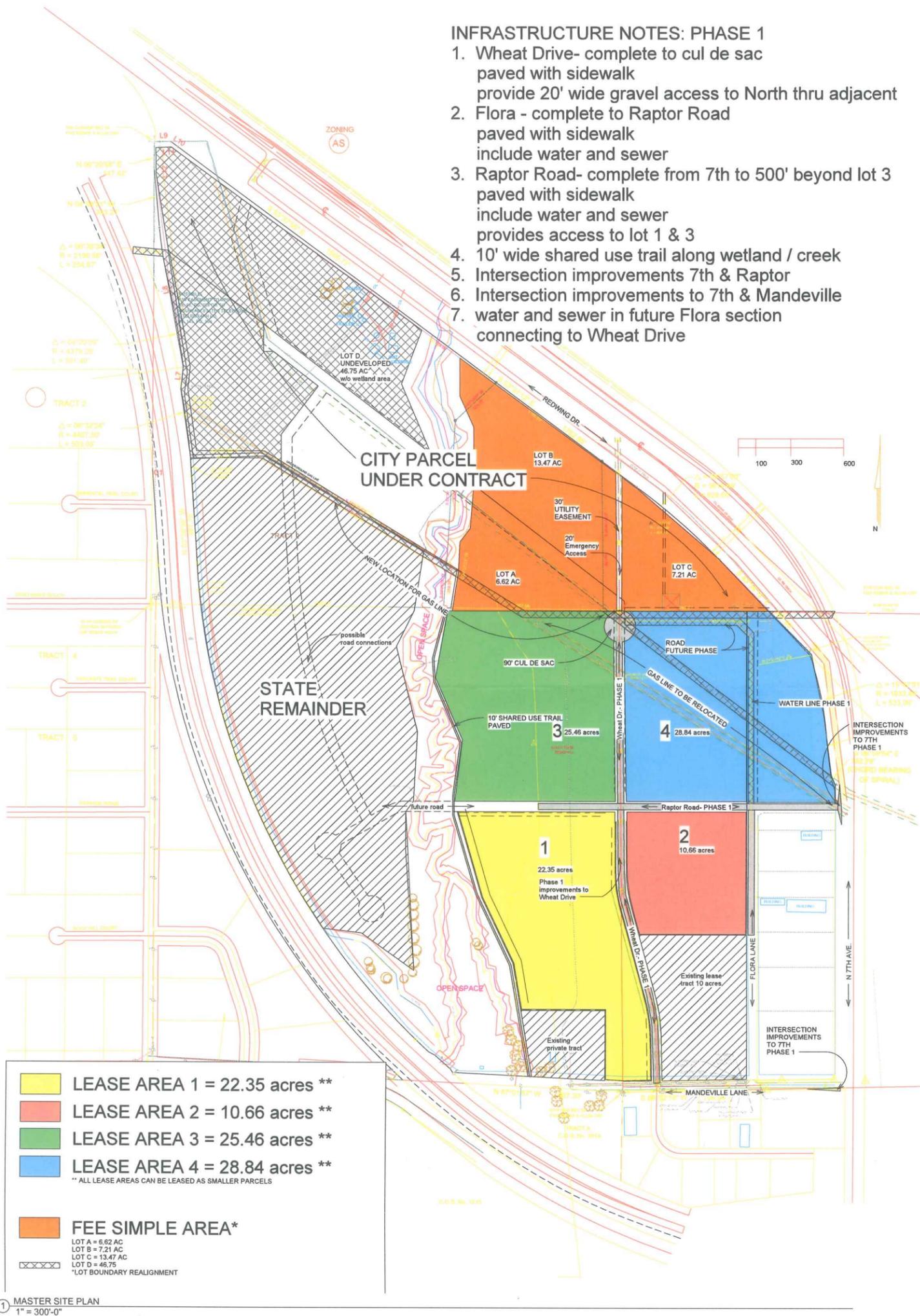
Lessor represents and warrants that no broker or agent negotiated, or was instrumental in negotiating or consummating this Lease on behalf of Lessor. Lessee will indemnify and hold Lessor harmless from all damages paid or incurred by the Lessee from any claims asserted against Lessor by brokers or agents claiming through the Lessee.

Having read and intending to be bound by the terms and provisions of this Lease, Lessor and Lessee have signed it as of the date first stated above.

Exhibit A Site Plan

INFRASTRUCTURE NOTES: PHASE 1

1. Wheat Drive- complete to cul de sac paved with sidewalk provide 20' wide gravel access to North thru adjacent
2. Flora - complete to Raptor Road paved with sidewalk include water and sewer
3. Raptor Road- complete from 7th to 500' beyond lot 3 paved with sidewalk include water and sewer provides access to lot 1 & 3
4. 10' wide shared use trail along wetland / creek
5. Intersection improvements 7th & Raptor
6. Intersection improvements to 7th & Mandeville
7. water and sewer in future Flora section connecting to Wheat Drive



C1	MASTER SITE PLAN APPROVED	NORTH PARK -	
	CONCEPT	MASTER SITE PLAN	
PROJECT STATUS:	REVISION SCHEDULE	WARNING: IF MARKS DO NOT MEASURE FROM END TO END AND " IN BETWEEN THEN DRAWING IS NOT TO SCALE, DO NOT SCALE DRAWINGS, USE ONLY PROVIDED DIMENSIONS	THINKTANK AIA © 2013

EXHIBIT B
MARKET ADJUSTMENT
SCHEDULE AND PROVISIONS

MARKET ADJUSTMENT PROVISIONS

Base Rent for the Land shall be subject to Market Adjustments determined in accordance with these provisions. The Market Adjustments will apply in Lease Year 16, 31, 46, 61, 76 and 91. The process for the Market Adjustment will commence on the date that is 90 days after the first day of Lease Years 15, 30, 45, 60, 75, and 90 as applicable (the "Market Date").

The Market Adjustment will be determined by appraisal in accordance with the following provisions:

SELECTION OF APPRAISERS

Lessor and Lessee shall each hire an appraiser meeting the qualifications set forth in these provisions and shall instruct such appraiser to prepare an appraisal of the market value of the Land based upon the assumptions and meeting the requirements set forth these provisions. The appraiser so retained by Lessor is herein referred to as "Lessor's Appraiser," and the appraisal prepared by Lessor's Appraiser is herein referred to as "Lessor's Appraisal." The appraiser so retained by Lessee is herein referred to as "Lessee's Appraiser," and the appraisal prepared by Lessee's Appraiser is herein referred to as "Lessee's Appraisal." Each appraiser shall be subject to the approval of the other party, which approval will not be unreasonably withheld. Lessor's Appraiser and Lessee's Appraiser shall each be instructed to complete their respective appraisals and deliver their results to both Lessor and Lessee.

DETERMINATION OF BASE RENT

If the difference between the dollar amount of Lessor's Appraisal and the dollar amount of Lessee's Appraisal is equal to or less than 10%, then the Land Value shall be deemed to be the mathematical average of the two appraisals. See the following example of a scheduled Market Adjustment for a 50,000 square foot lease, at a 6% lease rate with two different appraisal values:

Lessor Appraisal = \$6.50 per square foot

Lessee Appraisal = \$6.10 per square foot

Land Value= \$6.30 per square foot

New Annual Base Rent = \$6.30 x 50,000 (or applicable square footage) x 6% (or applicable Lease Rate) = \$18,900.

If the difference between the dollar amount of Lessor's Appraisal and the dollar amount of Lessee's Appraisal is greater than 10%, then:

- a) Lessor and Lessee shall have 30 days from the Appraisal Report Date within which to agree upon the Land Value between the two appraisals; OR
- b) If Lessor and Lessee are unable to agree on the Land Value within such 30 day period, then Lessor and Lessee shall jointly select a third appraiser to prepare an appraisal of the market value of the Land utilizing the same scope of work from the Lessor's Appraisal and the Lessee's Appraisal. The third appraiser shall be provided copies of both appraisals. The third appraisal shall be prepared and delivered to both Lessor and Lessee. The Land Value shall be the mathematical average of the two appraisals that are closest in dollar amount.

The Land Value determined in accordance with the foregoing provisions shall be binding and conclusive on the parties. Base Rent for the land, as adjusted by the Market Adjustment, shall be amount obtained

by multiplying the Land Value by a percentage determined in accordance with 77-1-905, MCA, or the rate bid in the lease proposal, whichever is higher.

QUALIFICATIONS OF APPRAISERS; REPLACEMENT

Each of Lessor’s Appraiser, Lessee’s Appraiser and any third appraiser must (a) have an MAI designation by the Appraisal Institute (or similar designation available on the Market Date); (b) be a Certified General Appraiser licensed in the State of Montana; and (c) have appraised similar types of uses in the three years prior to such Market Date. If any appraiser designated to serve in accordance with these provisions shall fail, refuse, or otherwise become unable to act, a new appraiser shall be appointed by the contracting party.

SCOPE OF WORK

The Lessor shall draw up the scope of work that meets the statutory requirements at the time, and supply the scope of work to all appraisers. All appraisals conducted during a Market Adjustment shall be subject to the same scope of work.

BRIEFING SESSION

Lessor’s Appraiser and Lessee’s Appraiser, should either so elect, shall be entitled to require a briefing session, to be held at Lessor’s offices on a day and at a time mutually acceptable to Lessor, Lessee, Lessor’s Appraiser and Lessee’s Appraiser but in all events not earlier than 10 nor later than 15 days following the Market Date. At such session, both such appraisers shall be present and each shall be entitled to ask such questions of Lessor and Lessee.

PAYMENT

Lessor shall pay all costs, fees and expenses of Lessor’s Appraiser, and Lessee shall pay all costs, fees and expenses of Lessee’s Appraiser. If a third appraiser is required, Lessor and Lessee shall share equally all costs, fees and expenses of such third appraiser.

MARKET ADJUSTMENT SCHEDULE

Lease Year	Schedule
16	“Market Adjustment”
17 through 30	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
31	“Market Adjustment”
32 through 45	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
46	“Market Adjustment”
47 through 60	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
61	“Market Adjustment”
62 through 75	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
76	“Market Adjustment”
77 through 90	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.
91	“Market Adjustment”
92 through 99	“Adjustment Period” applied to Base Rent resulting from previous Market Adjustment.

The above Market Adjustments are scheduled, however, either party may instigate a single additional market adjustment(s) up to 5 years following any market adjustment which causes an increase or decrease to the previous year’s Base Rent of more than 10%. These additional market adjustments are intended to protect both parties from unrealistic market highs and lows. The action is voluntary and may be exercised by either party with written notice arriving no later than December 1st of the 5th year following the standard Market Value Adjustment date.

716-6

EASEMENTS:

**Land Board Agenda Item
July 18, 2016**

716-6 Easements

Location: Big Horn, Lewis & Clark, Liberty, Missoula, Phillips, Pondera, Richland, Sweet Grass, Toole

Trust Benefits: Common Schools, Public Land Trust – Navigable Rivers

**Trust Revenue: Common Schools=\$75,415
Public Land= \$3,392**

Item Table of Contents

Applicant	Right-of-Way Purpose	Term	Page(s)
Montana Department of Transportation	New Highway Construction	Permanent	1-2
Liberty County	Historic County Road	Permanent	3-4
ONEOK Rockies Midstream, LLC	Existing Natural Gas Pipeline	30-Year	5-10
Pondera County Canal & Reservoir Co.	New Irrigation Pipeline	Permanent	11-12
Triangle Telephone Coop. Assoc., Inc.	New Telecommunications Utility	Permanent	13-14
City of Shelby	New Natural Gas Utility	Permanent	15-16
Montana Department of Transportation	New Highway Construction	Permanent	17-18
Project Spokane LLC	New Electric Utility	Permanent	19-20
3 Rivers Communications, Inc.	New Fiber Optic Utility	Permanent	21-22

Rights of Way Applications

July 18, 2016

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Montana Department of Transportation PO Box 201001 Helena MT 59620
Application No.:	17230
R/W Purpose:	highway construction and maintenance including occupancy by public utilities
Lessee Agreement:	ok
Acreage:	0.04
Compensation:	\$500.00
Legal Description:	a tract of land in the SW4SE4, Sec. 27, Twp. 2N, Rge. 33E, Big Horn County
Trust Beneficiary:	Common Schools

Item Summary

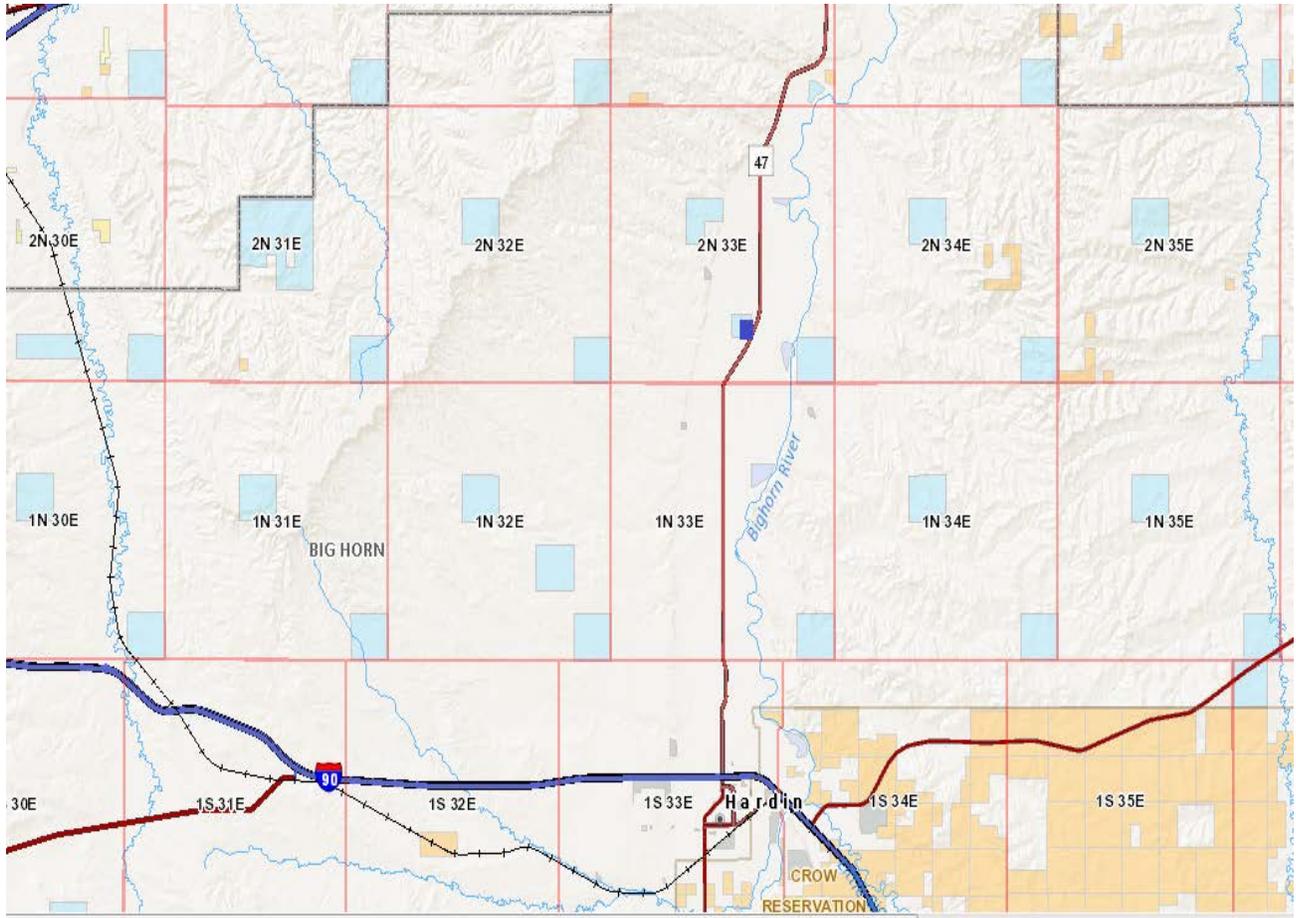
The Department of Transportation (DOT) has made application for a highway reconstruction project known as Hardin-North. The scope of the project is to rehabilitate an approximate 10.6 mile section of State Route 47, a minor arterial route located in Big Horn County. Work on the project will include reconstruction of the existing highway to include minor realignments to the vertical and horizontal surfaces of the roadway. Also included in the project will be the addition of two foot shoulders, excavation and placement of fill and gravel, rehabilitation of two bridges along the project, new drainage features, signage and pavement markings. The fundamental purpose of this project is to bring the roadway up to current federal design standards and to improve the safety and drivability of the roadway for the traveling public. The proposed route is within sage grouse general habitat. Pursuant to *Sage Grouse Executive Order No. 12-2015*, special stipulations will be placed in the easement document to address mitigation measures, such as restrictions related to construction time periods. This project, identified as Project No. 1464110247971, has been approved by the Montana Sage Grouse Habitat Conservation Program.

DNRC Recommendation

The director recommends approval of this reconstruction project.

Rights of Way Applications

July 18, 2016



Application # 17230 - DOT

Rights of Way Applications

July 18, 2016

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Liberty County Box 459 Chester MT 59522
Application No.:	17376
R/W Purpose:	a public county road known as Pugsley Road
Lessee Agreement:	N/A (Historic)
Acreage:	0.57
Compensation:	\$143.00
Legal Description:	30-foot strip through SE4SE4, Sec. 36, Twp. 30N, Rge. 5E, Liberty County
Trust Beneficiary:	Common Schools

Item Summary

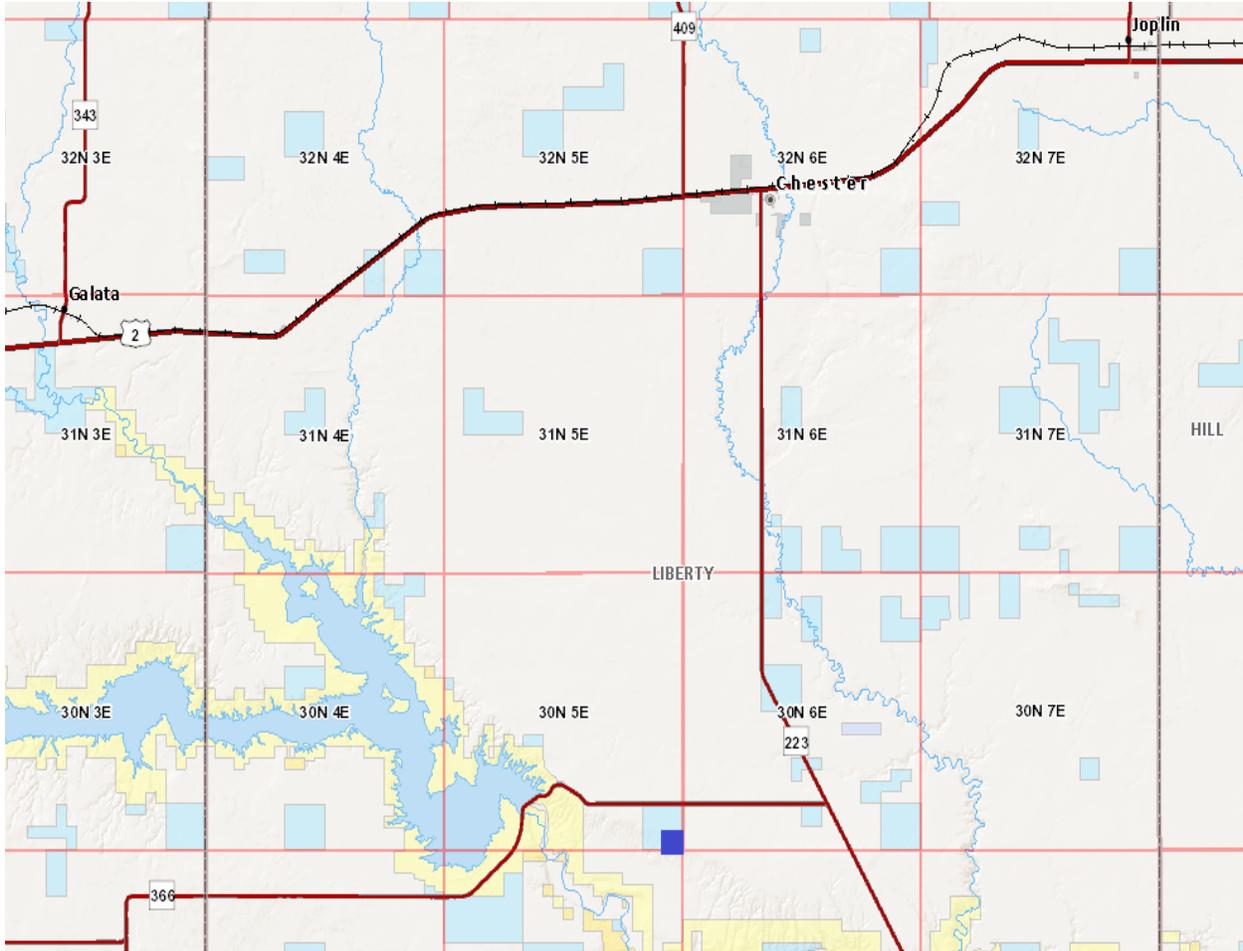
Liberty County has made application for this county road that was constructed on state lands many years ago without proper authorization from the Land Board. Pursuant to §77-1-130, MCA the Liberty County is requesting recognition of this road as a historic right of way.

DNRC Recommendation

The director recommends approval of this historic right of way for Liberty County.

Rights of Way Applications

July 18, 2016



Application # 17376 – Liberty County

Rights of Way Applications

July 18, 2016

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	ONEOK Rockies Midstream LLC 2700 Lincoln Ave SE Sidney MT 59270
Application No.:	17377
R/W Purpose:	a 6" buried natural gas pipeline
Lessee Agreement:	ok
Acreage:	0.05
Compensation:	\$504.00
Legal Description:	20-foot strip through NE4NE4, Sec. 36, Twp. 25N, Rge. 52E, Richland County
Trust Beneficiary:	Common Schools

Item Summary

ONEOK Rockies Midstream, LLC has made application for multiple 4" & 6" natural gas pipelines. The pipelines were previously authorized and installed under a Land Use License issued in 2006. These applications are to convert the License to 30-year term easements. ONEOK Rockies Midstream, LLC has agreed to compensation in the amount of \$70/rod which is consistent with other installations in the area.

DNRC Recommendation

The director recommends approval of these 30-year term easements for these natural gas pipelines.

Rights of Way Applications

July 18, 2016

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	ONEOK Rockies Midstream LLC 2700 Lincoln Ave SE Sidney MT 59270
Application No.:	17378
R/W Purpose:	a 6" buried natural gas pipeline
Lessee Agreement:	ok
Acreage:	2.08
Compensation:	\$19,215.00
Legal Description:	20-foot strip through E2E2, Sec. 36, Twp. 25N, Rge. 52E, Richland County
Trust Beneficiary:	Common Schools

Item Summary

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DNRC Recommendation

See page 5

Rights of Way Applications

July 18, 2016

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	ONEOK Rockies Midstream LLC 2700 Lincoln Ave SE Sidney MT 59270
Application No.:	17379
R/W Purpose:	a 6" buried natural gas pipeline
Lessee Agreement:	ok
Acreage:	2.66
Compensation:	\$24,591.00
Legal Description:	20-foot strip through N2N2, Sec. 36, Twp. 25N, Rge. 52E, Richland County
Trust Beneficiary:	Common Schools

Item Summary

See page 5

DNRC Recommendation

See page 5

Rights of Way Applications

July 18, 2016

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: ONEOK Rockies Midstream LLC
2700 Lincoln Ave SE
Sidney MT 59270

Application No.: 17380
R/W Purpose: a 6" buried natural gas pipeline
Lessee Agreement: ok
Acreage: 0.06
Compensation: \$553.00
Legal Description: 20-foot strip through NE4NE4, Sec. 16, Twp. 24N, Rge. 53E,
Richland County
Trust Beneficiary: Common Schools

Item Summary

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DNRC Recommendation

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Rights of Way Applications

July 18, 2016

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	ONEOK Rockies Midstream LLC 2700 Lincoln Ave SE Sidney MT 59270
Application No.:	17381
R/W Purpose:	a 4" buried natural gas pipeline
Lessee Agreement:	ok
Acreage:	2.87
Compensation:	\$26,649.00
Legal Description:	20-foot strip through W2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4, Sec. 16, Twp. 23N, Rge. 57E, Richland County
Trust Beneficiary:	Common Schools

Item Summary

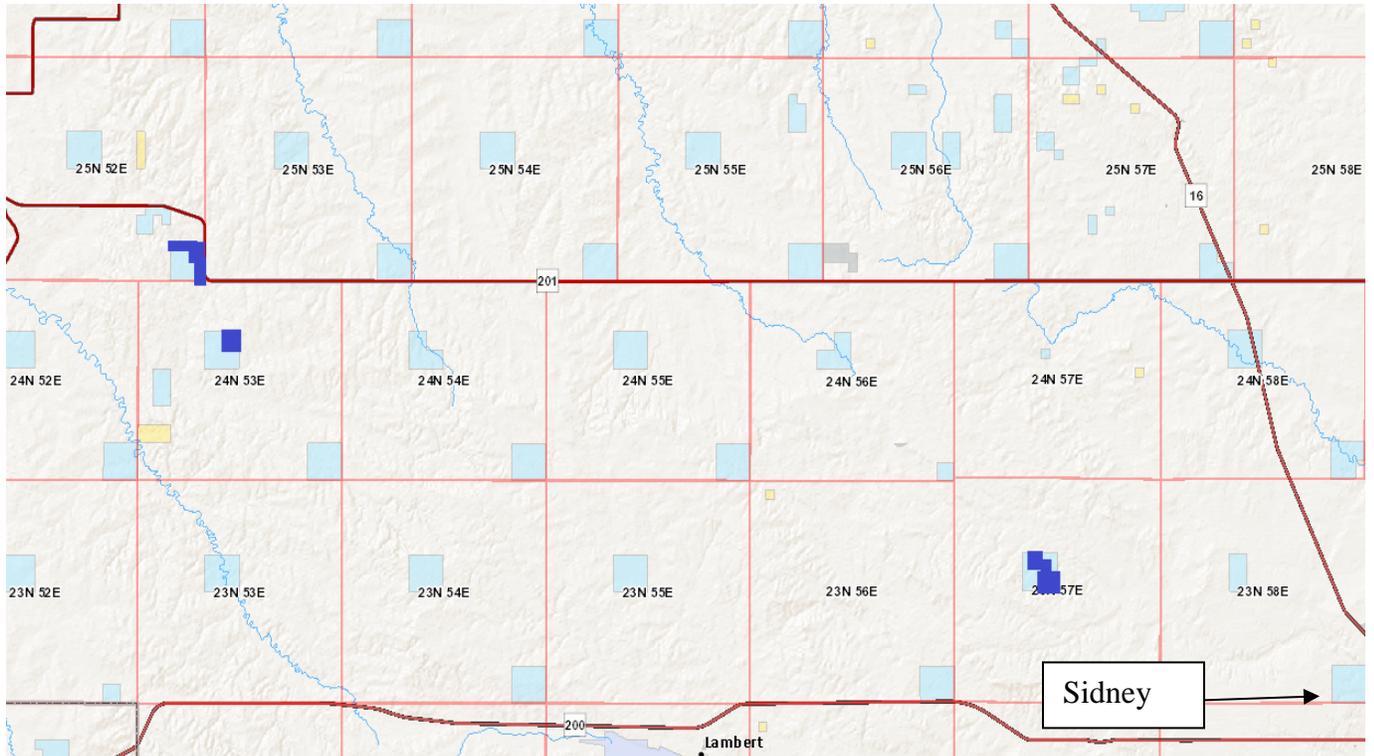
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DNRC Recommendation

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Rights of Way Applications

July 18, 2016



Application #'s 17377 – 17381 – ONEOK Rockies

Rights of Way Applications

July 18, 2016

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Pondera County Canal & Reservoir Company Box 245 Valier MT 59486
Application No.:	17382
R/W Purpose:	a 15" buried irrigation pipeline and lateral
Lessee Agreement:	ok
Acreage:	3.73
Compensation:	\$2984.00
Legal Description:	50-foot strip through SW4SW4, E2SW4, Sec. 16, Twp. 30N, Rge. 2W, Pondera County
Trust Beneficiary:	Common Schools

Item Summary

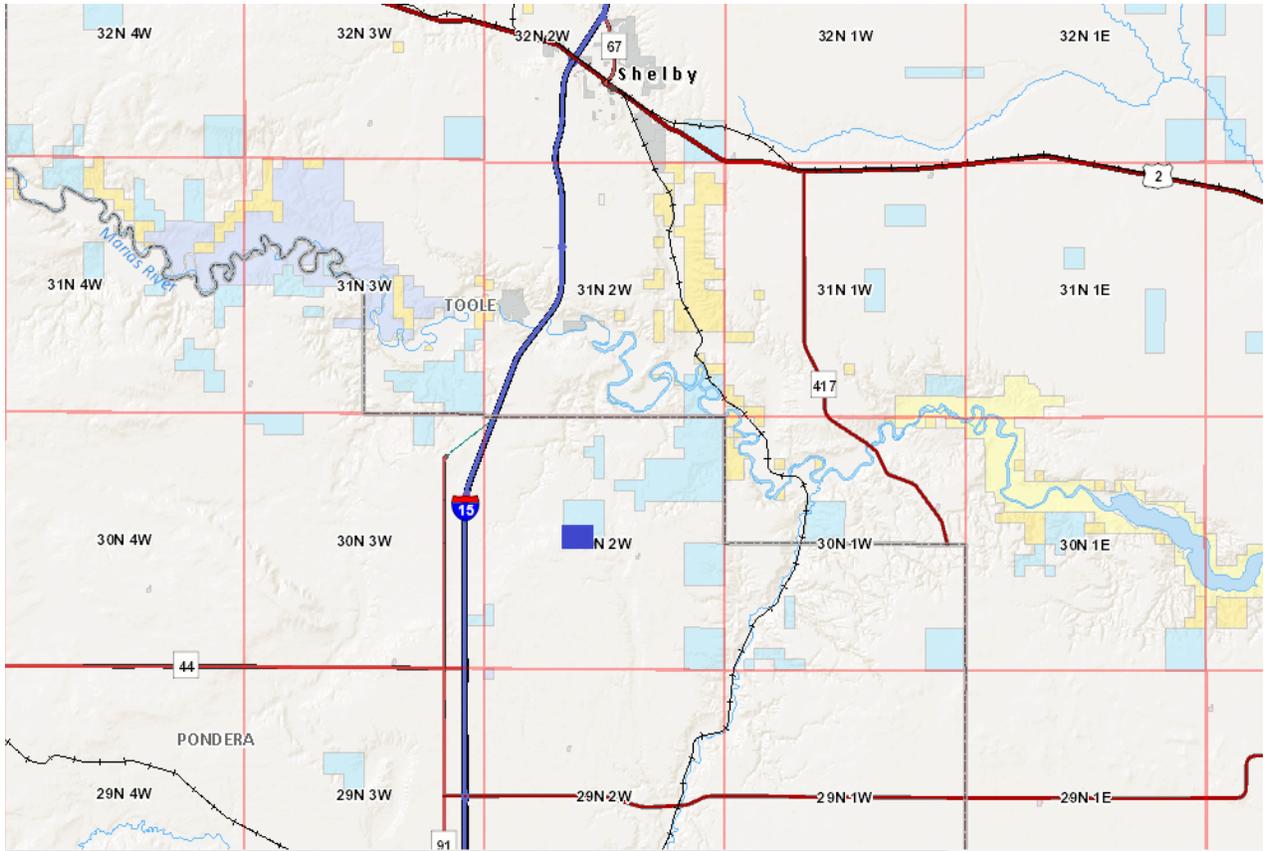
Pondera County Canal & Reservoir Company has made application for a 15" buried irrigation pipeline and lateral. The pipeline and water control outlet structure were installed in the fall of 2011 under Land Use License #3071006. The installation was due to an emergency need prior to the ground freezing. The scope of the project included abandoning an existing ditch and rerouting irrigation water into an underground pipeline. The project created several environmental benefits which include: eliminating erosion and head cutting along ditches, reducing saline seep problems in the area and increasing efficiency of irrigation water delivery. The project has been completed and under the terms of the Land Use License, a permanent easement is being applied for.

DNRC Recommendation

The director recommends approval of this buried irrigation pipeline and lateral.

Rights of Way Applications

July 18, 2016



Application # 17382 – Pondera County Canal & Reservoir Co.

Rights of Way Applications

July 18, 2016

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Triangle Telephone Cooperative Assoc., Inc. PO Box 1220 Havre MT 59501
Application No.:	17408
R/W Purpose:	a buried telecommunications cable
Lessee Agreement:	ok
Acreage:	.044
Compensation:	\$110.00
Legal Description:	20-foot strip through NE4NE4, Sec. 36, Twp. 24N, Rge. 24E, Phillips County
Trust Beneficiary:	Common Schools

Item Summary

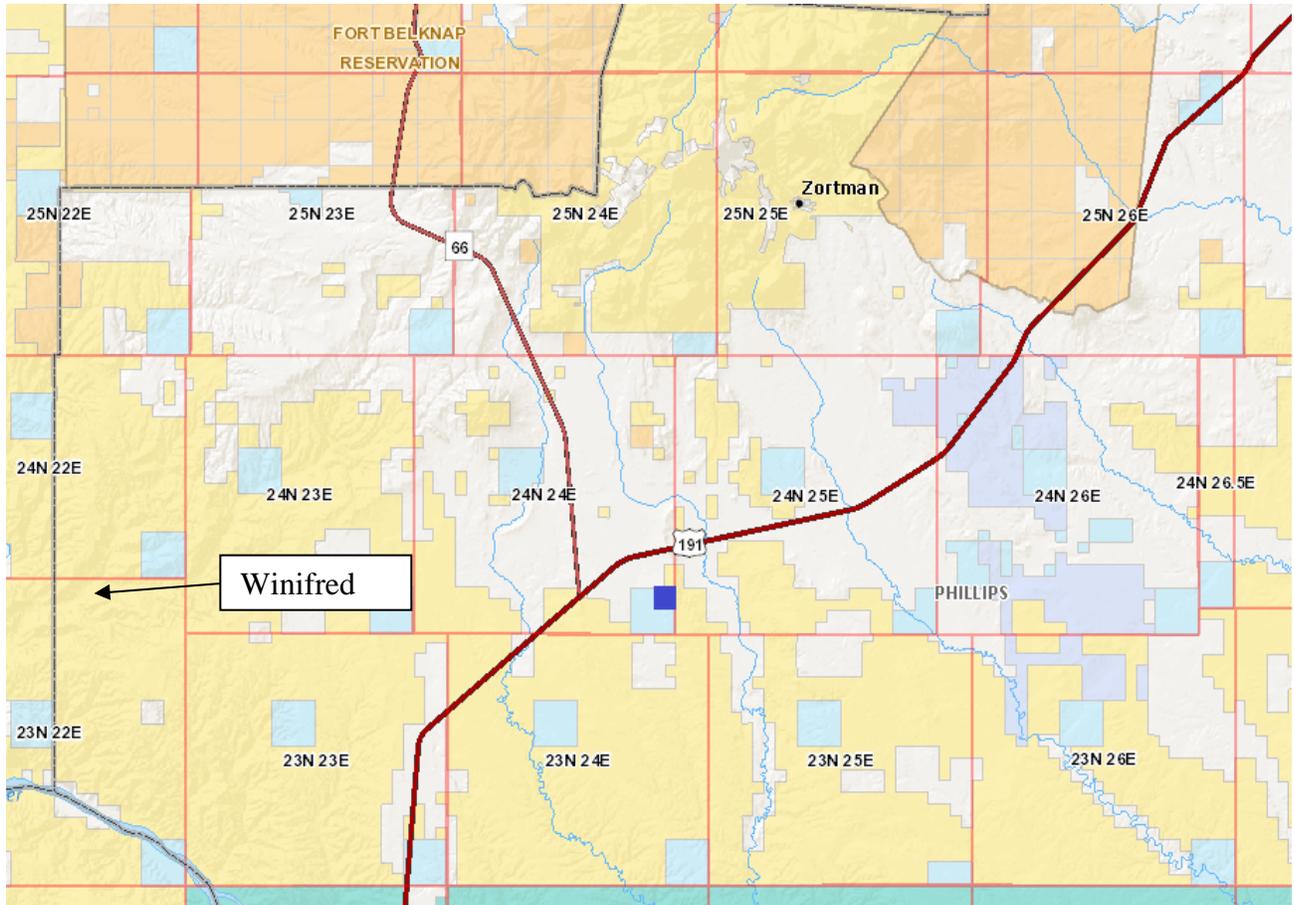
Triangle Telephone Cooperative Assoc., Inc. has made application for a buried telecommunications cable for the purpose of upgrading their facilities and services to the Hays Exchange serving area in and around Hays, Montana. The improvements will offer state of the art telecommunications toll and distribution facilities, as well as future growth capabilities. The route was determined as the most direct route between terminus locations while also providing access to existing and future network considerations. The proposed route is within sage grouse core habitat. Pursuant to *Sage Grouse Executive Order No. 12-2015*, special stipulations will be placed in the easement document to address mitigation measures, such as restrictions related to construction time periods. This project, identified as Project No. 1458588852216, has been approved by the Montana Sage Grouse Habitat Conservation Program.

DNRC Recommendation

The director recommends approval of this buried telecommunications cable.

Rights of Way Applications

July 18, 2016



Application # 17408 – Triangle Telephone

Rights of Way Applications

July 18, 2016

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	City of Shelby 112 1st Street South Shelby MT 59474
Application No.:	17410
R/W Purpose:	a 4" buried natural gas pipeline
Lessee Agreement:	ok
Acreage:	0.83
Compensation:	\$166.00
Legal Description:	20-foot strip through W2NW4, Sec. 36, Twp. 32N, Rge. 2W, Toole County
Trust Beneficiary:	Common Schools

Item Summary

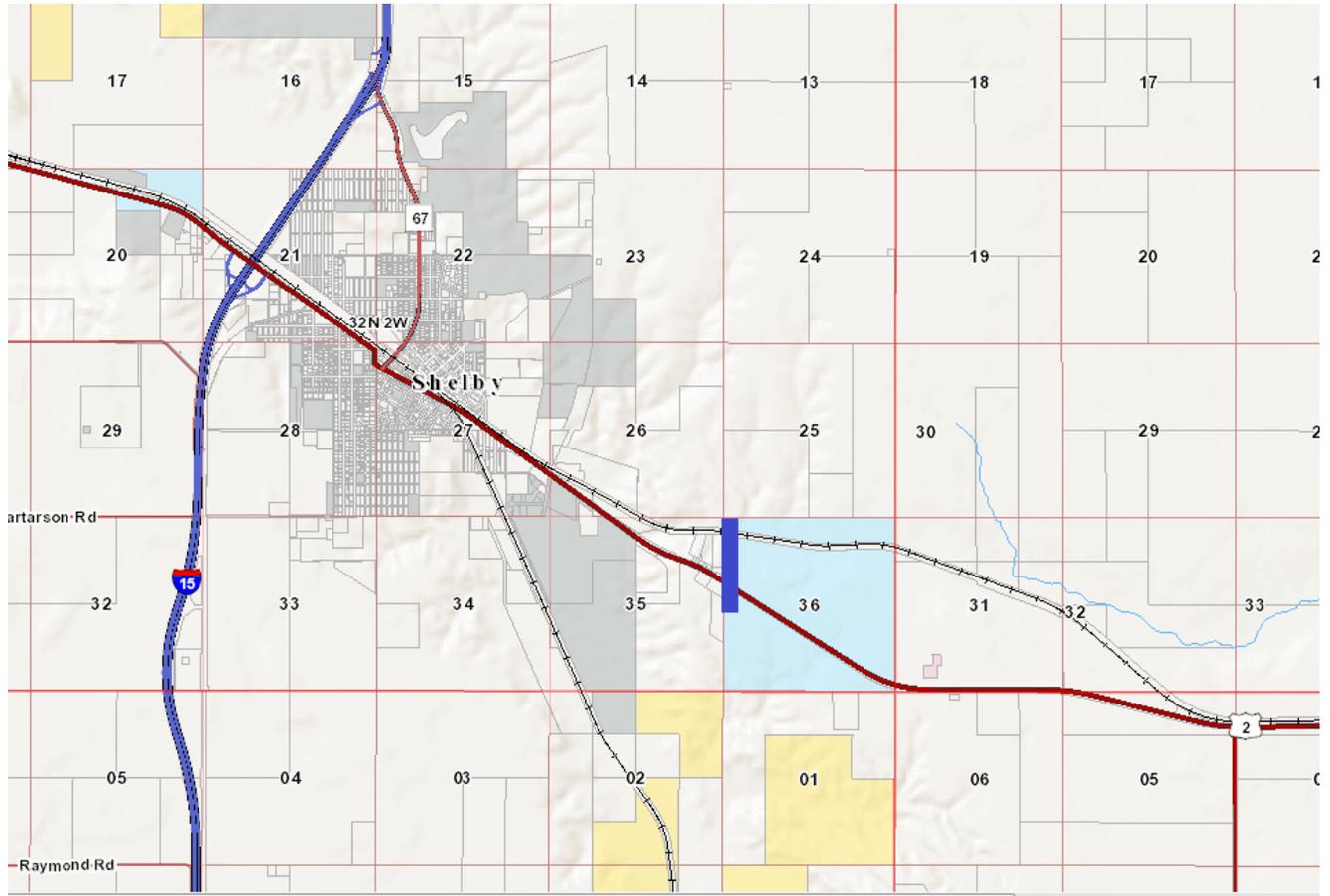
The City of Shelby has made application for a 4" buried natural gas pipeline. This pipeline is part of a project to supply Humic Growth Solutions, Inc. with natural gas. Humic is a manufacturer and supplier of Humic acid products which is a carbon based product that is used as a soil additive for the purpose of reducing dependency upon synthetic fertilizers and chemicals. The City of Shelby will tie into an existing natural gas pipeline facility operated by Northwestern Energy, located 2.5 miles north of the Humic facilities. The chosen route is the most practical and least expensive alignment of the proposed natural gas pipeline. All necessary permits, including easements across intervening private lands, have either been secured or are in the process of being secured for this project and will be required to be completed as a stipulation to the issuance of an easement.

DNRC Recommendation

The director recommends approval of this natural gas pipeline.

Rights of Way Applications

July 18, 2016



Application # 17410 – City of Shelby

Rights of Way Applications

July 18, 2016

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Montana Department of Transportation PO Box 201001 Helena MT 59620
Application No.:	17411
R/W Purpose:	highway construction and maintenance including occupancy by public utilities
Lessee Agreement:	N/A (Navigable River)
Acreage:	0.17
Compensation:	\$2975.00
Legal Description:	tract of land across the Boulder River in US Government Lots 3 & 6, Sec. 13, Twp. 1N, Rge. 14E, Sweet Grass County
Trust Beneficiary:	Public Lands

Item Summary

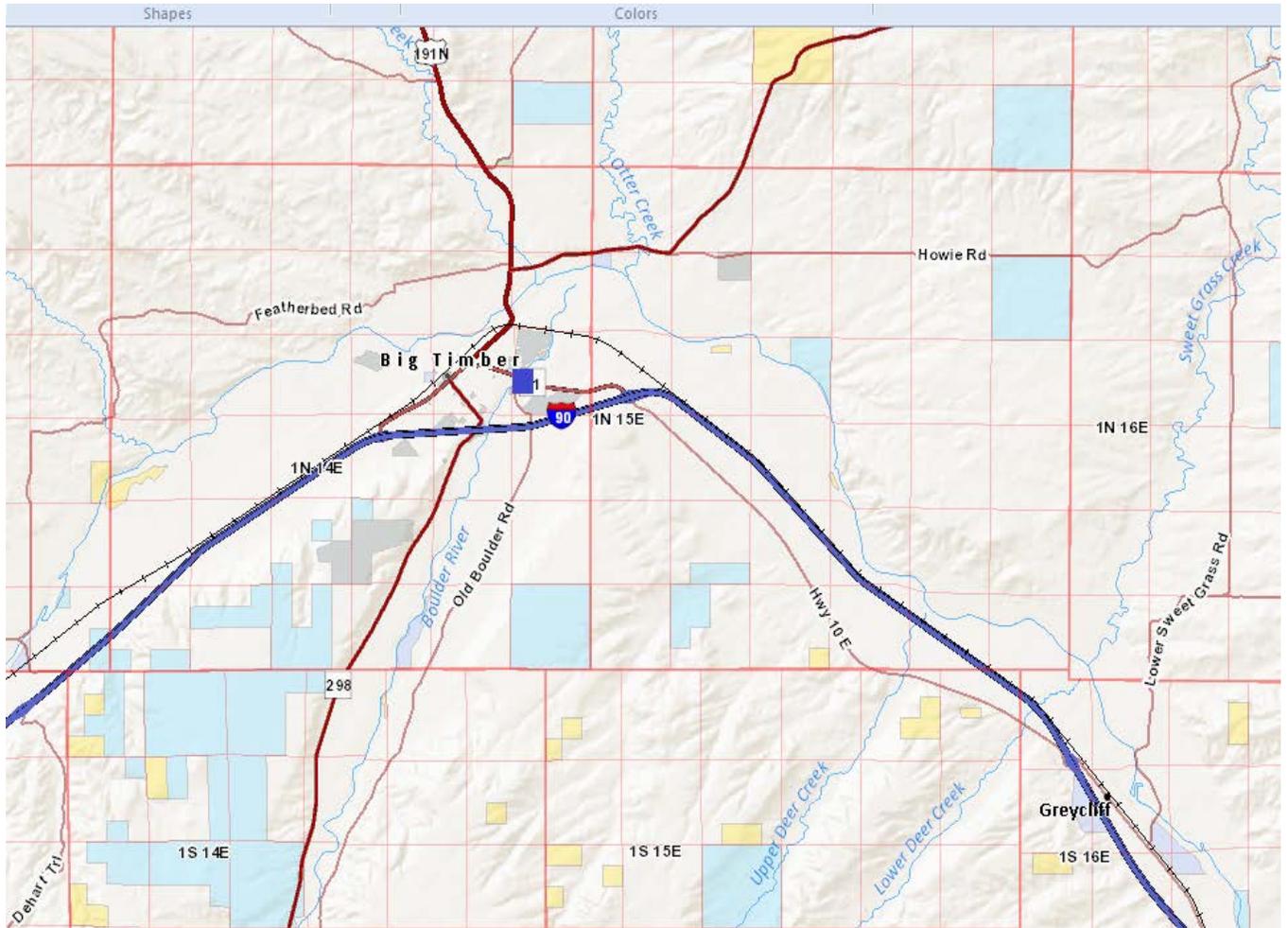
The Department of Transportation (DOT) has made application for a highway flood restoration project across the Boulder River. The scope of the project is to perform relatively minor repair and restoration of existing rip rap, bridge end embankment and culverts damaged by the flood events during the spring of 2011. The fundamental purpose of this project is to improve the safety and drivability of the roadway for the traveling public.

DNRC Recommendation

The director recommends approval of this restoration project across the Boulder River.

Rights of Way Applications

July 18, 2016



Application # 17411 - DOT

Rights of Way Applications

July 18, 2016

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	Project Spokane LLC 5619 DTC Parkway #475 Greenwood Village CO 80111
Application No.:	17412
R/W Purpose:	a 7.2kV overhead distribution powerline across the Blackfoot River
Lessee Agreement:	N/A (Navigable River)
Acreage:	0.06
Compensation:	\$317.00
Legal Description:	30-foot strip across the Blackfoot River in the NE4NE4, Sec. 21, Twp. 13N, Rge. 18W, Missoula County
Trust Beneficiary:	Public Lands

Item Summary

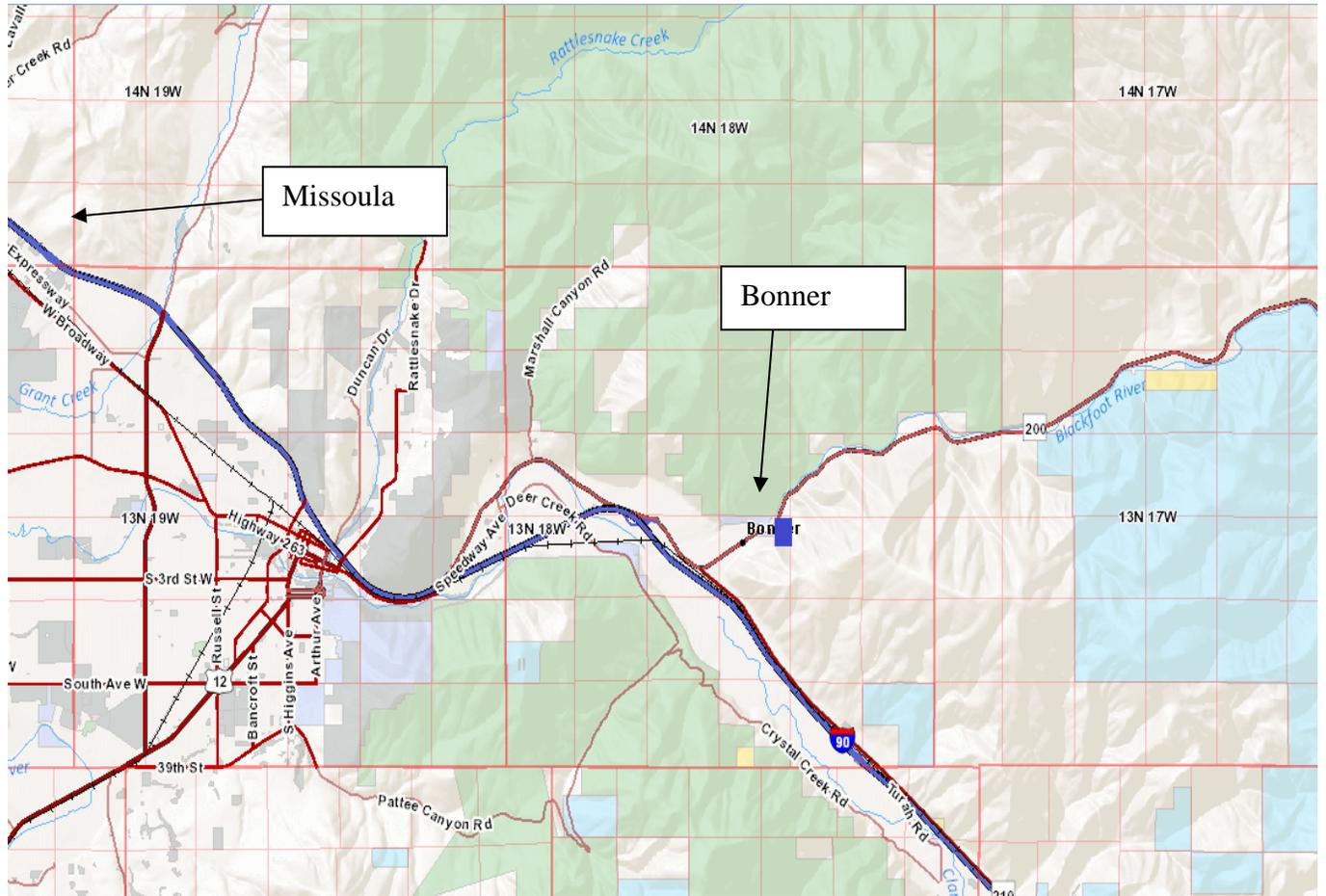
Project Spokane LLC has made application for a 7.2kV overhead distribution line over the Blackfoot River at the old Bonner Mill Site. The powerline is proposed to serve a new bit coin processing center which is to be located on a portion of the old mill site. The project's electrical requirements exceed the current electrical service onsite. All agreements are in place with Northwestern Energy for the purchase and operation of the power poles and lines from the substation located west of the Blackfoot River to the Project. In order to fulfill the agreement, a new medium voltage distribution line is required to be constructed across the Blackfoot River.

DNRC Recommendation

The director recommends approval of this distribution line across the Blackfoot River.

Rights of Way Applications

July 18, 2016



Application # 17412 – Project Spokane LLC

Rights of Way Applications

July 18, 2016

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant:	3 Rivers Communications, Inc. PO Box 429 Fairfield MT 59436
Application No.:	17413
R/W Purpose:	a buried fiber optic cable
Lessee Agreement:	N/A (Navigable River)
Acreage:	0.06
Compensation:	\$100.00
Legal Description:	20-foot strip across the Dearborn River in the NE4SE4, Sec. 27, Twp. 17N, Rge. 4W, Lewis & Clark County
Trust Beneficiary:	Public Lands

Item Summary

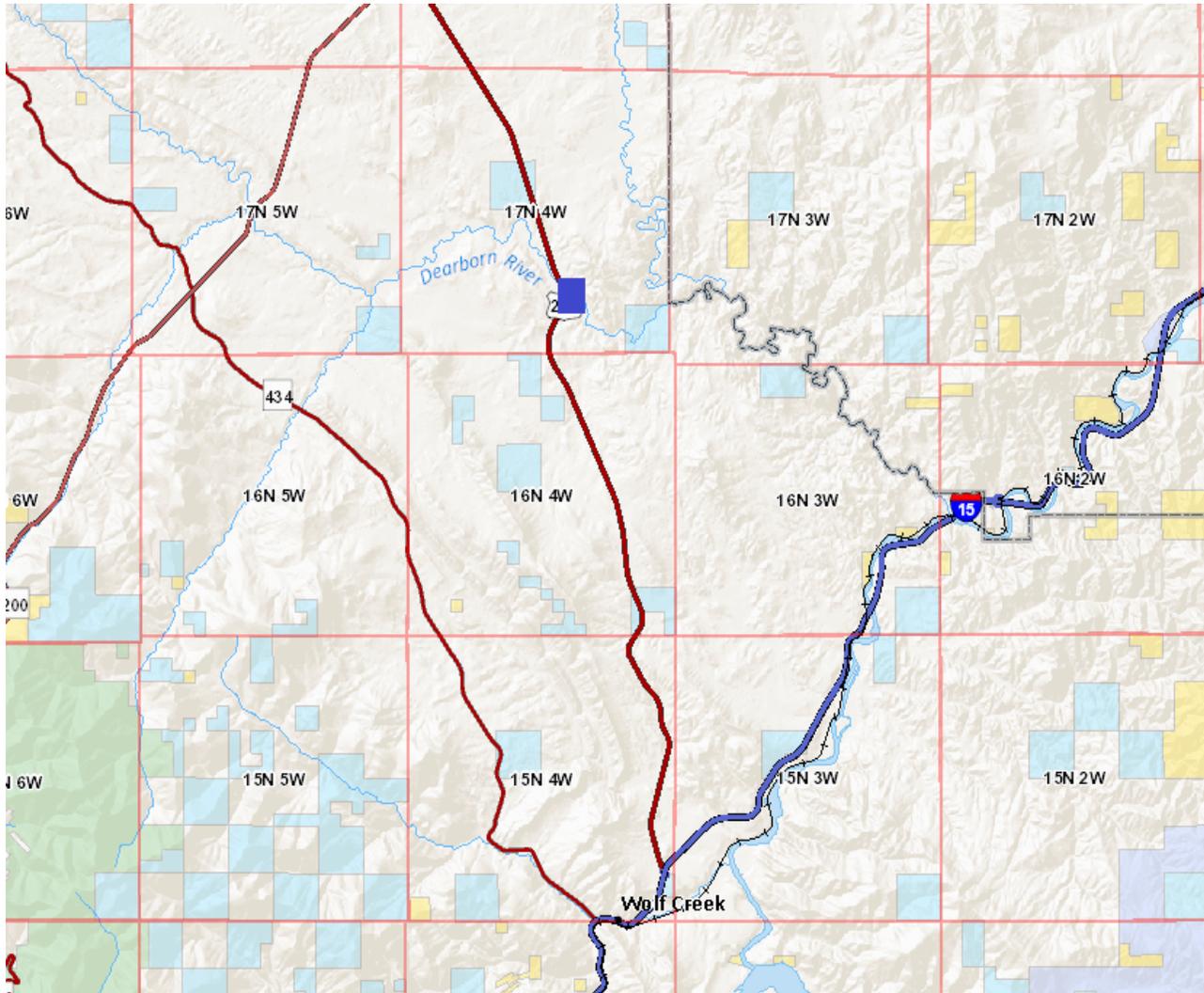
3 Rivers Communications, Inc. has made application for the installation of a buried fiber optic cable under the Dearborn River. The project is a result of a request for service by the Dearborn Ranch. The route follows the old highway right of way up to the river and will be installed under the river using the horizontal directional drill (HDD) methodology.

DNRC Recommendation

The director recommends approval of this buried fiber optic cable under the Dearborn River.

Rights of Way Applications

July 18, 2016



Application #17413 – 3 Rivers

716-7

ACQUISITION:

A Street Warehouse Property – Land Exchange

**Land Board Agenda Item
July 18, 2016**

716-7	<p>Project Name: State Acquisition of the A Street Warehouse as part of a Three-Property Land/Building Exchange</p> <p>Proposed Date: August 2016</p> <p>Proponent: Department of Administration, General Services Division</p> <p>County: Lewis & Clark</p> <p>Trust Benefit: N/A</p> <p>Trust Revenue: N/A</p>
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Item Summary

The State of Montana (state) through the Department of Administration (DOA), General Services Division, (GSD) proposes to acquire the land and existing building at **1698 A Street (known as the A Street Warehouse)** as part of a proposed three parcel (land/building) exchange between GSD and D&M Development (D&M)(**Attachment A**). The property, including a remodeled-to-suit 25,000 square foot A-Street Warehouse, would be acquired in fee-title by GSD from D&M to house GSD's Print and Mail Services. In return, the State of Montana, through GSD, would exchange fee title for two state owned properties in their current conditions: **(1) the Old Liquor Warehouse (920 Front Street)**, which has housed GSD Print and Mail Services since 1972, and **(2) the former Helena Armory (1100 N. Last Chance Gulch)**, which has stood vacant since October 2013 pending completion of lead abatement and renovation work, which work was ultimately not funded by the Legislature. (**Attachments B and C**).

The acquisition of the A Street Warehouse would provide a net benefit to the state by removing two obsolete and costly properties from the state's portfolio, and replacing them with one updated building which has been renovated-to-suit per GSD's Print and Mail Service requirements. This will create a positive effect on employee safety, state revenue, workflow efficiency, and document/mail security.

Property to be acquired

Property Description: A Street Warehouse – 1698 A. Street
Legal: Helena Industrial Sites SUBD, S28, T10 N, R03 W, Block 3, Lot 1A
Location: Lewis Clark County
Beneficiary: Non-Trust Land

Property to be exchanged

Property Description (2): Armory-1100 N. Last Chance Gulch
Legal: Central ADDN N0 3, S30, T10 N, R03 W, BLOCK 55, Lot 7, LTS 7-17 and TR W of LTS 7-17
Location: Lewis Clark County
Beneficiary: Non-Trust Land

Property Description (1): Old Liquor Warehouse - 920 Front Street
Legal: Chessman and Davis Central ADD, 530, T10 N, R03 W, PM 4S
Location: Lewis Clark County
Beneficiary: Non-Trust Land

Background

The Former Armory

The area was historically utilized as a landfill that was closed in the 1930's-1940. The Former Armory was built in 1942 and included an indoor shooting range. In October of 2013 the armory was evacuated due to the presence of lead-contamination. The building has stood empty since that time due to lack of funding to complete lead abatement and renovation work. It will take approximately \$3.2 million dollars to remediate the lead issues and renovate the building. "As is", the building appraised for \$1.75 million. No state funding is currently available, or has been identified, to fund the remediation and renovations required to reoccupy the building. To replace the Former Armory building with similar leasable office space would total approximately \$8.3 million.

GSD is required to expend approximately \$7,000 per month to maintain the building. GSD has expended over \$291,000 to date on indoor air quality investigations and employee health-related testing costs.

Old Liquor Warehouse

The Old Liquor Warehouse was built in 1936 and has housed GSD's Print & Mail Services (on all 3 floors of the building) since 1972. No remodeling has occurred on-site since that time. Physical limitations associated with the property are attributable to the building layout as well as the 40 plus years since the last remodel. All buildings in the area that were constructed contemporaneously with the Old Liquor Warehouse have been demolished. This building is not ADA compliant. The building's electrical supply cannot support newer or larger equipment that is needed. There are limitations for the HVAC system in place. The building lacks proper security. The layout of the building is ineffective due to parts of the Print & Mail Services being located on three different floors. The current loading dock is non-standard; creating logistical issues for receiving and distributing mail and products. Finally, the roof is in need of repair/replacement.

GSD has not developed an estimate for renovation costs given the physical limitations in the area. The estimated cost to replace the building, with a design suitable for Print & Mail Services' current needs, would total approximately \$6.2 million. The appraised value of the property is estimated at \$622,000. No state funding source has been identified (or is currently available) to construct a new building for Print & Mail Services' use. The building is in poor condition and does not presently accommodate the needs of its current tenant (Print & Mail Services).

A Street Warehouse

The property would be a fully remodeled-to-suit building which would house all of GSD's Print and Mail Services. This would allow for a safer environment for the employees, a more secure site, and greater flexibility as all employees and machinery would be located on a single level. It would be ADA compliant.

Property Specifics**Property to be acquired****A Street Warehouse**

Site Location: 1.42 acre tract
Building Space: 23,036 square feet
Appraised Value: \$2,400,000 (Attach. D)

Property to be exchanged**Former Armory (Attach. E)**

Site Location: 10.16 acre tract
 Building Space: 57,842 square feet
 Appraised Value: \$1,750,000

Old Liquor Warehouse (Attach. F)

Site Location: 1.78 acre tract
 Building Space: 62,370 square feet
 Appraised Value: \$622,000

Total

Site Location: 11.94 acre tract
Building Space: 120,212 square feet
Appraised Value: \$2,372,000

The Former Armory remains empty due to lack of funding for lead abatement and renovation work. GSD will continue to lose approximately \$7,000 a month in maintenance costs while the building remains unoccupied. Furthermore, significant environmental concerns exist concerning this property. It is unlikely that GSD will obtain the necessary funds to renovate the building. For the foreseeable future, the building will remain empty.

The Old Liquor Warehouse is obsolete due to lack of renovation. Furthermore, the building is poorly laid out for a Print and Mail Service as employees and mail have to travel between three (3) different levels of the building. The building is not up to code which poses significant health concerns for the employees. It is unlikely that GSD will obtain the necessary funds apportioned from the Legislature to renovate the Old Liquor Warehouse.

GSD manages 1.3 million square feet of office and warehouse space within a ten-mile radius of Helena, and an additional 4.3 million square feet of grounds, parking areas, sidewalks, and outdoor space. GSD leases 600,000 square feet of office space in this same geographic area. This building exchange will result in a 7% reduction in GSD's state-owned property footprint in the Helena area. Of the 68,308 square feet of space in the Former Armory and Old Liquor Warehouse, GSD is collecting rent on approximately 25,000 square feet (36%), while incurring maintenance expense on the entire amount of space. There is no pathway to remedy this situation without a substantial infrastructure investment (approximately \$3 million) from the state.

It is in the state's best financial interest to complete the exchange. The state will exchange properties that are liabilities due to their obsolescence; based on age, design limitations, code violations, and inability to be occupied due to environmental concerns. In return the State will obtain a single remodeled-to-suit warehouse specifically designed for the intended use.

Due Diligence

The following is a summary of GSD's due diligence and actions to date. **(Attach. G)**

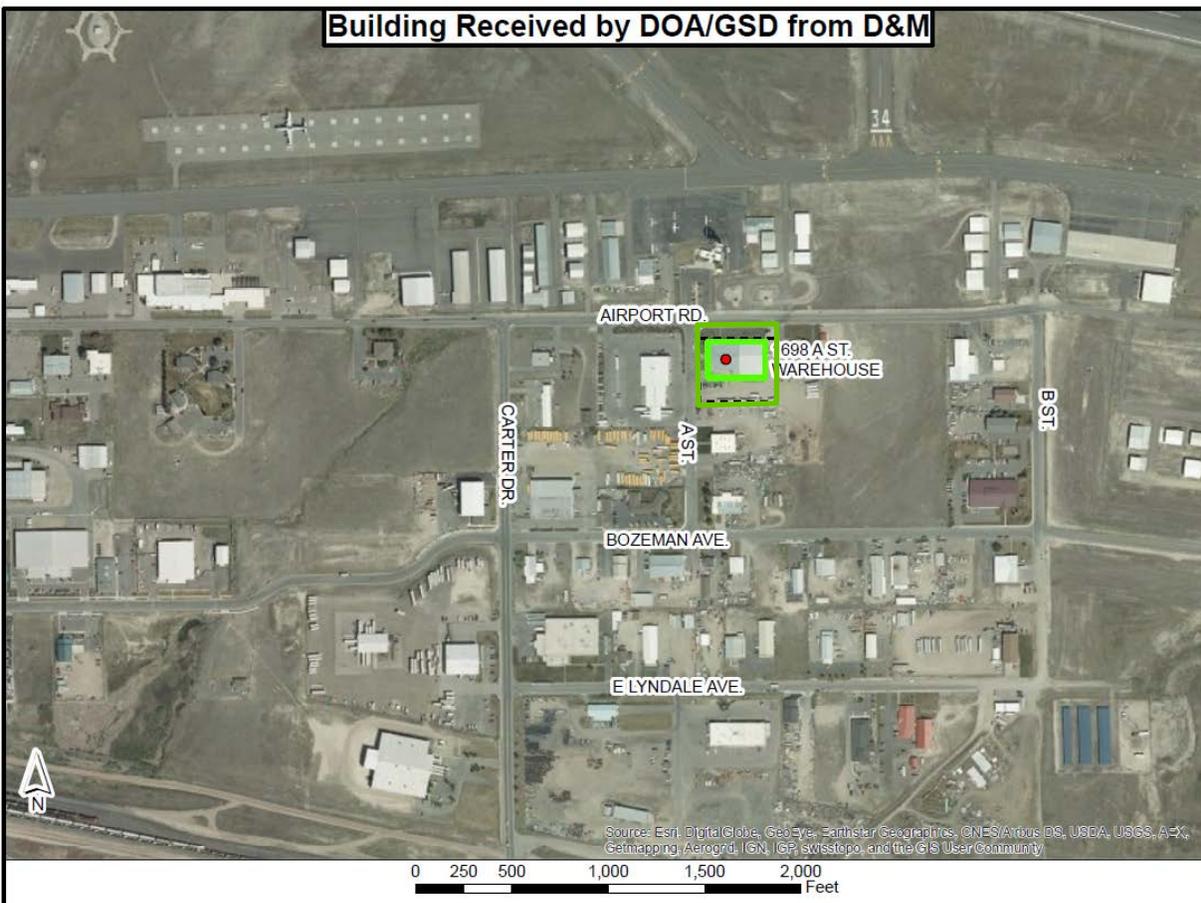
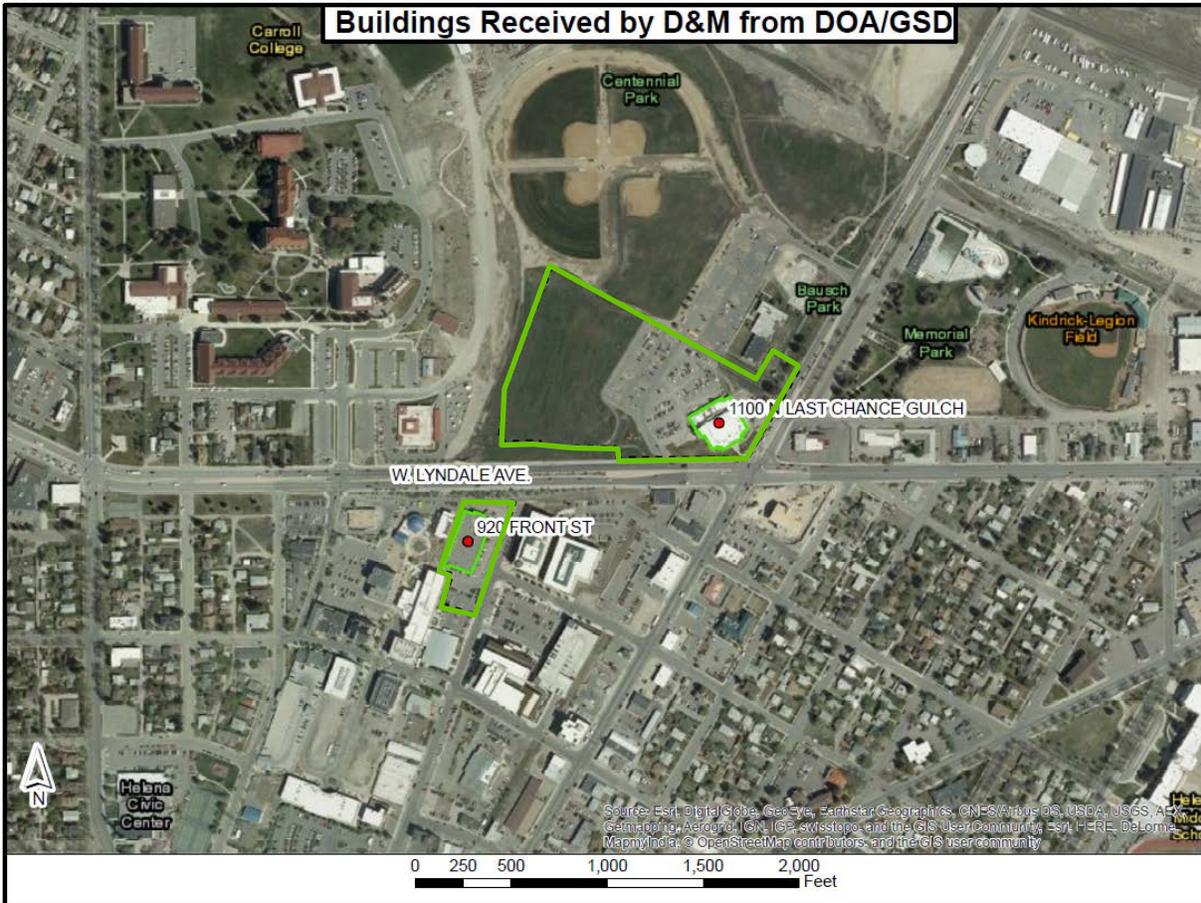
Appraisals

- The Old Liquor Warehouse was appraised by J. Michael Joki, MAI, SRA, on January 21, 2016.
- The Former Armory was appraised by Steven A. Hall, MAI, CCIM on November 24, 2015.
- The "A" Street Warehouse, including as build specifications, was appraised by Gregory A. Thornquist for the future value as of January 1, 2017.

Analysis Performed

- A Phase I Environmental Site Assessment was completed on the "A" Street Warehouse in April 2016. No areas of significant concerns were identified.
- An Environmental Assessment was completed on the "A" Street Warehouse in May 2016. No areas of significant concern were identified.
- The Area does not border any navigable waterways.
- "A" Street Warehouse is connected to the City of Helena's water supply. No wells or water rights exist on the property.
- "A" Street Warehouse is within the City of Helena's boundaries and as such mineral rights are not of concern. BLM was contacted in reviewing mineral rights.
- GSD will comply with all requirements of the Montana Environmental Policy Act (MEPA) by the August Land Board Meeting.
 - A public hearing has been noticed and scheduled for Tuesday, July 19, 2016 at 9:30 a.m., with public comment being accepted through Friday, July 22, 2016.
- GSD has/will complied with all requirements and restrictions found in Mont. Code Ann. §77-2-201 *et seq.*
- A title commitment was obtained on the "A" Street Warehouse as prepared by Helena Abstract & Title Company on February 3, 2016. This shall be dated down to the date of the exchange.
- A Cultural Resource Review for the Former Armory and Old Liquor Warehouse has been requested from the State Historic Preservation Office (SHOP). It is anticipated that this will be obtained prior to the August Land Board Meeting.

Exchange Location Map



DOA Attachments; State Acquisition of the A Street Warehouse as part of
a Three-Property Land/Building Exchange



D & M Development

3424 Highway 12 East, Helena, MT 59601 Phone (406) 443-3225 Fax (406) 443-1537

January 26, 2016

Sheila Hogan
 State of Montana Department of Administration
 125 N. Roberts St.
 Helena, MT 59620-0101

Dear Sheila:

Our company D&M Development, LLC, is presenting the State of Montana with a proposal to swap like kind properties. In the following paragraphs the proposed terms of the swap will be addressed. The preliminary terms proposed are based on information I was able to obtain. However, I would like to discuss the terms and adjust them to the best scenario that would work for the State of Montana and D&M Development, LLC.

The properties involved in the swap are; 1100 N Last Chance Gulch hereafter referred to as "Armory", 920 Front Street hereafter referred to as "OLW", and 1698 A Street hereafter referred to as "A Street".

The basis for the property swap is that the State of Montana has two nonfunctional buildings. Those buildings are the Armory and OLW. The Armory is currently vacant and the State is looking to dispose of that property. The OLW is currently used for the print and mail services for the State of Montana. From discussions with general services the OLW is not a practical use for that space and the critical role print and mail plays in the State Government. D&M Development, LLC has a use for both of those buildings. Our converted uses would further the development of the Great Northern Town Center and Centennial Park area creating the opportunity for more property tax revenues, construction, and consumer spending in those areas.

D&M Development, LLC is proposing to swap the State of Montana for the Armory and OLW in return for a turnkey building for the print and mail operations, located in the A street property. We are proposing a like value swap based on the appraised values of the Armory and OLW in exchange for D&M Development, LLC to remodel the A Street property for the print and mail operation.

Recent appraisals were completed for both of the State of Montana owned properties. A 2.24.15 appraisal for the Armory indicates a value of \$1,750,000. A 6.22.16 appraisal for the OLW indicates a value of \$622,000. The combined values of the two buildings are estimated at \$2,372,000. In return for the two buildings valued at \$2,372,000, D&M Development would deliver the A street property with costs/value of \$2,372,000. We would design and construct the building to the specifications of the State and the value would be determined as the purchase price (contingent on appraised value in the same amount) and costs of the transaction, design, and construction.

We look forward to discussing our proposal with you and answering any questions that might come up. Please feel free to contact me at 406.459.3176.

Sincerely

Mark Esponda
 Member, D&M Development

**MONTANA DEPARTMENT OF ADMINISTRATION
AGREEMENT FOR A LAND EXCHANGE**

THIS AGREEMENT FOR A LAND EXCHANGE (the "Agreement") is made this _____ day of July 2016, between the **STATE OF MONTANA**, acting by and through the Department of Administration (DOA), and **D&M DEVELOPMENT, LLC (D&M)**.

The following materials are attached hereto and incorporated into this Agreement by this reference:

- Exhibit A** – Description of D&M’s Land
- Exhibit B** – Map of D&M’s Land
- Exhibit C** – Reservations and Exceptions to Which D&M’s Land Will Be Conveyed
- Exhibit D** – Description of DOA's Land
- Exhibit E** – Map of DOA's Land
- Exhibit F** – Reservations and Exceptions to Which DOA's Land Will Be Conveyed
- Exhibit G** – Land Exchange Schedule

RECITALS

WHEREAS, DOA and D&M desire, subject to the satisfaction of conditions precedent described in this Agreement, to accomplish a voluntary exchange of certain land and/or interests in land and to establish certain terms and conditions for the exchange;

WHEREAS, the acquisition of the land proposed for exchange would benefit the public and the State of Montana.

WHEREAS, decision making rests with the Board of Land Commissioners (" the Board"), and D&M recognizes that the completion of this land exchange is conditioned on the Board's preliminary and final approvals.

NOW, THEREFORE, in consideration of the mutual agreements and promises contained herein, D&M and DOA agree as follows:

1. DESCRIPTION OF LAND OR INTEREST IN LAND BEING CONSIDERED FOR EXCHANGE/POTENTIAL ENCROACHMENTS

1.01 The land and all interests therein offered by D&M for the exchange are described in Exhibit A and are shown in Exhibit B, including but not limited to all of D&M’s right, title and interest in and to the surface estate, mineral estate, water rights and all other real property interests, if any, and subject to those reservations and exceptions listed in Exhibit C. This land is hereinafter referred to as D&M’s Land.

- 1.02** The land and all interests therein offered by DOA for the exchange are described in Exhibit D and are shown in Exhibit E, including but not limited to all of the State of Montana's right, title and interest in the real property, if any, exclusive of the mineral interest, and subject to those reservations and exceptions listed on Exhibit F. This land is hereinafter referred to as DOA's Land. D&M has had a full opportunity to inspect DOA's Land and relies on its inspection in entering into this Agreement and not any DOA statements.
- 1.03** D&M acknowledges that the appraisal report for DOA's Land states that "there may be encroachment issues on the northeast corner in front of YMCA and by horseshoe pits." D&M accepts DOA's Land subject to these potential encroachments and releases and holds harmless DOA from any claims, causes of action, damages or liability arising from these potential encroachments. This release and hold harmless promise survives this Agreement.

2. EXCHANGE PROCESSING STEPS

- 2.01** DOA shall select and administer all contractors, if any, for the land exchange.
- 2.02** DOA shall determine the scope of work for all documents produced for the land exchange, including but not limited to: appraisals; resource inventories, if any are required, for cultural resources, timber, and fish and wildlife; and hazardous materials surveys, which may be completed in support of MEPA requirements in accordance with the schedule indicated in Exhibit G. DOA, with assistance from Department of Natural Resources and Conservation (DNRC) staff, shall review all documents to ensure they are adequate to meet MEPA standards.
- 2.03** DOA and D&M will receive from the contractor(s), if any, an estimate of costs based on the scope of work determined by DOA.
- 2.04** D&M shall pay for mutually agreed upon costs associated with the land exchange as outlined in Exhibit G.
- 2.05** DOA shall review and determine the adequacy of all documents used in the land exchange.
- 2.06** All documents produced for the land exchange by the contractor and appraiser(s) are DOA's property.
- 2.07** The DNRC is the decision making authority for MEPA implementation and retains all authority and responsibility to manage the land exchange process and provide recommendations to the Board.
- 2.08** D&M shall provide DOA with existing surveys, plats, maps and other appropriate information to aid in completing the land exchange.
- 2.09** The valuation of D&M's Land and the DOA's Land will be determined before conveyance by a qualified appraiser(s) selected and contracted by DOA using the principles contained in the current edition of the Uniform Standards of Professional Appraisal Practice.
- 2.10** Both parties agree not to take any action that would diminish, encumber or negate either the market value or resource values to the land and/or interests in land and the intrinsic values found on, under or over the land and/or interests in land, except as agreed to by both parties 60 days before any such action being taken.

2.11 A) D&M shall provide a Title Insurance Commitment for D&M's Land to DOA. DOA reserves the right to review and determine whether marketable or acceptable title exists for D&M's offered land, pursuant to a preliminary opinion of title for the land from a title company approved by DOA in accordance with current procedures. D&M shall provide, at its expense, a final Title Policy for D&M's Land upon closing of the exchange. DOA will not provide a Title Insurance Commitment or Policy for the DOA's Land. D&M has the right to approve the status of title to the DOA's Land, pursuant to a preliminary opinion of title furnished at D&M's expense.

B) If either party determines that marketable or acceptable title does not exist for the land it will receive under this Agreement, that party may in writing request the other party to correct defects. If the other party does not correct the defects within 30 days of having received the written notice, then the party may without liability terminate this Agreement. Upon termination, each party shall pay the costs assigned to it and incurred under this Agreement. This is the sole remedy for failure to provide marketable or acceptable title.

2.12 DOA shall send notification of disposal of State land to any lessees/licensees in accordance with ARM 36.25.128. The State land will be conveyed subject to existing State leases/licenses/permits, unless waived by the lessee/licensee/permittee or unless otherwise provided by the lease/license/permit. Such permitted activities will be valid for a period of the remainder of the lease term.

2.13 D&M shall send notification of disposal of land to any lessees/licensees. The D&M land will be conveyed subject to existing leases/licenses/permits, unless waived by the lessee/licensee/permittee. Such permitted activities will be valid for a period of the remainder of the lease term or unless otherwise provided by the lease/license/permit. D&M will not renew or extend any leases on the D&M land involved in the exchange that expire before the closing or this land exchange.

2.14 DOA shall prepare a public notice of the land exchange and publish the notice in the Helena Independent Record.

2.15 DOA shall conduct a public hearing consistent with Montana Code Annotated 77-2-204.

2.16 A preliminary feasibility analysis for this exchange has been completed, and the Board has been apprised of the pending exchange.

2.17 If, as a result of the resource studies and MEPA analysis, it is determined that the exchange is (i) compatible with applicable policies and programs; (ii) in compliance with all regulations; and (iii) found to be in the public interest, the parties anticipate that a recommendation will issue to the Board that the land exchange proceed consistent with the schedule indicated on Exhibit G.

2.18 DOA shall present the land exchange proposal to the Board for the final decision.

2.19 If the Board gives final approval for the land exchange, DOA and D&M shall proceed to closing as outlined in Section 5.

3. RESPONSIBILITIES AND COSTS ASSOCIATED WITH PROCESSING THE EXCHANGE

D&M and DOA agree that the responsibility for performing the services required to process the exchange, including the costs for accomplishing such services, will be assigned in accordance with Exhibit G. DOA and D&M agree that no adjustment of relative land values for compensation of costs will be allowed in this exchange. The primary point of contact for DOA is Steve Baiamonte. The primary point of contact for D&M is Mark Esponda: telephone number 406-459-3176.

4. PHYSICAL ACCESS, RIGHT TO ENTER

D&M and DOA hereby grant permission to the other party to enter and physically examine the land offered by the other party. Such examination will not disturb the surface of the property before the close of this exchange.

5. RELEASES/DEFENSE AND INDEMNITY

A) D&M acknowledges that a portion of DOA's Land (1100 North Last Chance Gulch) currently leased to the City of Helena was once used as a garbage disposal site. D&M releases and holds harmless the State of Montana and DOA and their employees, elected officers, officials, and agents from any costs, liabilities damages, fines, or penalties arising from this former use of DOA's Land or from the City's or other third party use of DOA's Land. This release and hold harmless promise survives this Agreement.

B) D&M acknowledges that the building located on DOA's Land at 1100 North Last Chance Gulch was once used as an armory and a portion of the building as a shooting range. D&M acknowledges that it has had an opportunity to review all documents regarding the lead issues at the building and to inspect the building. D&M releases and holds harmless the State of Montana and DOA and their employees, elected officers, officials, and agents from any study, remediation, rehabilitation or construction expenses; liabilities; damages; fines; or penalties arising from this former use of DOA's Land. This release and hold harmless promise survives this Agreement.

C) D&M shall defend and indemnify the State of Montana and DOA and their employees, officials, and agents from and against all notices, claims (whether direct or third party), causes of action; damages; liabilities; fines; penalties; or judgments (including the cost of defense and reasonable attorney fees incurred enforcing these defense and indemnity obligations or defending a third party claim or action) arising from a violation(s) or alleged violation(s) by D&M of applicable federal, state and local environmental and health laws and regulations or other applicable laws while owning DOA's Land (1100 North Last Chance Gulch and 920 Front Street) or any building or structure on DOA's Land. Such laws include, but are not limited to, asbestos and lead laws and regulations, the Federal Solid Waste Disposal Act, the Federal Clean Air Act, the Federal Resource Conservation and Recovery Act, and the Federal Comprehensive Environmental Response, Compensation and Liability Act, and the state of Montana equivalent laws and regulations. These D&M defense and indemnity obligations survive this Agreement.

D) D&M's defense and indemnity obligations do not apply to causes of action; damages; liabilities; fines; penalties; or judgments (including the cost of defense and reasonable attorney fees incurred enforcing these defense and indemnity obligations or defending a third party claim or action) arising from a violation(s) or alleged violation(s) by DOA of applicable federal, state and local environmental and health laws and regulations or other applicable laws while owning DOA's Land (1100 North Last Chance Gulch and 920 Front Street) or any building or structure on DOA's Land.

Such laws include, but are not limited to, asbestos and lead laws and regulations, the Federal Solid Waste Disposal Act, the Federal Clean Air Act, the Federal Resource Conservation and Recovery Act, and the Federal Comprehensive Environmental Response, Compensation and Liability Act, and the state of Montana equivalent laws and regulations.

D) DOA shall promptly notify D&M upon receiving a claim. D&M shall control the defense of the claim subject to the right of the Montana Attorney General to participate in the defense as the Attorney General believes is appropriate.

6. CLOSING

This land exchange will be closed upon the completion of all necessary components of the exchange process, including but not limited to resource management documents and inventories, the MEPA documentation, appraisal reports, public participation and notification activities, and preparation of conveyance documents. The closing of this exchange will be completed as follows:

- A)** Title to D&M's land and DOA's land and/or interests in land will be transferred simultaneously at a time and place agreed upon by the parties. However, DOA may request at its option that the parties close the transaction for the 1100 North Last Chance Gulch property before closing the transaction for the remaining DOA Land and D&M's Land. If DOA makes the request, the parties shall select the time and place for this particular closing. In exchange for appropriate documents of conveyance to D&M for the 1100 North Last Chance Gulch property, D&M shall place into an escrow or similar account the warranty deed for D&M's Land, and DOA shall place into escrow or similar account appropriate documents of conveyance for the remainder of DOA's Land (920 Front Street). Each party shall deliver their respective deeds for these remaining properties to the other party at a time and place agreed by the parties.
- B)** At the time of closing, D&M shall deliver a warranty deed to the State of Montana, and its assigns, conveying D&M's Land and/or interests in land, subject to those reservations and exceptions listed on Exhibit C of this agreement.
- C)** After closing, DOA shall instruct the Title Company to provide DOA with a Policy of Title Insurance (ALTA U.S. Policy or ALTA extended policy, at the DOA's discretion) in an amount of the appraised value of D&M's Land, showing title vested in the State of Montana, free from all encumbrances except those listed in Exhibit C. D&M shall pay all title insurance premiums.
- D)** Before or at closing, D&M shall pay all the real property taxes on D&M's land for that portion of the tax year in which closing is to occur that D&M owns the land.
- E)** At the time of closing, DOA shall deliver to D&M appropriate documents of conveyance to D&M, conveying the DOA's Land and/or interests in land, subject to those reservations and exceptions shown on Exhibit F of this Agreement.

- F) D&M shall pay all closing costs, if any, associated with the land exchange between D&M and DOA.

6. AMENDMENT

This Agreement may be amended only if done in writing signed by both parties.

7. AGREEMENT CONDITIONS

Both parties understand and agree that the proposed exchange is contingent upon the Board's preliminary and final approvals and satisfaction of the other condition precedents stated above. If the Board issues its approval and all other conditions precedent have been met, then the parties are obligated to complete the exchange as described herein. If the Board does not issue its approvals, or issues its approval subject to conditions unsatisfactory to either party, or other conditions precedent have not been met, then this Agreement terminates and each party shall pay the costs assigned to it and incurred to the date of termination.

8. NON-DISCRIMINATION

Consistent with 49-3-207, MCA, and Executive Order No. 04-2016, D&M agrees that (i) any hiring of persons to perform this Agreement will be made on the basis of merit and qualifications and (ii) there will be no discrimination based upon race, color, sex, pregnancy, childbirth or medical conditions related to pregnancy or childbirth, political or religious affiliation or ideas, culture, creed, social origin or condition, genetic information, sexual orientation, gender identity or expression, national origin, ancestry, age, disability, military service or veteran status, or marital status, or physical or mental disability by the persons performing this Agreement.

9. ASSIGNMENT

Neither party may assign its rights under this Agreement or delegate its duties without first obtaining the written consent of the other party.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the last date shown below.

D&M DEVELOPMENT, LLC

BY: _____

TITLE: _____

DATE: _____

MONTANA DEPARTMENT OF ADMINISTRATION

BY: _____

TITLE: _____

DATE: _____

DRAFT

Attachment B: Buy/Sell Agreement

EXHIBIT A

**DESCRIPTION OF D&M's LAND
1698 "A" Street
Helena, Montana**

"Lot 1A in Block 3 of the Amended Plat of Block 3, Helena Industrial Site Subdivision to the City of Helena, Lewis and Clark County, Montana, as shown on plat filed under Doc. No. 274490."

EXHIBIT B

MAP OF D&M's LAND



EXHIBIT C

RESERVATIONS AND EXCEPTIONS TO WHICH D&M's LAND WILL BE CONVEYED

Attachment B: Buy/Sell Agreement

Encumbrances will be obtained from the Commitment for Title Insurance)

Schedule B of the policy or policies to be issued will contain exceptions to the following matters unless the same are disposed of to the satisfaction of the Company :

1. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the public records or attaching subsequent to the Effective Date but prior to the date the proposed Insured acquires for value of record the estate or interest or mortgage thereon covered by this Commitment.
2. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property by the Public Records. Proceedings by a public agency, which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by Public Record. No liability is assumed for errors, omissions or changes of assessed valuations or amount of taxes assessed by any state, county, city or federal taxing or assessing authority.
3. Any facts, rights, interest or claims which are not shown by the Public Records but which could be ascertained by an inspection of the Land or by making inquiry of person in possession thereof.
4. Easements, liens or encumbrances, or claims thereof, which are not shown by the Public Records.
5. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
6. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, ditch rights; (d) any right, title or interest in any sand and gravel and/or minerals including access to an from to extract minerals, mineral rights, or related matters, including, but not limited to oil, gas, coal and other hydrocarbons; whether or not the matters excepted under (a), (b), (c), or (d) are shown by the Public Records.
7. Any lien or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the Public Records.
8. Any service, installation or connection charge for any and all utilities, including, but not limited to sewer, gas, water or electricity.
9. County road rights-of-way, not recorded and indexed as conveyance of record in the office of the Clerk and Recorder pursuant to Title 70, Chapter 21, M.C.A., including, but not limited to any right of the Public and the County of Lewis and Clark, Montana, to use and occupy those certain roads and trails.
10. General county taxes for the year 2016 a lien, not yet due and or payable.
11. **RIGHT OF WAY EASEMENT to The Montana Power Company, recorded Sept. 26, 1941 in Book 125 Deeds, page 392.**
12. RIGHT OF WAY EASEMENT to The Montana Power Company, recorded Aug. 16, 1950 in Book 159 Deeds, page 392.
13. **RIGHT OF WAY EASEMENT to The Montana Power Company, recorded Jan. 19, 1951 in Book 162 Deeds, page 188.**

14. ***RJGHT OF WAY EASEMENT to Yellowstone Pipe Line Company, recorded in Book 176 Deeds, page 235.***
15. Agreement for a temporary haul road to cross Sections 22 and 28, T. 10 N., R. 3 W, recorded in Book 74 Misc., page 53.
16. Subject to all items as shown on the plats filed under Doc. Nos. 254281 and 274490, including but not limited to all terms, provisions, conditions, and restrictions of the Dept. of Environmental Quality, as set forth on the attachments, if any, to said plats.
17. ***Covenants, conditions and restrictions recorded in Book 96 Misc., page 923, in Book 112 Misc., page 776, in M Book 3 of Records, page 3171, and in M Book 3 of Records, page 3259, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c).***
18. Deeds of Easement to the City of Helena, Montana, recorded in Book 200 Deeds, page 397, and in Book 200 Deeds, page 399.

NOTE TO APPLICANT: If you require copies of any documents identified in this commitment for title insurance, the Company will furnish the same specific request, either free of charge or for the actual cost of duplication for those copies requiring payment by the Company to obtain.

NOTE: All notes are for information only and will be removed from the final title policy.

END OF SCHEDULE B II

Attachment B: Buy/Sell Agreement

EXHIBIT D

DESCRIPTION OF DOA'S LAND

**1100 North Last Chance Gulch
Helena, Montana**

“Central Addition No3, S30, T10 N, R 03 W, Block 55, Lot 7, LTS 7-17 and TR W of LTS 7-17”

&

**920 Front Street
Helena, Montana**

“Chessman and Davis Central Addition to the City of Helena in Section 30, Township 10 North, Range 3 West, PM4S, Lewis and Clark County, Montana.”

EXHIBIT E
MAP OF DOA'S LAND



EXHIBIT F

RESERVATIONS AND EXCEPTIONS TO WHICH DOA'S LAND WILL BE CONVEYED

A. Encumbrances will be obtained from the Commitment for Title Insurance and may include the following:

B. Warranty Deed(s) will contain a reservation of all minerals.

Reservation of minerals and the right to explore for, drill for, mine, develop, extract, remove, and produce all minerals owned by, acquired by, or otherwise to vest in the State of Montana, including without limitation, necessary rights of ingress and egress, the right to build and maintain necessary improvements thereupon for the full enjoyment thereof, and to occupy so much of the surface as is reasonable necessary to economically produce the State's minerals.

EXHIBIT G

EXCHANGE PROCESSING RESPONSIBILITIES

TASK/STEP	LAND INVOLVED	RESPONSIBLE PARTY	FINANCIALLY RESPONSIBLE PARTY	DATE OF COMPLETION (P) Proposed or (C) Completed
1. Initial Criteria Review (7 criteria)		DOA	DOA	C
2. Preliminary Investigations Area office field investigations Land and Resources Minerals Report Cultural Report Water Rights Report Land Value Assessment		DOA	DOA	C
3. Findings to Director		DOA	DOA	
		DOA	DOA	
4. Prepare Land Board Agenda		DOA	DOA	
5. Preliminary Land Board Decision		BOARD	N/A	
MEPA Analysis Contract signed Contract completion date		DOA	D&M	
a. Cultural Resources		DOA	D&M	
Inventory, Evaluation of sites, SHPO consultation		DOA	D&M	
b. Hazardous Substances Survey		DOA	D&M	
		DOA		
6. Appraisals		DOA	D&M	
7. Public Involvement a. Publish Notice of Exchange b. Formal Public Hearing		DOA	DOA	After MEPA draft complete.
8. Final Environmental Assessment		DOA	D&M	
9. Title review of land		DOA	D&M	
10. Final Land Board Approval		DOA	N/A	
11. Closing Conversion of encumbrances to easements Deed and patent preparation Exchange of deeds and patents Payment of closing fees		EACH WILL PREPARE THEIR OWN	DOA/D&M WILL PAY ALL CLOSING AND RECORDING FEES.	

QUESTIONS REGARDING THIS COMMITMENT FOR TITLE INSURANCE? CALL 442-5080
TO SCHEDULE OR CONFIRM AN APPOINTMENT FOR CLOSING. CALL 442-4445

THANK YOU FOR USING HELENA ABSTRACT AND TITLE COMPANY

COMMITMENT FOR TITLE INSURANCE

PREPARED FOR

HA&T Co.

ESCROW / CLOSING DEPT.

DIRECT LINE 406 / 442-4445 • DIRECT FAX 406 / 442-8488

HA&T Co.

**HELENA ABSTRACT
& TITLE COMPANY**

SERVING LEWIS & CLARK COUNTY SINCE 1935

“We Do Good Deeds”

OUR ORDER NO.....:	1674659
YOUR REF. NO.....:	
BUYER/BORROWER.....:	D&M DEVELOPMENT, LLC
SELLER.....:	LEHRKIND'S INCORPORATED
DIRECT INQUIRIES TO.....:	Jim Neary
COPIES OF COMMITMENT SENT TO...:	G&G-Randall Green / Travis Brazill D&M-Mark Esponda

POST OFFICE BOX 853 • MONTANA CLUB BUILDING • 6TH & FULLER • HELENA, MONTANA 59624 - 0853
(406) 442-5080 • FAX (406) 442-6179

Helena Abstract and Title Company
Stewart Title Guaranty Company
First American Title Insurance Company
Old Republic National Title Insurance Company
Privacy Policy Notice

PURPOSE OF THIS NOTICE

Title V of the Gramm-Leach-Bliley Act (GLBA) generally prohibits any financial institution, directly or through its affiliates, from sharing nonpublic personal information about you with a nonaffiliated third party unless the institution provides you with a notice of its privacy policies and practices, such as the type of information that it collects about you and the categories of persons or entities to whom it may be disclosed. In compliance with the GLBA, we are providing you with this document, which notifies you of the privacy policies and practices of **Helena Abstract and Title Company, Stewart Title Guaranty Company, First American Title Insurance Company, Old Republic National Title Insurance Company.**

We may collect nonpublic personal information about you from the following sources:

- Information we receive from you, such as on applications or other forms.
- Information about your transactions we secure from our files, or from our affiliates or others.
- Information we receive from a consumer reporting agency.
- Information that we receive from others involved in your transaction, such as the real estate agent or lender.

Unless it is specifically stated otherwise in an amended Privacy Policy Notice, no additional nonpublic personal information will be collected about you.

We may disclose any of the above information that we collect about our customers or former customers to our affiliates or to nonaffiliated third parties as permitted by law.

We also may disclose this information about our customers or former customers to nonaffiliated companies that perform services on our behalf.

WE DO NOT DISCLOSE ANY NONPUBLIC PERSONAL INFORMATION ABOUT YOU WITH ANYONE FOR ANY PURPOSE THAT IS NOT SPECIFICALLY PERMITTED BY LAW.

We restrict access to nonpublic personal information about you to those employees who need to know that information in order to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

Commitment for Title Insurance



Issued By Old Republic National Title Insurance Company

Old Republic National Title Insurance Company, a Florida corporation ("Company"), for a valuable consideration, commits to issue its policy or policies of title insurance, as identified in Schedule A, in favor of the Proposed Insured named in Schedule A, as owner

or mortgagee of the estate or interest in the the land described or referred to in Schedule A, upon payment of the premiums and charges and compliance with the Requirements; all subject to the provisions of Schedules A and B and to the Conditions of this Commitment.

This Commitment shall be effective only when the identity of the Proposed Insured and the amount of the policy or policies committed for have been inserted in Schedule A by the Company.

All liability and obligation under this Commitment shall cease and terminate six (6) months after the Effective Date or when the policy or policies committed for shall issue, whichever first occurs, provided that the failure to issue the policy or policies is not the fault of the Company.

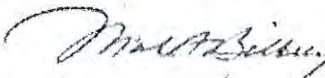
The Company will provide a sample of the policy form upon request.

IN WITNESS WHEREOF, Old Republic National Title Insurance Company has caused its corporate name and seal to be affixed by its duly authorized officers on the date shown in Schedule A.


Issued through the Office of
Helena Abstract and Title Company
PO Box 853
Montana Club Bldg, 6th & Fuller Ave
Helena, MT 59624
(406) 442-5080

Continued on back page

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY
A Stock Company
400 Second Avenue South, Minneapolis, Minnesota 55401
(612) 371-1111

By  President
Attest  Secretary

CONDITIONS

1. The term mortgage, when used herein, shall include deed of trust, trust deed, or other security instrument.
2. If the proposed Insured has or acquired actual knowledge of any defect, lien, encumbrance, adverse claim or other matter affecting the estate or interest or mortgage thereon covered by this Commitment other than those shown in Schedule B hereof, and shall fail to disclose such knowledge to the Company in writing, the Company shall be relieved from liability for any loss or damage resulting from any act of reliance hereon to the extent the Company is prejudiced by failure to so disclose such knowledge. If the proposed Insured shall disclose such knowledge to the Company, or if the Company otherwise acquires actual knowledge of any such defect, lien, encumbrance, adverse claim or other matter, the Company at its option may amend Schedule B of this Commitment accordingly, but such amendment shall not relieve the Company from liability previously incurred pursuant to paragraph 3 of these Conditions and Stipulations.
3. Liability of the Company under this Commitment shall be only to the named proposed Insured and such parties included under the definition of Insured in the form of policy or policies committed for and only for actual loss incurred in reliance hereon in undertaking in good faith (a) to comply with the requirements hereof, or (b) to eliminate exceptions shown in Schedule B, or (c) to acquire or create the estate or interest or mortgage thereon covered by this Commitment. In no event shall such liability exceed the amount stated in Schedule A for the policy or policies committed for and such liability is subject to the insuring provisions and Conditions and Stipulations and the Exclusions from Coverage of the form of policy or policies committed for in favor of the proposed Insured which are hereby incorporated by reference and are made a part of this Commitment except as expressly modified herein.
4. This Commitment is a contract to issue one or more title insurance policies and is not an abstract of title or a report of the condition of title. Any action or actions or rights of action that the proposed Insured may have or may bring against the Company arising out of the status of the title to the estate or interest or the status of the mortgage thereon covered by this Commitment must be based on and are subject to the provisions of this Commitment.
5. The policy to be issued contains an arbitration clause. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. You may review a copy of the arbitration rules at: <http://www.alta.org/>.

COMMITMENT FOR TITLE INSURANCE
SCHEDULE A

File No. 1674659

Direct Inquiries to: Jim Neary

1. **Effective Date:** February 03, 2016 at 5:00 P.M.

2. **Policy or Policies To Be Issued:**

Amount of Insurance

(a) A.L.T.A. Owner's 2006 (Standard)

**Amount
Premium**

\$800,000.00
\$1,996.00

Endorsements:

Proposed Insured:
D&M DEVELOPMENT, LLC

(b) A.L.T.A. Loan

Endorsements:

Proposed Insured:

3. **The estate or interest in the land described or referred to in this Commitment and covered herein is:**

Fee Simple

4. **Title to the said estate or interest in said land is at the effective date hereof vested in:**

LEHRKIND'S INCORPORATED, who took title as LEHRKINDS INCORPORATED

5. **The land referred to in this Commitment is described as follows:**

Lot 1A in Block 3 of the Amended Plat of Block 3, Helena Industrial Site Subdivision to the City of Helena, Lewis and Clark County, Montana, as shown on plat filed under Doc. No. 274490.

Old Republic National Title Insurance Company

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File No. 1674659
MT ALTA Commitment Sch A HA5

COMMITMENT FOR TITLE INSURANCE
SCHEDULE B
PART I

File No. 1674659

The following are the requirements to be complied with:

1. Pay the agreed amounts for the interest in the land and/or the mortgage to be insured.
2. Pay us the premiums, fees and charges for the policy.
3. Documents satisfactory to us creating the interest in the land and/or mortgage to be insured must be signed, delivered and recorded.
4. You must tell us in writing the name of anyone not referred to in this Commitment who will get an interest in the land or who will make a loan on the land. We may then make additional requirements or exceptions.
5. You must give us the following information:
 - a. Any off record leases, surveys, easements, rights of way, etc.
 - b. Statement(s) of identity, all parties, if asked for.
6. Seller and Buyer must fully comply with the provisions of the Realty Transfer Certificate Act (M.C.A. 15-7-304, 305, 310), which includes the requirement that Seller and Buyer fully complete a Realty Transfer Certificate which will be presented at closing. If either party fails to fully comply with the Realty Transfer Certificate Act, Company will add the following exception in the final title policy:

Any state or county taxing, assessing, or recording authority's failure to acknowledge the transfer to the Insured of the land described in Schedule A, pursuant to the Realty Transfer Act, as set forth in M.C.A. 15-7-301 et al.
7. General county taxes for the year 2015 appear to be assessed under GEO CODE 1888-28-1-07-01-0000/Property Tax ID 10569 in the total amount of \$17,299.33.

First installment is PAID in the amount of \$8,671.39.

Last installment will become delinquent after May 31.
8. Deed from Lehrkind's Incorporated, who took title as Lehrkinds Incorporated, to D&M Development, LLC, conveying subject property.
9. Executed copy of the Corporate Resolution of Lehrkind's Incorporated, authorizing the sale of subject property.
10. A copy of the Operating Agreement for D&M Development, LLC must be furnished this office.
11. **If any document in the completion of this transaction is to be executed by an attorney-in-fact, the Power of Attorney form must be submitted for review prior to closing.**
12. **IF THIS TRANSACTION IS TO BE INVOLVED IN A 1031 OR SIMILAR EXCHANGE, THE CLOSING OFFICER MUST BE NOTIFIED WELL IN ADVANCE OF THE CLOSING DATE.**

Old Republic National Title Insurance Company



COMMITMENT FOR TITLE INSURANCE
SCHEDULE B
PART II

File No. 1674659

Schedule B of the policy or policies to be issued will contain exceptions to the following matters unless the same are disposed of to the satisfaction of the Company:

1. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the public records or attaching subsequent to the Effective Date but prior to the date the proposed Insured acquires for value of record the estate or interest or mortgage thereon covered by this Commitment.
2. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property by the Public Records. Proceedings by a public agency, which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by Public Record. No liability is assumed for errors, omissions or changes of assessed valuations or amount of taxes assessed by any state, county, city or federal taxing or assessing authority.
3. Any facts, rights, interest or claims which are not shown by the Public Records but which could be ascertained by an inspection of the Land or by making inquiry of person in possession thereof.
4. Easements, liens or encumbrances, or claims thereof, which are not shown by the Public Records.
5. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
6. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, ditch rights; (d) any right, title or interest in any sand and gravel and/or minerals including access to an from to extract minerals, mineral rights, or related matters, including, but not limited to oil, gas, coal and other hydrocarbons; whether or not the matters excepted under (a), (b), (c), or (d) are shown by the Public Records.
7. Any lien or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the Public Records.
8. Any service, installation or connection charge for any and all utilities, including, but not limited to sewer, gas, water or electricity.
9. County road rights-of-way, not recorded and indexed as conveyance of record in the office of the Clerk and Recorder pursuant to Title 70, Chapter 21, M.C.A., including, but not limited to any right of the Public and the County of Lewis and Clark, Montana, to use and occupy those certain roads and trails.
10. General county taxes for the year 2016 a lien, not yet due and or payable.
11. RIGHT OF WAY EASEMENT to The Montana Power Company, recorded Sept. 26, 1941 in Book 125 Deeds, page 392.
12. RIGHT OF WAY EASEMENT to The Montana Power Company, recorded Aug. 16, 1950 in Book 159 Deeds, page 392.
13. RIGHT OF WAY EASEMENT to The Montana Power Company, recorded Jan. 19, 1951 in Book 162 Deeds, page 188.

Old Republic National Title Insurance Company

COMMITMENT FOR TITLE INSURANCE
SCHEDULE B
PART II

File No. 1674659

14. RIGHT OF WAY EASEMENT to Yellowstone Pipe Line Company, recorded in Book 176 Deeds, page 235.
15. Agreement for a temporary haul road to cross Sections 22 and 28, T. 10 N., R. 3 W, recorded in Book 74 Misc., page 53.
16. Subject to all items as shown on the plats filed under Doc. Nos. 254281 and 274490, including but not limited to all terms, provisions, conditions, and restrictions of the Dept. of Environmental Quality, as set forth on the attachments, if any, to said plats.
17. Covenants, conditions and restrictions recorded in Book 96 Misc., page 923, in Book 112 Misc., page 776, in M Book 3 of Records, page 3171, and in M Book 3 of Records, page 3259, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c).
18. Deeds of Easement to the City of Helena, Montana, recorded in Book 200 Deeds, page 397, and in Book 200 Deeds, page 399.

NOTE TO APPLICANT: If you require copies of any documents identified in this commitment for title insurance, the Company will furnish the same specific request, either free of charge or for the actual cost of duplication for those copies requiring payment by the Company to obtain.

NOTE: All notes are for information only and will be removed from the final title policy.

END OF SCHEDULE B II

Old Republic National Title Insurance Company

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File No. 1674659
ALTA Commitment Sch B II HA5

Page 2 of 2

GREGORY A. THORNQUIST
ELKHORN APPRAISAL SERVICES
P.O. BOX 448
HELENA, MONTANA 59624
PHONE (406) 449-7646
FAX (406) 449-7887

May 2, 2016

D & M Development
3424 Highway 12 East
Helena, Montana 59601

RE: The prospective market value appraisal of the real property located at 1698 A Street, Helena, Lewis and Clark County, Montana. A complete legal description is included on the deed in the addenda.

In accordance with the letter of engagement, Elkhorn Appraisal Services has made the necessary site visit and analysis to appraise the above referenced property. The attached report provides the essential data and detailed reasoning employed in determining the market value estimate. The value presented is the "prospective at completion". The property has been appraised as a whole and in fee simple ownership. No responsibility for matters that are legal in nature have been assumed, nor has any opinion as to title been provided.

The "prospective at completion" is the existing warehouse being extensively renovated on a 61,986 SF parcel. In the body of the report is a detailed description of the property.

The value reported is qualified by certain definitions, assumptions and limiting conditions, extraordinary assumptions, and certification that are set forth within the attached report. This appraisal report conforms to the reporting requirements of the Uniform Standards of Professional Appraisal Practice.

Based upon the following analysis, the prospective market value of the subject property, as set forth, documented and qualified in the attached report under conditions prevailing on January 1, 2017 will be:

Two Million Four Hundred Thousand Dollars*
\$2,400,000*

*Subject to the extraordinary assumptions on page 8.

SUBJECT PROPERTY PHOTOGRAPHS



Aerial view of the subject provided by Google. Image date 7/25/2014.



Existing warehouse

SUBJECT PROPERTY PHOTOGRAPHS

TRANSVERSE MAIL PREP SECTION
SCALE 1/4" = 1'-0"

BUILDING SECTION
SCALE 1/4" = 1'-0"

BUILDING SECTION
SCALE 1/4" = 1'-0"

BUILDING SECTION
SCALE 1/4" = 1'-0"

COGNIZANT NOTE
I, the undersigned, being a duly qualified and licensed Professional Engineer in the State of Montana, do hereby certify that the above drawings were prepared by me or under my direct supervision and that I am a duly qualified and licensed Professional Engineer in the State of Montana.

STATE OF MONTANA
PRINT & MAIL
DEPARTMENT OF REVENUE, BOZEMAN, MONTANA 59701
BUILDING SECTIONS

CROSSMAN WHITNEY GRIFFIN P.C.
ARCHITECTS
100 WEST WILSON STREET
HELENA, MONTANA 59601
PH: 406.261.1111
WWW.CROSSMANWHITNEYGRIFFIN.COM

13-15121
SCALE 1/4" = 1'-0"
DATE 10/15/13
DRAWN BY JWG
CHECKED BY JWG
COORDINATION FILE
A5.1

Architect Rendition

Hall-Widdoss & Company, PC.

Real Estate Appraisers & Consultants

1001 SW Higgins Avenue, Suite 201

Missoula, MT 59803

Telephone (406) 721-3822; Telefax (406) 721-7848

steve.hall@hall-widdoss.com

nickhogan@gmail.com

matthall7667@hotmail.com

Steven A. Hall, MAI, CCIM
MT, ID, & WY General Certified

Nicholas J. Hogan, MAI
MT & WY General Certified

Matt S. Hall
MT General Certified

John Widdoss, MAI, ARA
Spearfish, SD (605) 642-8844

December 1, 2015

Mr. Stephen Baiamonte

State of Montana Department of Administration, General Services Division, Facilities
Management Bureau

PO Box 200110

Helena, MT 59635

Re: Real Estate Appraisal of Starc Armory, located at 1100 N Last Chance Gulch, Helena, Lewis & Clark County, Montana, 59620. Appraisal reflects an "As is" value and an "As Complete" value reflecting remediation and restoration of building due to contamination from historical use.

Dear Mr. Baiamonte:

In response to the engagement of this firm for a defined appraisal assignment, the following appraisal assignment/appraisal report, defined by the Scope of Work presented within the body of this report, is hereby presented containing 82 pages plus addenda. Under general requirements, the appraisal has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation. In addition, the appraisal presented is intended to be in full compliance with all applicable laws & regulations affecting this service & report in which jurisdiction the subject property is located. The Scope of Work is key to understanding this appraisal service and the report option requested. Please read that section carefully as it most clearly defines the service rendered.

Specific reference to the issue of competency is assumed by virtue of USPAP requirements imposed on the appraiser. This refers to both technical as well as geographic competence. It is the mutual agreement of the client and the appraiser that the appraiser is competent to perform this appraisal (appraiser is acting competently to provide this appraisal service). Additionally, the appraisers have performed prior services on the subject property within three years.

At your request, we have prepared an appraisal for the above referenced property, which may be briefly described as follows:

Your attention is directed to the Limiting Conditions and Assumptions section of this report. Acceptance of this report constitutes an agreement with these conditions and assumptions. In particular, we note the following:

Hypothetical Conditions:

- There is a hypothetical condition for the 'As Complete' valuation that assumes all clean-up, remediation and restoration has been completed. Remediation includes clean-up and removal of drop ceilings (tiles, framework, hangers, etc.), but recognizing that the existing light fixtures can/will be cleaned and re-used; clean-up/removal of flooring, unexcavated area clean-up and barrier install and some asbestos abatement related to mastic material. The restoration includes a new HVAC system replacement, new drop ceilings, and new flooring. The client stated that some wall re-configuration (non-load bearing walls) would be possible within the existing budget to refinish/restore the space.

Extraordinary Assumptions:

- The property is in similar interior condition as during previous inspection earlier this year.

This assignment is not a typical valuation of a typical improvement. The historical use/design of the property, the contamination, and site concerns are all challenges to the appraisal. Specifically we wanted the reader to be aware of these primary concerns.

Site:

- The subject site is 10.16 acres in an urban central portion of the City of Helena. Average lot sizes are typically below 1-2 acres.
- Zoning is PLI, public lands and institutions. There have been no sales uncovered that were zoned similar to PLI, which still allows for a wide variety of governmental functions (storage, office, shop, etc.).
- The site was historically utilized for a landfill. The landfill was closed and "capped" in the 1930's to 1940's with the subject improvements being constructed in 1942. There have been no reported issues from this historical use. DEQ currently monitors several wells on the property. The lease to the City for park included stipulations that any clean-up from previous dump use that is disturbed during construction is a tenant/lessee obligation.
- There may be encroachment issues on the northeast corner in front of YMCA and by horseshoe pits.
- Approximately 6.5 acres of the 10.16 acre site are encumbered by a lease to the City for park and parking space. Only 5.85 acres is specifically identified as lease area, but includes additional parking areas to be joint-use as well as an easement for joint access across the northern property.

Improvements:

- Contamination. There has been somewhat confusing information provided regarding the habitable status in the "As is" value. Initially there was lead remediation on the firing range completed in 1994 with the state purchasing the building shortly afterwards. It has subsequently been utilized for office and storage space. Testing revealed that all but 2 of the 20 wipe samples (plenums) tested above SAP screening levels and the building was evacuated in October of 2013. 25 out of 28 surface wipes tested above thresholds. Air testing revealed that all air samples were below EPA guidelines. The conclusions of the report stated that all the plenums of all levels of the building contain elevated lead dust and will be abated/cleaned. This includes furnishings and carpeting/flooring, which will need to be tested prior to disposal (hazardous waste or not).

We specifically asked whether it was possible to utilize/occupy the space without remediation and were not provided a "firm" yes or no. It is our conclusion that the market would not occupy the space "As is". There were reports of similar lead based contamination in the CR Anderson Middle School that was not remediated and has been delayed and that the building has since been occupied. The subject space has been vacant for over 1 year and if it were possible to occupy the space "As is" it would have been filled to some level of occupancy. Even with no immediate health hazard, there are ongoing perception issues that the air handling equipment is contaminated and that any ceiling tile disturbing could create additional clean-up/contamination. To replace any ceiling tiles would require draping and still presents possible contamination.

- Design/Functional Utility. The property was originally built for an armory in the 1940's. The lowest level was a garage/shop space that has since been converted into office use. The upper basement (level 2) included cafeteria space, a shooting range, and larger than typical bathrooms (for office use). The upper two floors contain a large gymnasium (only floor area to main floor/level 3 and is open ceilings to top of building. The gymnasium has much more limited applications "As is" and has had little to no history of occupancy. The space has use challenges, but could be filled with non-office users (i.e. church/worship). At the least the room could be utilized for material storage. As will be discussed in the report, we looked at costs for installing a drop ceiling and running basic heat/power in the gymnasium to convert to a more typical office use.
- Design/Functional Utility (Continued) the lowest two levels are primarily basement office/storage space with no windows. The building was never designed for multiple tenancies with a central heating/cooling and wiring/plumbing. Originally the lowest basement level was designed for the armory garage, but has since been finished as additional office, conference and laboratory space.
- Historic Significance. The subject improvements are listed in the National Register of Historic Places as the Montana State Arsenal Armory and Drill Hall. This makes any redevelopment/exterior renovations extremely unlikely.

Current "As Is" Market Value:

Based upon our investigations, studies and analyses, in full consideration of the Scope of Work presented & discussed herein, it is our *opinion* the Fee Simple *market value* of the subject property in its' "AS IS" condition, as of the effective date of November 24, 2015, is:

One Million Seven Hundred Fifty Thousand Dollars

\$1,750,000

Current "As Complete" Market Value:

Based upon our investigations, studies and analyses, in full consideration of the Scope of Work presented & discussed herein, it is our *opinion* the Fee Simple *market value* of the subject property in its' "AS COMPLETE" condition (reflecting remediation and renovation), as of the effective date of November 24, 2015, is:

Four Million Three Hundred Thousand Dollars

\$4,300,000

Please refer to the appropriate section for a brief discussion of marketing time. Pursuant to USPAP, it is necessary for this appraisal to consider & analyze exposure time when developing an opinion of market value. The market exposure time preceding the effective date of value (November 24, 2015), would have been 6-12 months and the estimated marketing period as of November 24, 2015 is 6-12 months.

Your attention is invited to the data found within the body of this report which, in part, is the foundation of this conclusion. We wish to thank you for this opportunity; should you find need of this firm's services again, please do not hesitate to contact us.

Respectfully submitted,
Hall - Widdoss & Company, P.C.

Matt S Hall

Matt S Hall
2015.12.01
11:22:21 -07'00'

Matt S. Hall
MT-REA-RAG-LIC-786
Expires 3/31/2016

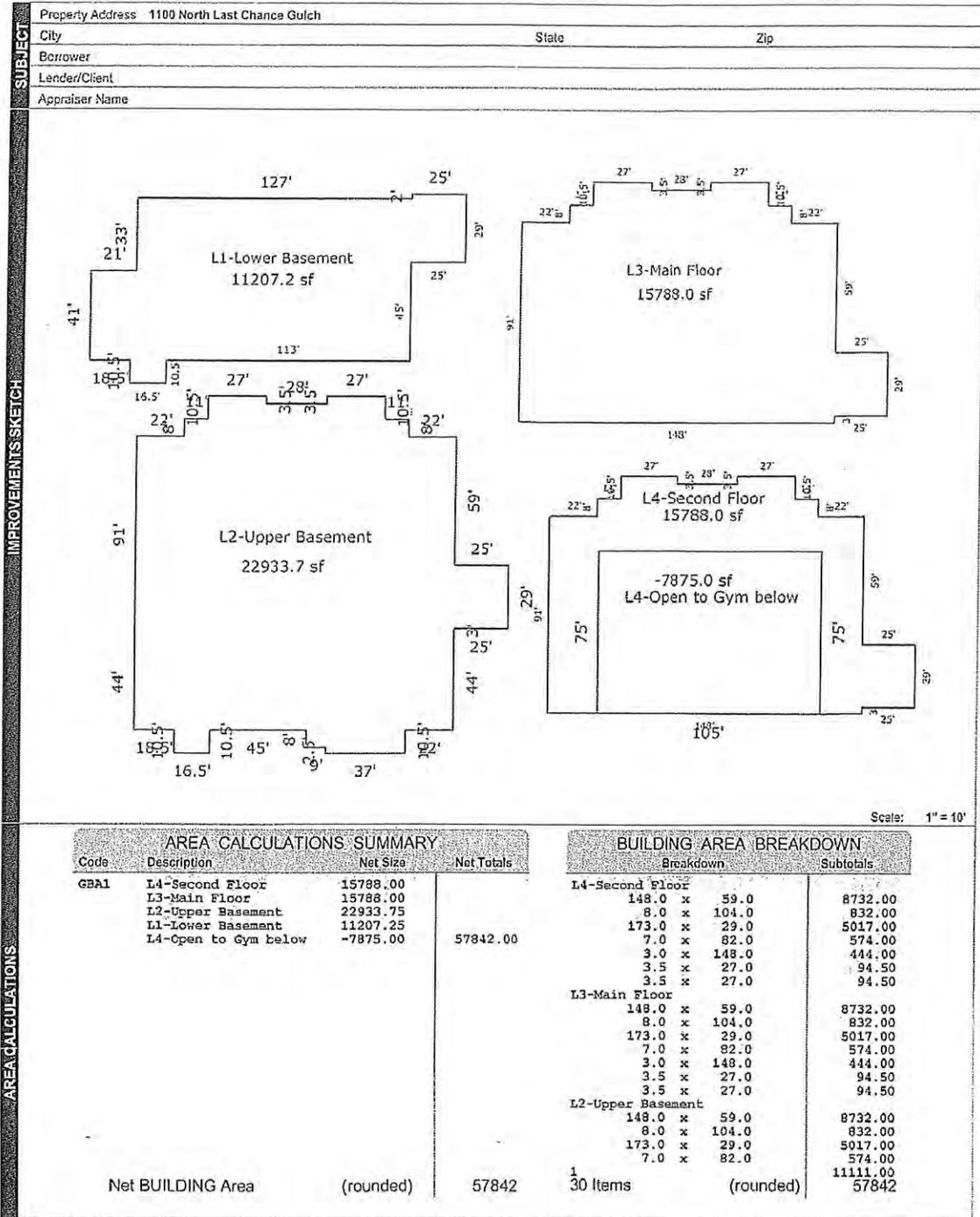
Steven A Hall

Steven A. Hall, MAI,
CCIM
2015.12.01 11:23:57
-07'00'

Steven A. Hall, MAI, CCIM
Montana-REA-RAG-LIC-17
Expires 3/31/2016

BUILDING SKETCH

SKETCH/AREA TABLE ADDENDUM



Hill Williams & Company, P.C.

APEX SOFTWARE 690-03109923

APU103-W Apex 23

SUBJECT PHOTOGRAPHS



ABOVE: Front view of subject property from across the southeast corner looking northwest from most recent inspection 123710



ABOVE: Front/side view of improvements from access on N. Last Chance Gulch. P1110145



BELOW: Side/rear view looking southeast at improvements. 123913



BELOW: Side view of improvements from parking area looking southeast. 1110136



ABOVE: Rear/Side view looking southeast from central parking area. P1110137



ABOVE: Rear/side view from north/eastern boundary of site looking south. P1110138



BELOW: View of western portion of site leased to city for park looking west. P1110162



BELOW: View of western portion of site leased to city for park looking north/west. P1110161

J. MICHAEL JOKI, MAI, SRA

P.O. BOX 281

HELENA, MONTANA 59624

Phone (406) 442-2159

FAX (406) 442-6196

January 22, 2016

Garett M. Bacon, Leasing Officer
State of Montana Department of Administration
General Services Division, Facilities Management Bureau
P.O. Box 200110
Helena, MT 59620-0110

RE: An appraisal of the multi-story warehouse building located at 920 Front Street in Helena, MT.

Dear Garett:

In accordance with your contract dated October 26, 2015 I have made the necessary inspection and analysis to appraise the above referenced property. The attached report provides the essential data and detailed reasoning employed in estimating my final value estimate. The report contains 61 pages.

I have appraised the property as a whole and owned in fee simple. I assume no responsibility for matters that are legal in nature nor do I render any opinion as to title.

The property being appraised is a two story warehouse building with a full basement that has a total square footage of 62,370 SF in the three levels. A portion of the first and second levels has finished office space. The site is 77,537 SF however this building functions on a 70,577SF site because 6,960 SF is leased to the adjoining property owner to the south. The land lease is considered in this appraisal report.

The value reported is qualified by certain definitions, assumptions and limiting conditions, and certification which is set forth within the attached report. The analysis contained herein is considered to be a summary appraisal report. This appraisal report is intended to conform with the Uniform Standards of Professional Appraisal Practice.

Based on my analysis, the market value of the subject property, as set forth, documented and qualified in the attached report under conditions prevailing on January 21, 2016 was:

SIX HUNDRED TWENTY TWO THOUSAND DOLLARS

\$622,000*

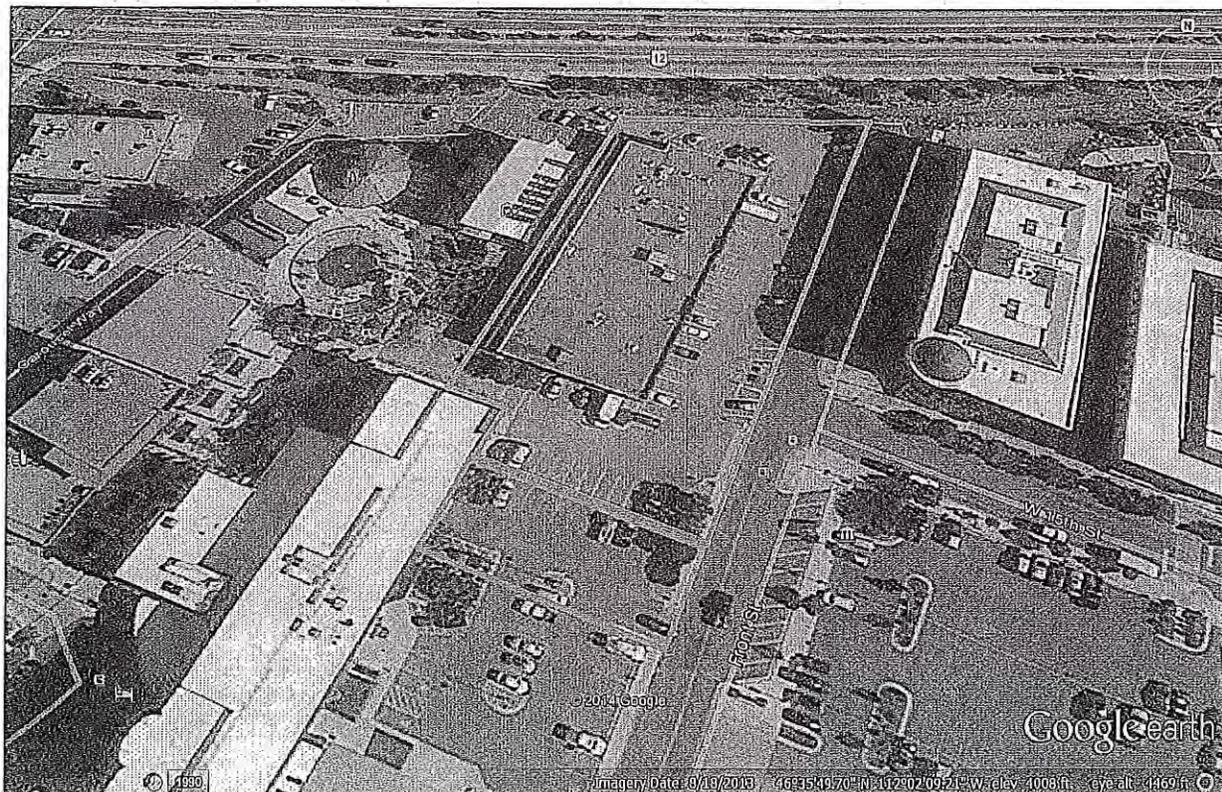
* Subject to the Extraordinary Assumption and Limiting Condition on page 8.

I direct your attention to the data, discussions and conclusions which follow.

Respectfully submitted,



J. Michael Joki, MAI, SRA
Montana State Certified
General Real Estate Appraiser #152

SUBJECT PROPERTY PHOTOGRAPH

The portion of the subject site that supports the warehouse building is outlined in green, and the leased portion of the subject site is outlined in blue. These boundaries are approximate.

General Process for a Land Exchange Involving Non-Trust Lands

1. The Agency conducting the exchange develops a proposal that describes the property to be exchanged, including the legal description(s) of the property.
2. The Agency may, at its election, notify the Governor's Office of the anticipated land exchange.
3. The Agency will comply will all requirements of the Montana Environmental Policy Act (MEPA) found at M.C.A. §75-1-101, *et seq.*
4. The Agency will comply with all requirements and restrictions found in the Montana Code Annotated, including but not limited to, M.C.A. §77-2-201, *et seq.*
5. The Agency will conduct an in-depth due diligence review of the properties to be exchanged. For example, this review could include a market value appraisal performed by a Montana General Certified Appraiser, a land title report, a Phase I Environmental Assessment, a water rights investigation, a mineral resource assessment, and a cultural/paleontological inventory.
6. The Agency will bring the item to the Land Board for final approval. For details on getting on the Land Board agenda, internal deadline calendars, meeting schedules, creating agenda items, etc., the Agency should contact the Land Board secretary at landboard@mt.gov or 406-444-6699.
7. Land Board will approve or disapprove the land exchange proposal and the closing of the transaction. If final approval is granted, the Agency will prepare closing documents and close the land exchange transaction.
8. The Agency will return the original Deed(s) to DNRC's Real Estate Management Bureau for inclusion in the records repository.

NOTE: Additional action is necessary when executing a land exchange concerning timbered, cut-over, or burned-over Lands pursuant to M.C.A. §77-2-211 *et seq.*

716-8

DNRC TRUST LAND MANAGEMENT DIVISION:
2016 Project Management List

**Land Board Agenda Item
July 18, 2016**

716-8 DNRC Trust Land Management Division – 2016 Project Management List

Location: Custer, Flathead, Gallatin, Lincoln, Missoula, Sanders, Yellowstone Counties

Trust Benefits: Common Schools, Pine Hills School, Eastern College - MSU/Western Montana - UM, Public Buildings

Trust Revenue: N/A

Item Summary

The Trust Lands Management Division (TLMD) is required to identify real estate development projects annually through a Project Identification Team (PIT) consisting of Real Estate Bureau and land office staff. The PIT must report their identified projects to land board per ARM 36.25.909(3)(A).

At the annual Project Identification Meeting in May 2016, the PIT determined not to add any new projects to the project list for FY17, and to continue focusing resources on existing projects.

Background:

The *Real Estate Management Plan Record of Decision* (ROD) was approved in July 2005. The ROD provides the TLMD with consistent policy and direction in the selection and implementation of management activities (residential, commercial, industrial, and conservation) on state Trust Lands.

The Project Identification Team selected the projects on the following table in adherence to the ROD. The ROD defines a comprehensive process that includes both extensive site investigation and participation of the public and local units of government. These projects successfully completed the required analysis which ensures development is physically possible and legally permissible. Further, the projects meet the three goals of the Real Estate Management Plan:

Goal A: Share in Expected Community Growth – these projects capture on state Trust lands a share of development taking place in Montana’s communities.

Goal B: Plan Proactively – Land Office staff has participated in numerous neighborhood/community meetings and worked closely with local officials during design and ongoing development of these projects. The Department works cooperatively with local communities in locating projects in designated growth areas and strategic rural areas.

Goal C: Increase Revenue for Trust Beneficiaries – the selected projects increase revenue from the lands proposed for development, and generate the greatest amount of revenue per acre.

The project list will be made available to the public in the Real Estate Management Bureau office, the DNRC land offices, and on the DNRC website.

2016 REAL ESTATE PROJECT LIST

DNRC is currently developing the following Real Estate Projects in compliance with the agency's Real Estate Management Plan.

Real Estate Project	Description	Grant	Office	County	Acres	Urban/Rural	Goal A: Share in Expected Community Growth	Goal B: Plan Proactively	Goal C: Increase Revenue for Trust Beneficiaries
Alaska Road	Commercial/industrial development - Marketing and development of parcel.	Common Schools	CLO	Gallatin	3.3	Urban	Adjacent to existing development and Interstate 90. In growth area.	Annexed and rezoned parcel without negative comments.	Under Option to Lease for permitting phase of new development. Lease will generate Base Rent of \$32,400.
Amsterdam Road	Mixed use development -Annexation and rezoning of parcel.	Common Schools	CLO	Gallatin	450	Urban	Has development on four sides. In growth area.	Dept. is pursuing new study of commercial development options.	Current revenue from agricultural lease.
Lewis & Clark Subdivision	Commercial/industrial development - market and lease of lots.	Common Schools	CLO	Gallatin	28	Urban	Addresses the need for light industrial ground in Bozeman.	Developed and leased.	Leased and returning revenue to the Trust. 2016 Revenue will exceed \$215,000.
North Park	Commercial/industrial development - Design and engineering of subdivision.	Common Schools	CLO	Gallatin	178	Urban	Annexed by the City of Bozeman to increase the M1 zoned land available within the City Limits.	Annexed and rezoned parcel without negative comments.	Increase from Ag revenue to higher commercial income. Full annual income may exceed \$200,000 within 2 years.
Bull Pasture Subdivision	Commercial/industrial development - Marketing of parcel.	Pine Hills School	ELO	Custer	60	Urban	Less than one mile from Miles City. Supported by local planning office.	Multiple public meetings were held.	1 of 5 lots currently under lease. The lots remaining are being marketed for lease.
Spring Prairie Commercial Infill	Commercial/professional development - Design, marketing and lease of lots.	Common Schools	NWLO	Flathead	100	Urban	PUD was approved by Kalispell and is in a growth corridor.	An extensive PUD was created and approved by Kalispell.	Yearly revenues passed \$1 Million in 2015.
Stillwater Industrial	Industrial development - Marketing of parcel and RFP process.	State Normal School	NWLO	Flathead	40	Rural	Allowed industrial use in Whitefish Neighborhood Plan	Property is located in approved Whitefish Neighborhood Plan.	Currently used as managed forest land.
Indian Springs Ranch	Residential development - easement exchange to allow expansion of golf course. Future sale of residential lots on remainder of tract.	Common Schools	NWLO	Lincoln	40	Urban	Adjacent to proposed residential development on two sides.	Dept. will work with public and local planning agency.	Current revenue from grazing lease.
Cripple Horse Creek	Site is adjacent to an existing commercial resort on Lake Kookanusa. Department will be conducting survey and conceptual planning and investigation to determine feasibility of developed commercial	Public Buildings	NWLO	Lincoln	162.5	Rural	Adjacent resort is at capacity; demand for recreation continues to grow.	Dept. will work with public and local planning agency.	Request for Proposals is active, closes August 24, 2016. Minimum Bid is \$14,400.



Real Estate Project	Description	Grant	Office	County	Acres	Urban/Rural	Goal A: Share in Expected Community Growth	Goal B: Plan Proactively	Goal C: Increase Revenue for Trust Beneficiaries
	recreation at this site.								
Libby Creek/Ponderosa Plantation	Site has several existing residential lease areas. Department will engage in planning activities and securing entitlements for marketing the parcel for future residential development.	Common Schools	NWLO	Lincoln	120	Rural	Adjacent development. Several entities interested in parcel.	Dept. will work with public and local planning agency.	Will add value to land, improve potential for sale to developer.
Libby Golf Club area lands	Site is adjacent to the Libby Golf Club. Department will be investigating potential for making some of this section available for future residential development.	Common Schools	NWLO	Lincoln	640	Rural	Adjacent development. Potential for residential and commercial development.	Dept. will work with public and local planning agency.	Adding Entitlements will increase development value.
Libby area lands	Department will be investigating potential for development of future low density residential development in these two sections.	Common Schools	NWLO	Lincoln	800	Rural	Adjacent development. Potential for residential development.	Dept. will work with public and local planning agency.	Adding Entitlements will increase development value.
Libby area lands	Department will be investigating potential for development of future low density residential development in this section.	Common Schools	NWLO	Lincoln	45.9	Rural	Adjacent development. Potential for residential development.	Dept. will work with public and local planning agency.	Adding Entitlements will increase development value.
Thompson Falls area lands	Site is adjacent to existing Thompson Falls Golf Course. Department will review the site for potential commercial, developed recreation, and/or commercial development.	Common Schools	NWLO	Sanders	46	Rural	Adjacent development. Potential for residential and commercial development.	Dept. will work with public and local planning agency.	Adding Entitlements will increase development value.
Skyview Ridge Subdivision	Mixed use development - Sell residential and lease commercial development.	Common Schools	SLO	Yellowstone	285	Urban	Infill location with development on three sides.	Parcel has been in stages of master planning since mid 1980's.	Yearly revenue will increase as new leases are issued, and sale proceeds are generated for reinvestment.
Reserve Street	Commercial/professional development - Marketing and maintenance.	Common Schools	SWLO	Missoula	2.8	Urban	Infill location on a primary commercial corridor.	All entitlements exist and marketing plan was initiated	Received qualifying proposal in recent RFP. Negotiating final Option to Lease.

Questions? Contact the DNRC at 406-444-1363.