

AGENDA
REGULAR MEETING OF THE BOARD OF LAND COMMISSIONERS
Monday, May 20, 2019 at 9:00 am
Supreme Court Chambers, Mazurek Justice Building
Helena, MT

ACTION ITEMS

- 0519-1 Timber Sales**
A. Kozy Korner
Benefits: Public Buildings, Pine Hills
Location: Missoula County
B. Clear View North
Benefits: Common Schools, MSU 2nd
Location: Missoula County
C. Swift Divide
Benefits: Common Schools
Location: Flathead County
D. Lupfer Morrill
Benefits: MSU Morrill, Public Buildings, State Normal School
Location: Flathead County
E. Pipe Creek
Benefits: Common Schools
Location: Lincoln County
APPROVED 5-0
- 0519-2 Agriculture and Grazing Leases: Competitive Bid Hearings**
A. Lease No. 5871 – Bret & Denise Conover (Lessee) /Ted McFarland (Bidder)
Benefits: Common Schools
Location: Yellowstone County
B. Lease No. 6109 – Patrick Foster (Lessee) /Tempel Farm (Bidder)
Benefits: Common Schools
Location: Hill County
APPROVED 5-0
- 0519-3 Commercial Lease: Proposed Solar Development**
Benefits: Pine Hills
Location: Beaverhead County
APPROVED 5-0
- 0519-4 Land Banking Parcels: Preliminary Approval for Sale**
Benefits: Common Schools
Location: Custer and Rosebud Counties
APPROVED 5-0
- 0519-5 Land Banking Parcels: Final Approval for Sale**
Benefits: Common Schools, Public Buildings
Location: Teton County
APPROVED 5-0
- 0519-6 Disclaimer of Interest: Ennis Public Park**
Benefits: N/A
Location: Madison County
APPROVED 5-0
- 0519-7 Easements**
Benefits: Capitol Buildings, Common Schools, Public Land Trust – Navigable Rivers
Location: Broadwater, Chouteau, Gallatin, Jefferson, Judith Basin, Madison, Park, Phillips, Prairie Counties
APPROVED 5-0

PUBLIC COMMENT

0519-1

TIMBER SALES:

- A. Kozy Korner
- B. Clear View North
- C. Swift Divide
- D. Lupfer Morrill
- E. Pipe Creek

Land Board Agenda Item
May 20, 2019

0519-1A Timber Sale: Kozy Korner Timber Sale

Location: Missoula County
Sections 24, 26, 35, T16N, R14W

Trust Beneficiaries: Public Buildings, Pine Hills School

Trust Revenue: \$97,655 (estimated, minimum bid)

Item Summary

Location: The Kozy Korner Timber Sale is located approximately 10 miles northwest of Ovando, MT in Missoula county.

Size and Scope: The sale has seven harvest units and encompasses 540 acres of ground-based logging.

Volume: The estimated harvest volume is 9,408 tons (1.26 MMBF) of sawlogs.

Estimated Return: The minimum bid is \$10.38 per ton which would generate approximately \$97,655 for the Trusts and \$13,077 in Forest Improvement fees.

Prescription: Prescriptions include a combination of shelterwood and individual tree selection. Leave-tree selection will favor healthy western larch and ponderosa pine while also retaining, as a lower priority, healthy Douglas-fir, subalpine fir, and Engelmann spruce. Tree spacing is based on tree quality to develop an irregular pattern. The best trees will be left; this may be individual trees or small clumps.

Road Construction/Maintenance: Approximately 0.1 miles of new road will be constructed within the timber sale area. Approximately 0.1 miles of road will be re-constructed. Road maintenance will be performed on 6.5 miles.

Access: Access is on the Montana Department of Natural Resources and Conservation (DNRC) property immediately off Woodworth Road (county road) and USFS Road 9976 (Lower Cottonwood Lakes road). Additional access is through a Temporary Road Use Permit using Forest Service roads in Sections 25, 26, and 27 T16N R14W.

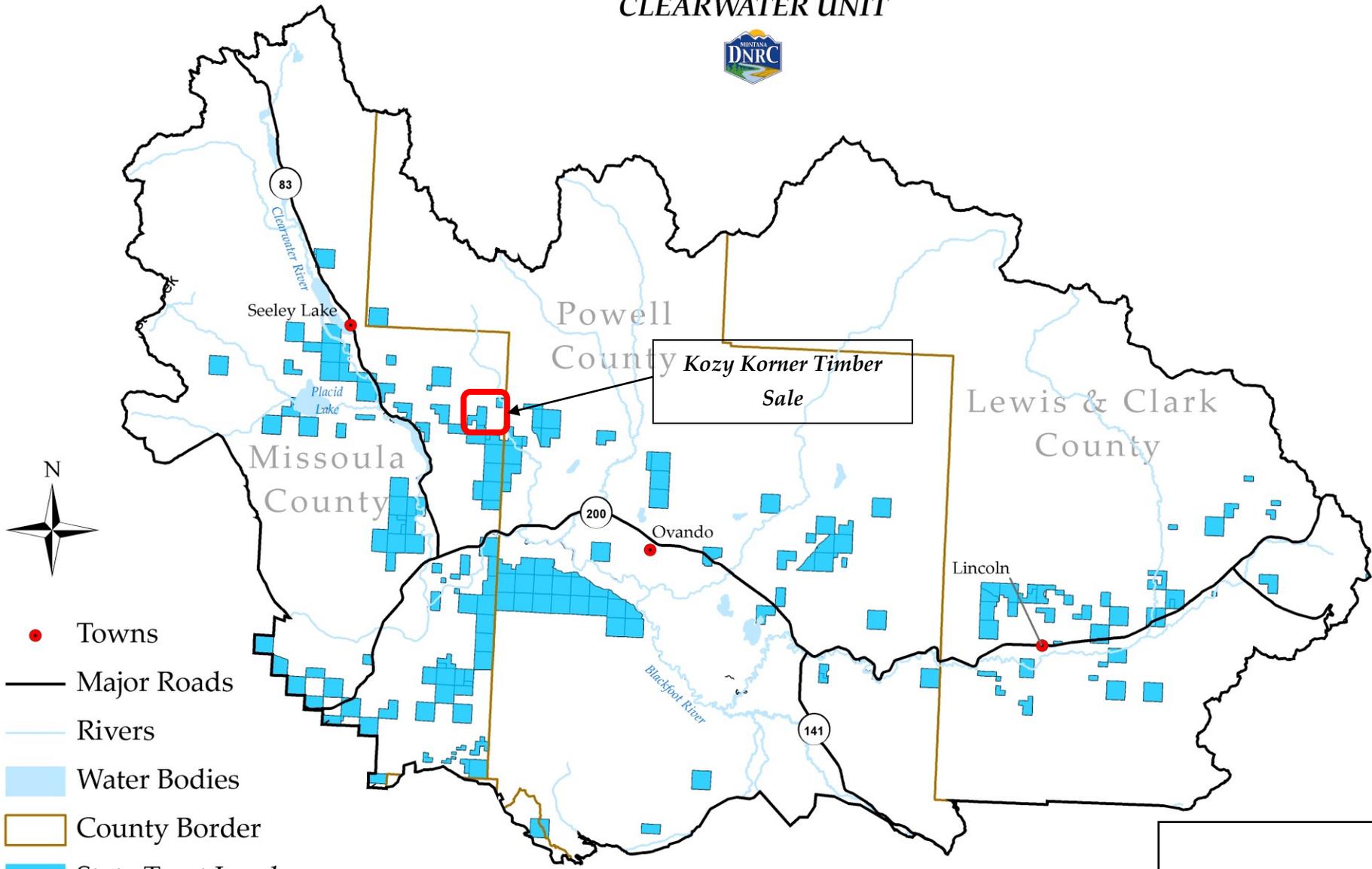
Public Comments: Comments were received from the Montana Department of Fish, Wildlife, and Parks (FWP), Missoula County Community and Planning Services, the Rich Ranch, and Rob Henrekin. Comment issues included project support, wildlife habitat alteration, slash cleanup and slash piling. Concerns were addressed through the application of DNRC's Habitat Conservation Plan, Forest Management Rules and BMP's. A mitigation was developed to machine pile and burn slash in certain areas as to not impact future grass, shrub, and tree growth and to also improve mobility for weed spraying off roads.

DNRC Recommendation

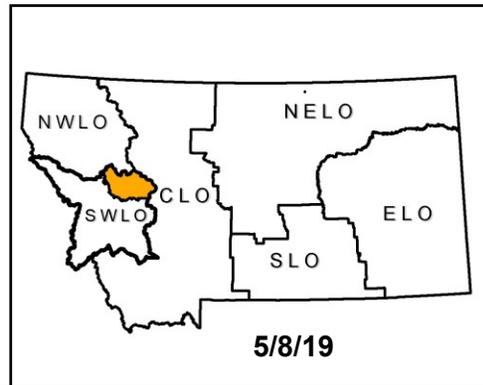
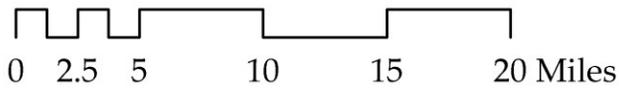
The director recommends the Land Board direct DNRC to sell the Kozy Korner Timber Sale.

KOZY KORNER VICINITY MAP CLEARWATER UNIT

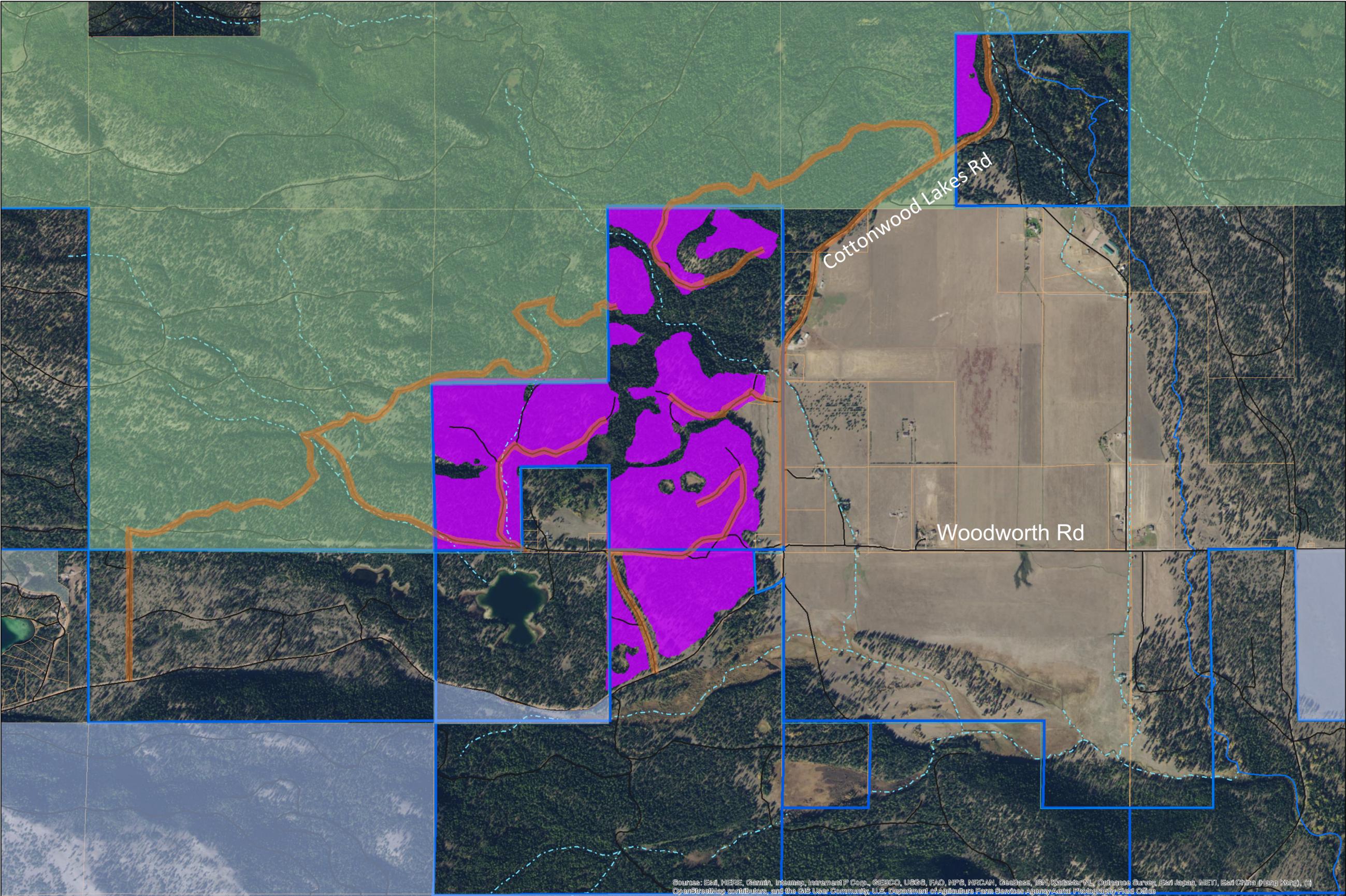
0519-1A



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

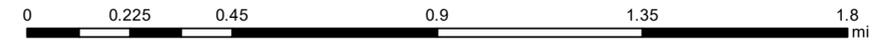


Kozy Korner Timber Sale Harvest Unit and Haul Route Map



Sources: Esri, HERE, Garmin, Inmap, Intermap, InCREMENT P Corp., GEBCO, USGS, FAO, NPS, NRCAN, Geobase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), Swisstopo, Mapbox, OpenStreetMap contributors, and the GIS User Community, U.S. Department of Agriculture Farm Services Agency Aerial Photography Field Office

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|---------------------|------------------------|------------|
| Existing Road | Perennial Stream | USFS Land |
| New Road | Intermittent Stream | USFWS Land |
| Road Reconstruction | Proposed Harvest Units | BLM Land |
| Haul Route | DNRC Surface Tracts | MT FWP |



**Land Board Agenda Item
May 20, 2019**

0519-1B Timber Sale: Clearview North Timber Sale

**Location: Missoula County
Sections 4, 8, 9, 10, 15, and 16, T16N, R15W**

Trust Beneficiaries: Common Schools & MSU Income

Trust Revenue: \$108,859 (estimated, minimum bid)

Item Summary

Location: The Clearview North Timber Sale is located approximately 2 air miles southwest of Seeley Lake, Montana in the Clearwater River drainage in Missoula County.

Size and Scope: The sale includes 10 harvest units (484 acres), 100% of which would be logged with ground-based equipment.

Volume: The estimated harvest volume is 13,084 tons (1.804 MMBF) of sawlogs.

Estimated Return: The minimum bid is \$8.32 per ton which would generate approximately \$108,859 for the Trusts and \$18,710 in Forest Improvement fees.

Prescription: Shelterwood and individual tree selection will favor healthy western larch, ponderosa pine and quality Douglas-fir. Tree spacing based on tree quality to develop an irregular pattern. Two or three selected desirable trees may be retained in close proximity to one another. Removal of interlocking tree crowns and ladder fuels is desirable. Trees from all diameter classes (sawlog and pulp) will be removed. There is one area that contains old growth in the project area, it will be treated with restoration or maintenance prescriptions.

Road Construction/Maintenance: In conjunction with the sale, the Montana Department of Natural Resources and Conservation (DNRC) will construct approximately 2.4 miles of road, improve or maintain slightly less than 9 miles, and reclaim or abandon approximately 2 miles of road. This activity will occur during the late spring, summer, and early fall.

Scoping: This timber sale was analyzed in the Clearview Projects Environmental Assessment (EA). A public notice was published in the Missoulian and the Seeley Swan Pathfinder newspapers; notices were posted at the Stoney's Gas Station at Clearwater Junction. One comment was received Montana Fish Wildlife and Parks (FWP). The Confederated Salish and Kootenai Tribes were also contacted during the scoping process. Comments and concerns were incorporated in project development and design.

Access: DNRC does have legal access to these sections. Access to the project area is through existing easements from Plum Creek Timber Company (March 1998) and two Temporary Road Use Permits through Montana Checkerboard LLC (formerly The Nature Conservancy), County road, or DNRC ownership.

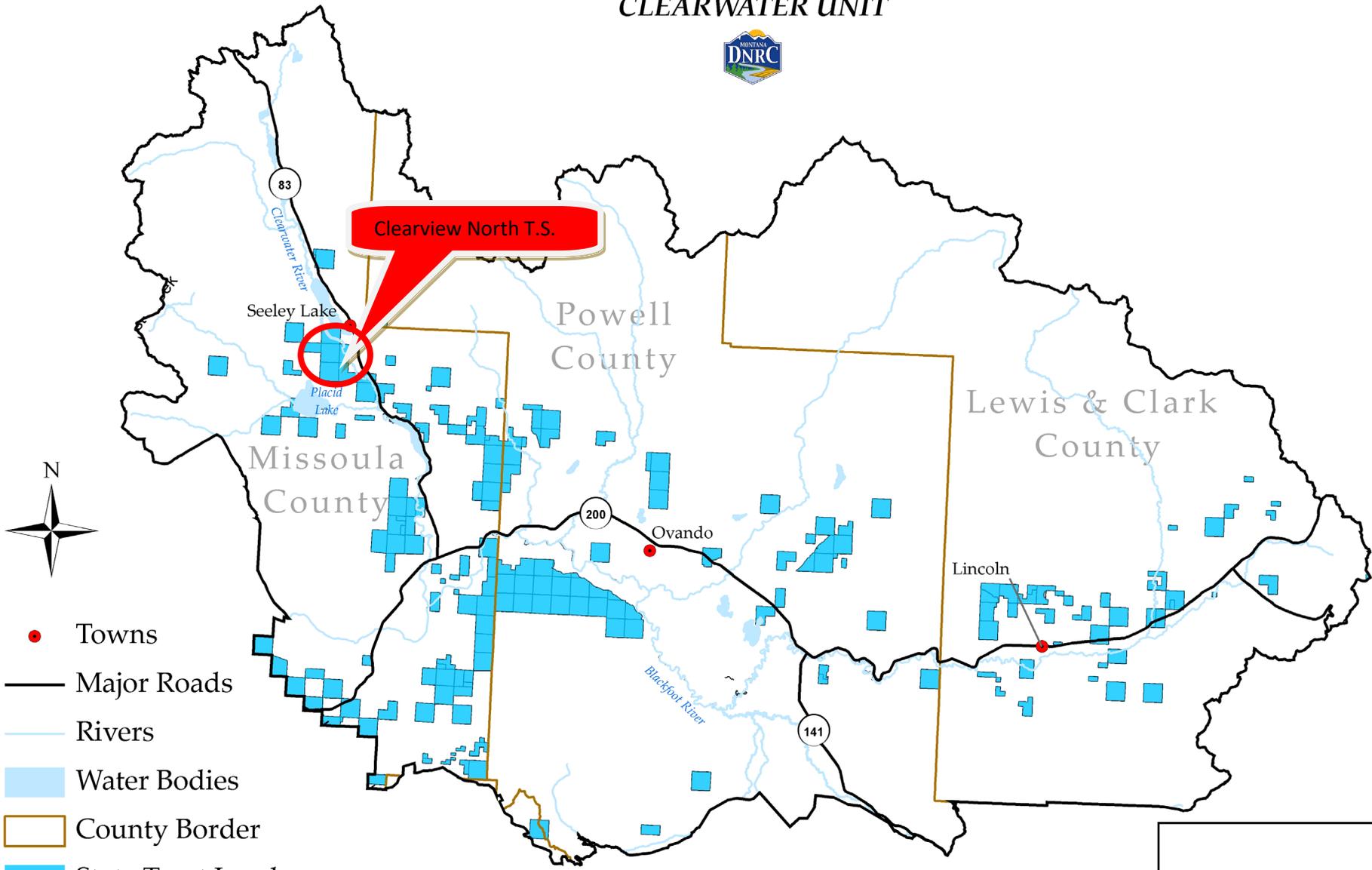
DNRC Recommendation

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

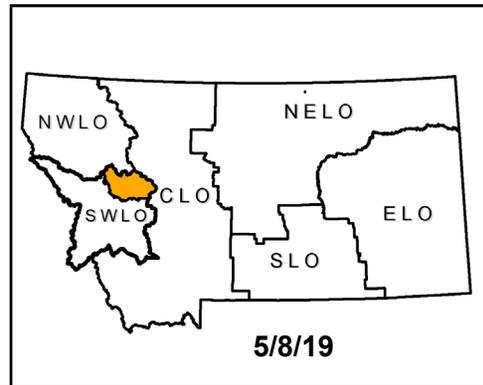
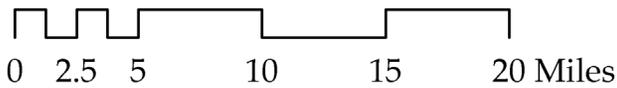
CLEARVIEW NORTH VICINITY MAP

CLEARWATER UNIT

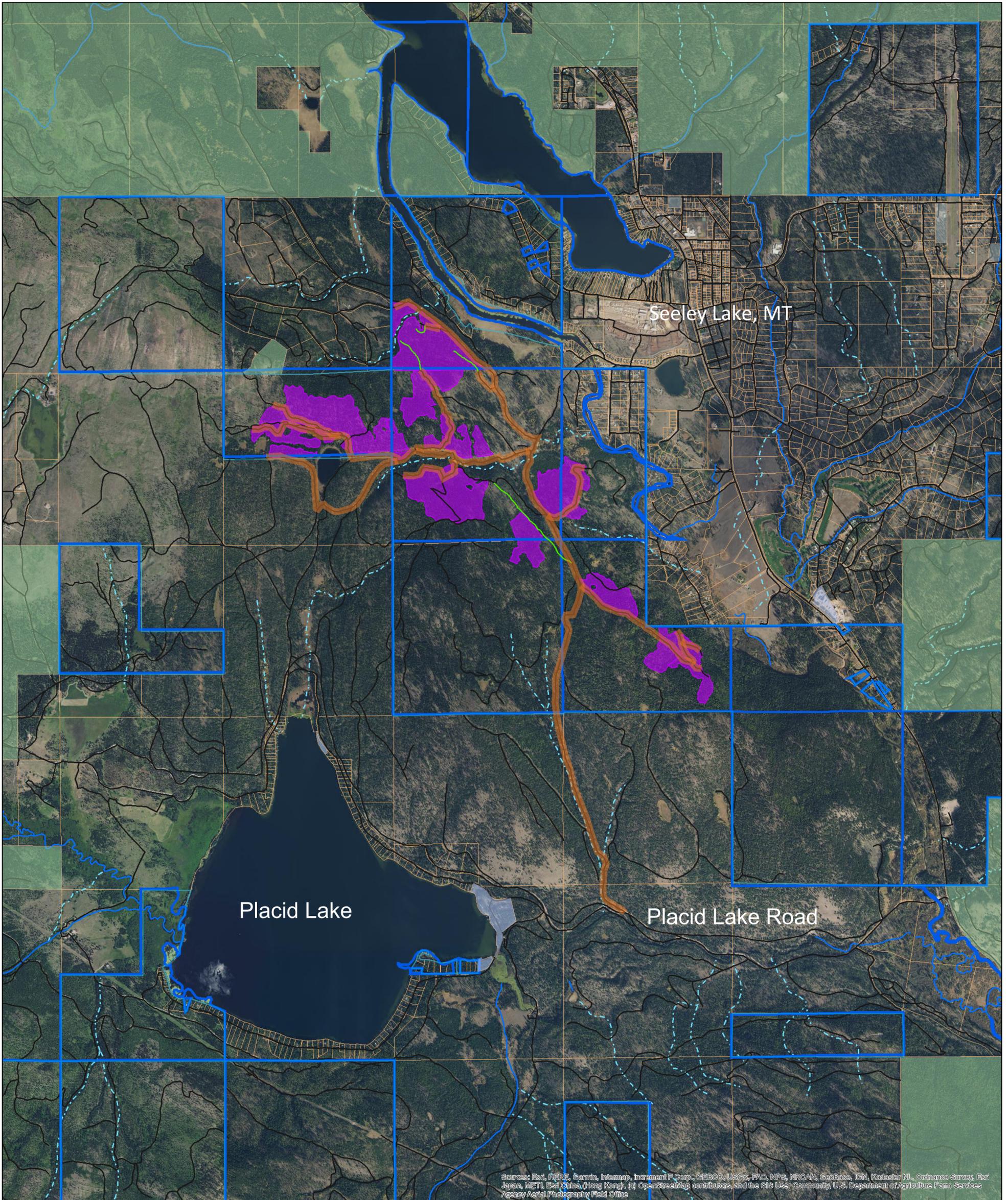
0519-1B



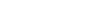
- Towns
- Major Roads
- Rivers
- Water Bodies
- County Border
- State Trust Land



Clearview North Timber Sale Harvest Unit and Haul Route Map



Sources: Esri, HERE, Garmin, Intermap, IntraMap P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap contributors, and the GIS User Community, U.S. Department of Agriculture Farm Services Agency Aerial Photography Field Office

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|  Existing Road |  Perennial Stream |  USFS Land |
|  New Road |  Intermittent Stream |  USFWS Land |
|  Road Reconstruction |  Proposed Harvest Units |  BLM Land |
|  Haul Route |  DNRC Surface Tracts |  MT FWP |



**Land Board Agenda Item
May 20, 2019**

0519-1C Swift Divide Timber Sale:

**Location: Flathead County
Sections 17, 18, 19, 20, 28, & 29 T34N, R23W**

Trust Beneficiaries: Common Schools

Trust Revenue: \$307,582

Item Summary

Location: The Swift Divide Timber Sale is located approximately 10 miles due north of Olney, MT, and immediately south of Upper Whitefish lake.

Size and Scope: This sale includes 10 harvest units, 146 acres of tractor harvest and 51 acres of cable harvest totaling 197 acres treated.

Volume: The estimated volume is 11,198 tons (1.96 MMBF) of sawlogs.

Estimated Return: The minimum bid is \$14.08 per ton, which would generate approximately \$157,688 for the Common Schools Trust and approximately \$23,852 in Forest Improvement fees.

Prescription: The sale has two prescriptions; clear cut with reserves and seedtree with reserves. Both of which are designed to emulate the natural disturbance regime and to move the stand into its desired future condition.

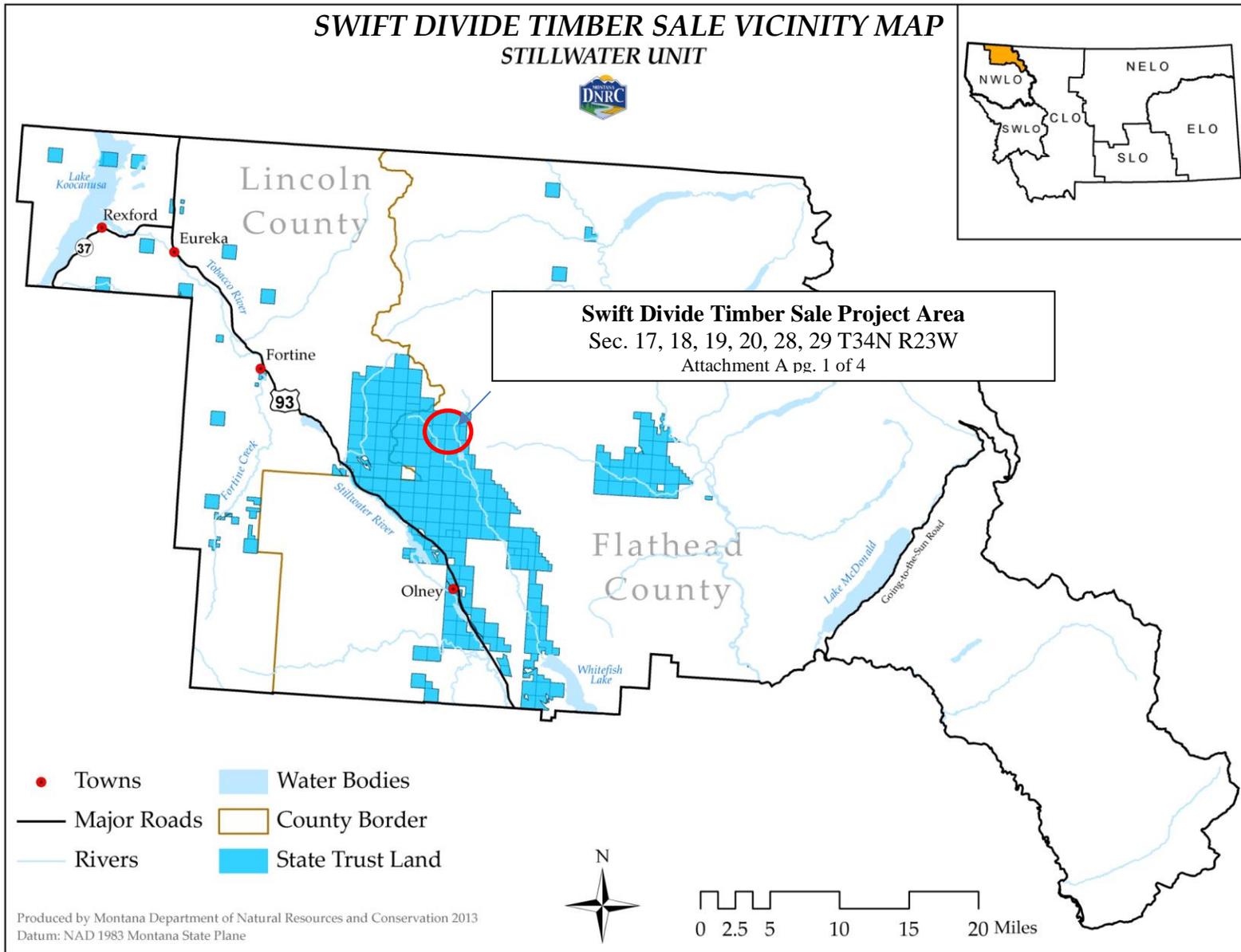
Road Construction/Maintenance: The Montana Department of Natural Resources and Conservation (DNRC) is proposing 20.8 miles of road maintenance with site improvements as well as 2.5 miles of road reconstruction, and 0.78 miles of new temporary road construction.

Access: Access is on State roads within the Stillwater State Forest, using the Upper Whitefish and West Fork road systems.

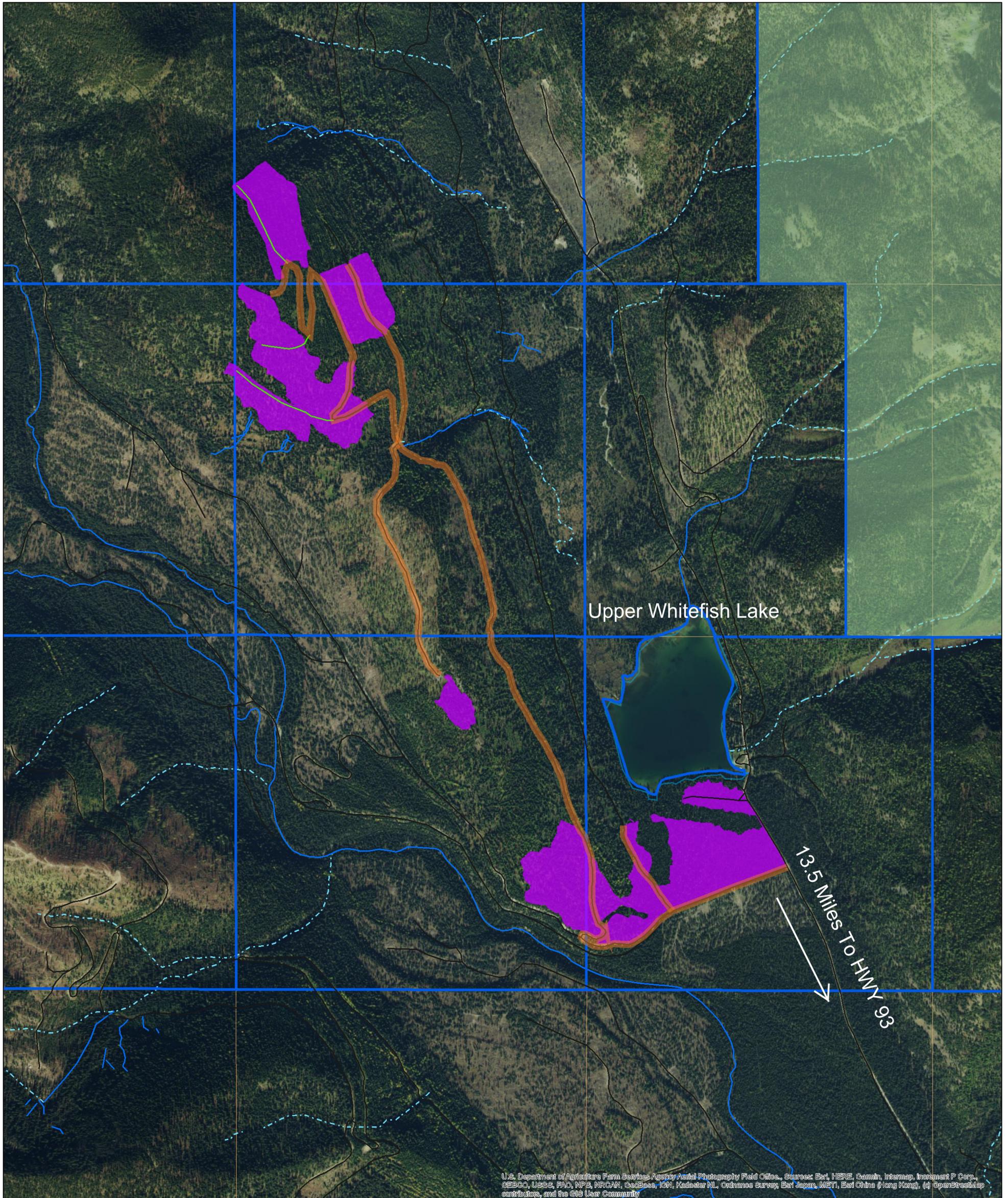
Public Comments: One public comment was received from Weyerhaeuser in full support of this proposed timber sales.

DNRC Recommendation

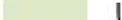
The director recommends the Land Board direct DNRC to sell the Swift Divide Timber Sale.



Swift Divide Timber Sale Harvest Unit and Haul Route Map



U.S. Department of Agriculture Farm Services Agency Aerial Photography Field Office. Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap contributors, and the GIS User Community

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|  Existing Road |  Perennial Stream |  USFS Land |
|  New Road |  Intermittent Stream |  USFWS Land |
|  Road Reconstruction |  Proposed Harvest Units |  BLM Land |
|  Haul Route |  DNRC Surface Tracts |  MT FWP |



**Land Board Agenda Item
May 20, 2019**

0519-1D Lupfer Morrill Timber Sale:

**Location: Flathead County
Sections 20, 21, 27, 28, 34 & 35 T32N, R23W**

**Trust Beneficiaries: MSU Morrill, Public Buildings, and
State Normal School**

Trust Revenue: \$224,807 (estimated minimum bid)

Item Summary

Location: The Lupfer Morrill Timber Sale is located approximately just south and east of Olney, Montana, and is accessed by the Lupfer Loop Road, east of Highway 93.

Size and Scope: This sale includes 18 harvest units, totaling 208 treated acres of ground-based harvest.

Volume: The estimated volume is 10,054 tons (1.67 MMBF) of sawlogs.

Estimated Return: The minimum bid is \$22.36 per ton which would generate approximately \$224,807 for the Trusts and \$6,925 in Forest Improvement fees.

Prescription: The sale has several prescriptions; clearcut with reserves and seedtree with reserves, improvement cut, overstory removal, and fuel reduction/slashing. These treatments are designed to reduce insect and disease problems, improve stand health and vigor, reduce fuel loading near private lands, and continue past silvicultural prescriptions that focus on moving stands towards their desired future conditions.

Road Construction/Maintenance: The Montana Department of Natural Resources and Conservation (DNRC) is proposing 6.8 miles of road maintenance with site improvements as well as 0.6 miles of new temporary road construction.

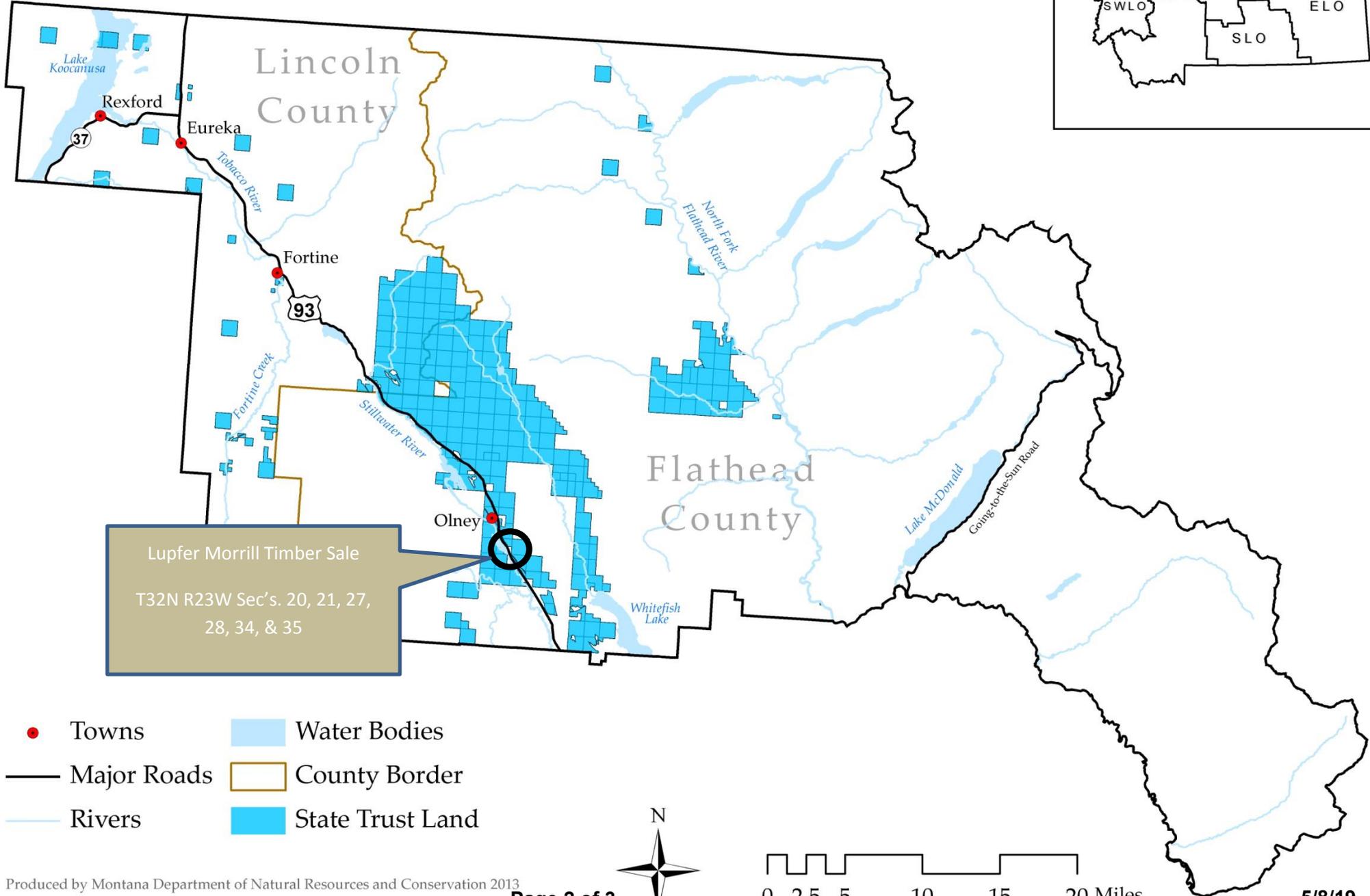
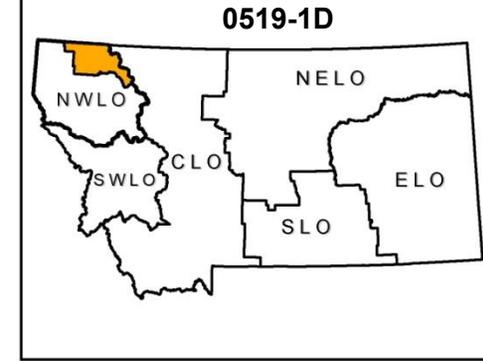
Access: Access is on County and State roads within the Stillwater State Forest, using the Lupfer County Road and Lupfer Loop Road.

Public Comments: There were nine comments received. Two comments were from the State of Montana Fish, Wildlife & Parks stating they had no comment, one comment came from the Northern Cheyenne Tribe stating no concerns, and one comment from Stoltze Land & Lumber Company voiced support for the project. Bonneville Power Administration called regarding removal of trees that might threaten their powerlines, and the other comments were from nearby private landowners; two asking for fuel reduction near their property, and telephone calls from two individuals working on behalf of an adjacent landowner wondering how the project might impact their client's plans to subdivide his property.

DNRC Recommendation

The director recommends the Land Board direct DNRC to sell the Lupfer Morrill Timber Sale.

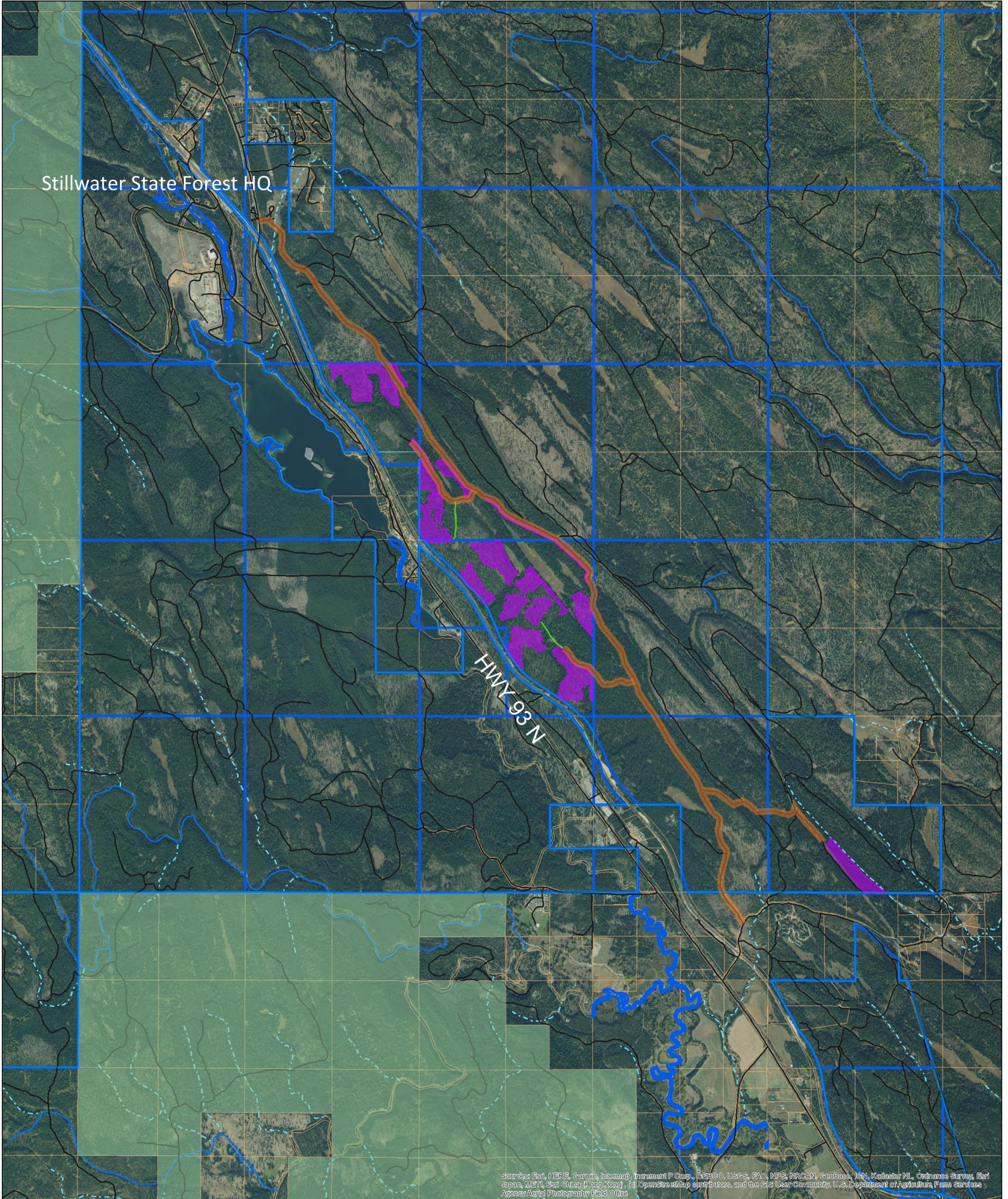
LUPFER MORRILL TIMBER SALE VICINITY MAP STILLWATER UNIT



Lupfer Morrill Timber Sale
T32N R23W Sec's. 20, 21, 27,
28, 34, & 35

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

Lupfer Morrill Timber Sale Harvest Unit and Haul Route Map



Sources: Esri, HERE, Garmin, Intermap, Inramant P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap contributors, and the GIS User Community, U.S. Department of Agriculture Farm Services Agency/Aerial Photography Field Office

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|---------------------|------------------------|------------|
| Existing Road | Perennial Stream | USFS Land |
| New Road | Intermittent Stream | USFWS Land |
| Road Reconstruction | Proposed Harvest Units | BLM Land |
| Haul Route | DNRC Surface Tracts | MT FWP |



**Land Board Agenda Item
May 20, 2019**

0519-1E Timber Sale: Pipe Creek

**Location: Lincoln County
Section 16, T31N, R31W**

Trust Beneficiaries: Common Schools

Trust Revenue: \$167,602 (estimated, minimum bid)

Item Summary

Location: The project is located 3.5 miles north of Libby, MT in Lincoln county.

Size and Scope: The sale includes 1 harvest units which consist of 185 acres of ground-based harvest.

Volume: The estimated volume is 7,745 tons (1.18 MMBF) of sawlogs.

Estimated Return: The minimum bid is \$21.64 per ton, which would generate approximately \$167,602 for the Common Schools Trust and approximately \$14,328 in Forest Improvement fees.

Prescription: This sale has a harvest prescription of shelterwood treatment that will capture the value of mature timber, improve over-all stand health and vigor, and reduce fuel loading in the wildland-urban interface.

Road Construction/Maintenance: The Department of Natural Resources and Conservation (DNRC) is proposing 2.1 miles of road maintenance and 0.2 miles of road abandonment.

Access: Access is obtained from a county road.

Public Comments: 5 external, 2 internal

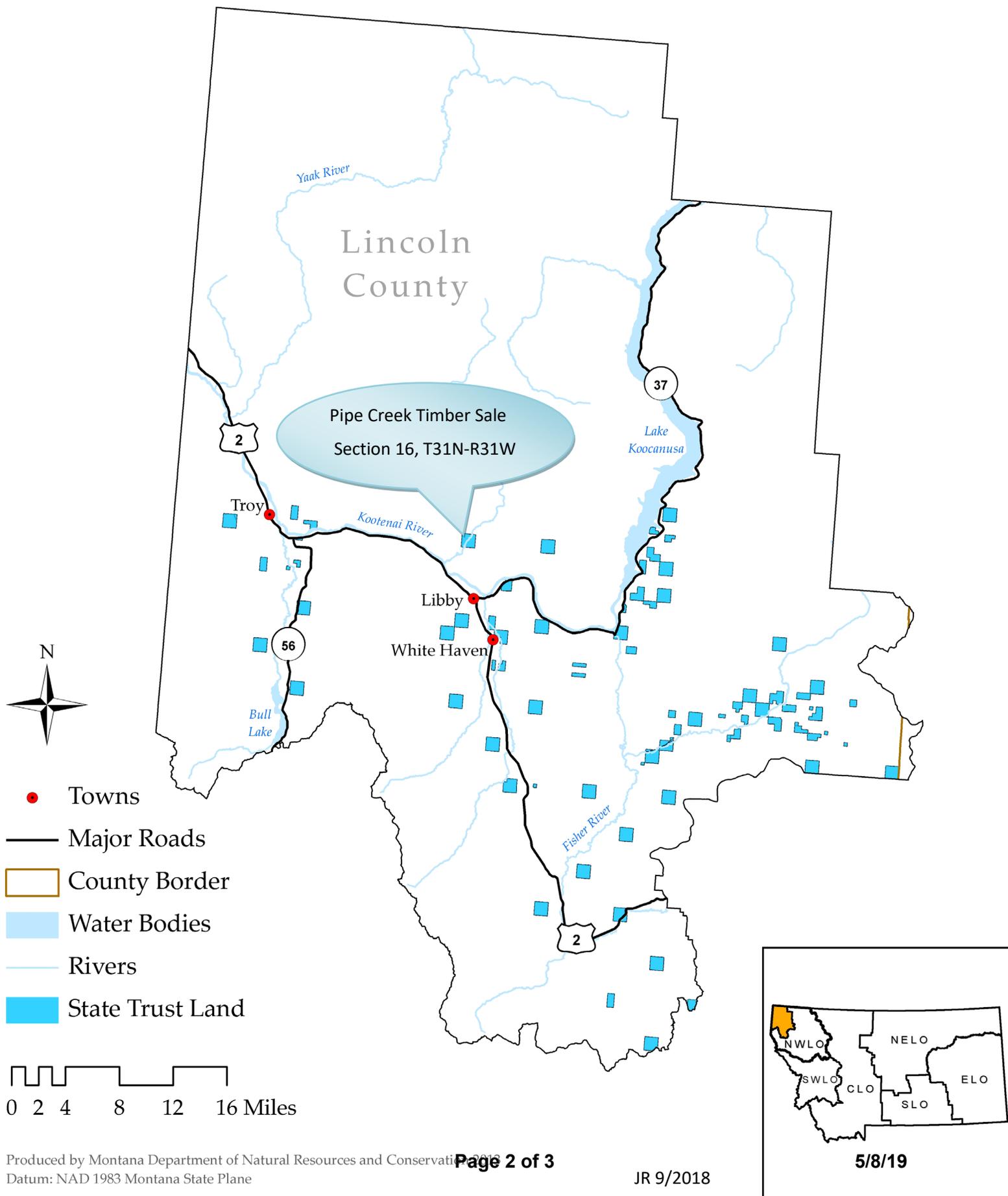
External concerns: One concern was how the proposed project might affect the road and traffic associated with their septage lease on this parcel. The Confederated Salish and Kootenai Tribe had no comments regarding cultural resources but wished to be kept informed if there were any changes or new discoveries. The United States Forest Service (USFS), Libby District Ranger supported the proposal and extended an offer to work cooperatively as best as possible for both agencies to see implementation of the project. Montana Fish Wildlife and Parks (FWP) had concerns about ungulate security and potential for effects to Bull trout in Pipe Creek. All issues and concerns were mitigated and incorporated in to the action alternative.

DNRC Recommendation

The director recommends the Land Board direct DNRC to sell the Pipe Creek Timber Sale.

Pipe Creek Timber Sale LIBBY UNIT

0519-1E



0519-2

AGRICULTURE AND GRAZING LEASES: COMPETITIVE BID HEARINGS

- A. Lease No. 5871 – Bret & Denise Conover (Lessee)/Ted McFarland (Bidder)
- B. Lease No. 6109 – Patrick Foster (Lessee)/Tempel Farm (Bidder)

**Land Board Agenda Item
May 20, 2019**

0519-2 Agriculture and Grazing Leases: Competitive Bid Hearings

A. Lease No. 5871 – Bret & Denise Conover (Lessee)/Ted McFarland (Bidder)

**Location: Yellowstone County
Trust Benefits: Common Schools
Trust Revenue: \$6,147.30 Annually**

B. Lease No. 6109 – Patrick Foster (Lessee)/Tempel Farm (Bidder)

**Location: Hill County
Trust Benefits: Common Schools
Trust Revenue: \$17,476.20 Annually**

Item Summary

On April 22, 2019 the Department of Natural Resources and Conservation held Competitive Bid Hearings for State of Montana Agricultural and Grazing Leases Nos. 5871 & 6109, which are being renewed. If the Lessee wishes to renew the lease for another term he or she must submit an application. If other persons inquire about the availability of a lease, their names and addresses are noted in the file and they are sent applications and bid forms at the time of lease renewal. If a Lessee exercises the preference right but believes that the bid amount is excessive, he or she may request a hearing before the director. The purpose of the hearing is twofold: 1) to determine the best-qualified Lessee for the upcoming lease term; and 2) to ascertain the appropriate rental rate for that term.

DNRC Recommendation

Based on information and testimony at the hearings, the director recommends the following:

Lease #5871 – The director recommends the lease be issued to the existing lessees at \$15.10/AUM for the grazing land and \$22.00 per acre for the cropland.

Lease #6109 – The director recommends the lease be issued to the existing lessee at \$28.00 per acre for the cropland.

2019 COMPETITIVE BID HEARINGS

**Findings and Recommended Rental Rates for
Agricultural and Grazing Leases Nos.
5871 and 6109**

**A report to the State Board of Land Commissioners by
John E. Tubbs, Director
Montana Department of Natural Resources and Conservation
May 1, 2019**

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Introduction4

1. Agricultural and Grazing Leases No. 5871,
 Lessee: Bret & Denise Conover
 High Bidder: Ted McFarland7

2. Agricultural Leases No. 6109,
 Lessee: Patrick Foster
 High Bidder: Tempel Farm 10

INTRODUCTION

On April 22, 2019, the Department held Competitive Bid Hearings for State of Montana Agricultural and Grazing Leases Nos. 5871 and 6109, which are being renewed in 2019. If a Lessee wishes to renew the lease for another term he or she must submit an application. If other persons inquire about the availability of a lease, their names and addresses are noted in the file and they are sent applications and bid forms at the time of lease renewal.

The statutory absolute preference right within Section 77-6-205(2), MCA, to renew a State agricultural and grazing lease was declared unconstitutional by Judge Jeffrey Sherlock in Broadbent v. State of Montana, et al., First Mont. Judic. Distr. Ct., Cause No. BDV-2003-361, because it impermissibly interfered with the constitutional power of the Land Board, under Art. X, Section 4 of the Montana Constitution, to choose its lessees. The Land Board, in response to Judge Sherlock's ruling, amended ARM 36.25.117 to exercise its constitutional prerogative to grant a qualified preference right to incumbent lessees in good standing. Through this rule, the Land Board has expressed its qualified preference to issue renewals of agricultural and grazing leases to the incumbent lessee provided that they have not committed illegal subleasing and do not have a history of lease violations. However, in all instances, the Board has reserved the right to choose the best-qualified lessee.

As part of its constitutional power, the Land Board may also determine the rate at which such leases will be issued. The Land Board has recognized that full market value encompasses the concept of sustained yield. Section 77-6-101 MCA. In Jerke v. State Dept. of Lands, 182 Mont. 294, at 296-297, 597 P.2d 49 at 50-51 (1979), the Montana Supreme Court held that a Grazing District which was not a lessee of a state grazing lease could not exercise a preference right. The Court described the rationale of the preference right to meet a high bid as follows:

Sustained yield is the policy which favors the long-term productivity of the land over the short-term return of income. State ex rel. Thompson v. Babcock, supra. The preference right seeks to further this policy by inducing the State's lessees to follow good agricultural practices and make improvements on the land. This is accomplished by guaranteeing that the lessees will not lose the benefits of their endeavors by being outbid when their leases terminate. They are preferred and may renew their leases by meeting the highest bid submitted.

Id.

Exercised in such a manner, such a preference is in the best financial interests of the school trust beneficiaries. All other things being equal, the Land Board has recognized that stability of land tenure encourages existing lessees to make greater improvements in the land, knowing that they will likely be able to utilize these improvements in the future, and that some stability of tenure allows lessees to operate more efficiently. The duty to prudently maximize revenue return to the trust estate from the trust properties is always subject to the duty to preserve the financial productivity of the trust lands. Oklahoma Education Association v. Nigh, 642 P.2d 230 at 238 (1982)

No Applicant for a grazing lease can compel the State Board of Land Commissioners to grant it an interest in state trust lands, especially where the concept of sustained yield is ignored. See, Skillman v. Department of State Lands, 188 Mont. 383, 613 P.2d 1389 (1980); Gibson v. Stewart, 50 Mont. 404, 147 P. 276 (1915)(Whether a tract of state land shall be leased is a question addressed to the sole discretion of the Land Board.); §77-6-206, MCA

([T]he board may withdraw any agricultural or grazing land from further leasing for such period as the board determines to be in the best interest of the state".)

Under ARM 36.25.117, if a Lessee exercises the qualified preference right but believes that the bid amount is excessive, he or she may request a hearing. The purpose of the hearing is twofold: 1) to determine the best-qualified Lessee for the upcoming lease term; and 2) to ascertain the appropriate rental rate for that term. Specifically, the director inquires whether the high bid amount represents the fair market value of the lease and whether the rental rate is truly in the best interests of the trust. In determining whether the "high bid" rental rate is in the best interests of the beneficiaries of the trust, the Land Board must utilize the criteria set out in §77-6-205(2), MCA, and in Thompson v. Babcock, 147 Mont. 46, 409 P.2d 808 (1966). Under these criteria, the Montana Supreme Court has held that the "high bid" may be rejected where it is either "...above community standards for a lease of such land, would cause damage to the tract, or impair its long-term productivity".

The Montana Supreme Court has recognized that an excessive rental rate, at some point, economically compels a Lessee to graze all the available forage on a grazing lease or reduce costly fertilizer, herbicide, and summer fallow treatments on agricultural leases. When state lands are over-grazed or farmed with minimal input costs, they produce more noxious weeds, less forage or crops, and less future income for the beneficiaries of the various trust lands. In extreme cases, the productivity of the land may be permanently damaged. Thus, it is in the best interests of the State to set a rental rate which balances the competing factors. In this "balancing act", the Land Board is attempting to maximize long-term income by allowing the Lessee a sufficient monetary incentive to exercise wise range management and agricultural practices. If the rate is too low, the State will not receive full market value for its lands. If the rate is too high, the Lessee may be induced to over-graze the tract, or reduce inputs such as herbicides, and long-term trust income to the trust beneficiary will inevitably suffer.

In the competitive bid hearing process, the director is recommending the rental rate for the next term of the grazing or agricultural lease. The economic viability of these leases fluctuates according to prevailing weather conditions and commodity prices; both of which can vary wildly. Despite these fluctuations, the grazing rental charged by the Board must be paid by the Lessee whether or not any forage upon the lease is utilized. By contrast, private lessors generally do not collect rentals when they no longer have forage available for lease. Consequently, setting an appropriate rental rate, so as to sustain the long-term viability of school trust leases and maximize long-term income, is simply not as easy as accepting the highest bid. If it were, there would be no need for a hearing on the subject.

The best lessee is chosen according to nine criteria set out within ARM 36.25.117:

- 1) an intended grazing or cropland management plan for the new term of the lease;
- 2) experience associated with the classified use of the land;
- 3) other non-state lands that are fenced and managed in common with the state land;
- 4) intended grazing or cropland improvements that will benefit the health and productivity of the state lands;
- 5) a weed management plan;
- 6) management goals and objectives and monitoring procedures to determine if they are being met;
- 7) the method or route used to access the state land;
- 8) any other information the director deems necessary in order to provide a recommendation to the board; and,

- 9) the incorporation of all or part of this information as terms and conditions in the new lease agreement.

The current policy of the Board authorizes the director of the department to hold the competitive bid hearings; hear the evidence; and make recommendations to the board. Since the recommendations are based upon the evidence presented at the hearing, the Board members should avoid consideration of information outside the hearing record.

This year the director granted requests for hearing on two leases. The hearings were conducted on April 22, 2019, at the offices of the Department in Helena, Montana. All hearings were electronically recorded and all witnesses testified under oath. However, the hearings were conducted in an informal manner. Department personnel present at the hearings were: Director John Tubbs; Trust Land Management Division Administrator Shawn Thomas; Agriculture & Grazing Management Bureau Chief Kevin Chappell; DNRC Legal Counsel Cameron Boster; and Northeast Land Office field staff Jocee Hedrick and Ryan Call.

In preparation for this hearing, both the Lessee and the High Bidder were notified of the time and place of the hearing and given copies of ARM 36.25.117. The testimony and evidence considered during the hearing; a summary of the hearing; and the findings and conclusions recommended are set out as follows:

2019 COMPETITIVE BID HEARINGS

Hearing Time: Monday, April 22, 2019 @ 3:00 p.m.

Lease No.: 5871

County: Yellowstone

Lessee: Bret & Denise Conover

Tracts:

T2N R23E S 36: E½ – 320 Ac. - Common School Grant

Grazing Acres: 49.5 AUM Rating: 13

Ag Acres: 270.5

High Bidder: Ted McFarland

High Bid: \$15.10 per AUM & the greater of 35.1% crop share or \$20.00/Acre

Other Bids: None

Previous Rental: Minimum

Prevalent Community Rental Information:

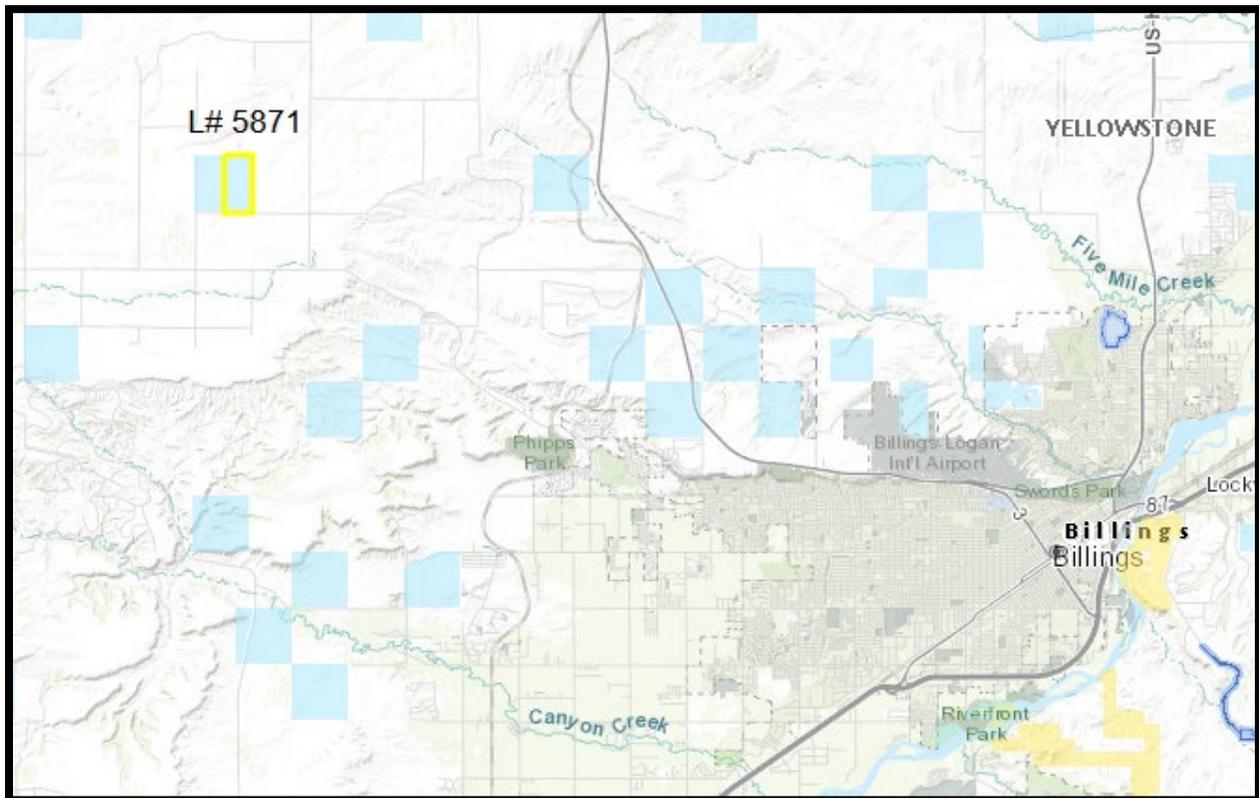
State Land Yellowstone County Bid Averages:

\$18.43/AUM

30.27% crop share or \$21.59/Ac

MT Ag Statistics 2018 Statewide Private Grazing Rate: \$24.50/AUM

LOCATION MAP



Findings:

Bret & Denise Conover appeared and testified as lessees. Ted McFarland participated by phone as the high bidder.

The state land is located approximately 15 miles northwest of Billings. It contains 49.5 acres of grazing and 270.5 acres of cropland. The tract is accessible by county road.

Mr. Conover began by explaining that his intention was to farm the land on a $\frac{1}{3}$ crop rotation (2 years in crop and 1-year fallow), depending on weather and moisture conditions. Mr. Conover and his wife took over the family farm in 1978 which now includes their 2 sons. They raise winter & spring wheat, malt barley and sunflowers on the lands they farm. They also hold the state lease on the west half of this section, as well as 2 other state leases.

The Conovers acquired this lease in October last year. The tract has low fertility as it has not been adequately fertilized in the past. It also has some weed problems which includes buckwheat, rye and wild oats. Their cropland management plan includes taking soil samples in the summer to identify fertilizer needs, and spraying in the fall & spring for weed control. Crops are planted with a deep band fertilizer and then followed up with a topdressing of liquid fertilizer. Fields are scouted during the summer to identify any additional weed control needed. They also indicated they would use Clearfield Wheat to address the rye problem.

The Conovers testified that they currently have cash leases on ground they lease for \$20 - \$22 per acre. They are aware of one lease at $\frac{1}{3}$ crop share, but the landowner pays one third of the expenses. At a 35.1% crop share, they would have to cut back on their inputs which is not good for the producer or landowner.

Mr. McFarland owns property in section 6 directly southeast of this lease. He has 45 years of experience farming & ranching. He testified that he submitted a bid because he was losing a lease near Billings due to urban sprawl and needed replacement ground. His plan would be to pre-spray the acres with Roundup and then reseed the acres to Roundup ready alfalfa. This allows him to control weeds as the stand is getting established. He also believes the alfalfa will increase the productivity of the land which has been in crop for many years.

Mr. McFarland stated that the bid he submitted was based on hay production. He also indicated he wasn't clear on how to submit the bid for just cash, as his intention was to pay \$20.00 per acre for the lease. No evidence was submitted to justify the 35.1% crop share.

Recommendation:

The director recommends that Bret & Denise Conover be retained as lessees of State Lease No. 5871. The evidence presented shows that they have a plan to improve the lease with a goal of increasing its productivity through proper management. In addition, the Conovers have been excellent to work with on their other state leases. Neither party presented evidence that a 35.1% crop share was the community standard for cropland leases in Yellowstone County. The lessees did testify that they have cash leases at \$20 to \$22 per acre. The director recommends the lease be issued at \$15.10/AUM for the grazing land and \$22.00 per acre for the cropland. This is in line with cash leases in the area and the average Yellowstone County state land cash rate of \$21.59 per acre.

2019 COMPETITIVE BID HEARINGS

Hearing Time: Monday, April 22, 2019 @ 4:00 p.m.

Lease No.: 6109

County: Hill

Lessee: Patrick Foster

Tracts:

T31N R8E S27: W½ – 320 Ac. - Common School Grant

T31N R8E S34: N½ – 320 Ac. – Common School Grant

Grazing Acres: 0 AUM Rating: 0

Ag Acres: 624.15

High Bidder: Tempel Farm

High Bid: The greater of 35% crop share or \$28.00/Acre

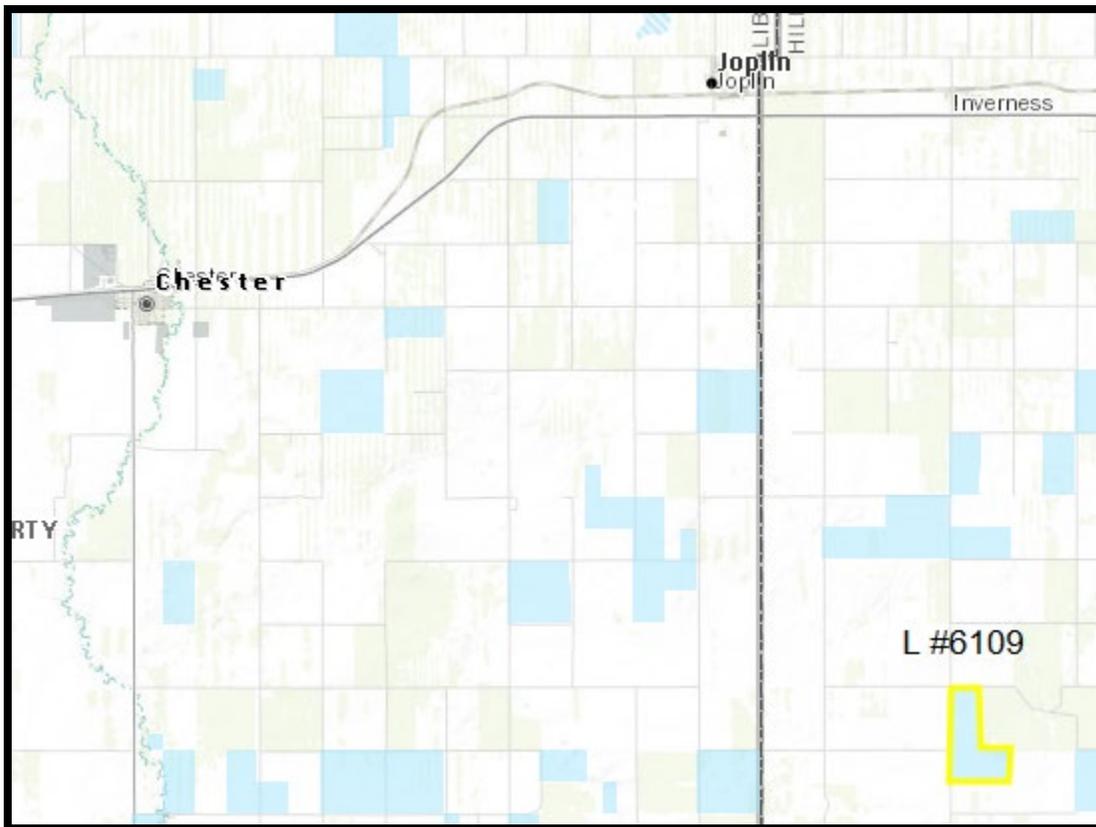
Other Bids: None

Previous Rental: Minimum

Prevalent Community Rental Information:

State Land Hill County Bid Averages: 32.68% crop share or \$30.96/Ac

LOCATION MAP



Findings:

Lynn & Esther Anderson appeared and testified on behalf of the lessee, Patrick Foster. Ron & Ryan Tempel appeared and testified as high bidder.

This lease is located in Hill County approximately 47 miles southwest of Havre, near the Liberty County line. It is legally accessible by the Inverness Road which runs along the entire western border of the lease.

Lynn Anderson began by explaining he was appearing on behalf of Pat Foster who was in Seattle with his sick daughter and unable to attend. Mr. Foster recently acquired the lease from his uncle's estate. The lease has been in the family for a long period of time. Mr. Anderson is very familiar with the property as he had previously assisted Mr. Foster's uncle with farming the tract.

Mr. Anderson testified that he did not feel this was very productive land, especially the low ground which is hard pan. In 2018, they harvested 29 bushels/acre. Mr. Anderson rents out some of his property which is better land at a 30% crop share and he pays 30% of the fertilizer. He also mentioned that an acquaintance had told him there was a private lease on a nearby tract at \$21.00 per acre and that 35% crop share was not a realistic bid.

This lease is usually planted to spring or winter wheat on a crop fallow rotation. Weeds are sprayed in the fall and spring. They do have some problems with herbicide resistant weeds. They had tried planting pulse crops in this area, but they did not yield very high.

Mr. Ron Tempel has been farming since 1981 on the family farm north of Joplin which is approximately 35 miles north of the lease. His son Ryan has recently graduated from college and wants to move back to the operation, so they were looking for additional land.

In determining their bid, they estimated a \$30.00 per acre return based on 40-bushel winter wheat, 30-bushel spring wheat and 17-bushel peas. He also testified that cash leases in their area were \$35.00/acre and believes that yields in the southern portion of the county are better than in the more northern parts of the county.

The Tempels would farm the tract in a four-year rotation of wheat, pulse crop, wheat and fallow. They have been able to increase the organic matter on their farm to 3% using this rotation, where it was previously at 1%. They spray for weeds, pre-plant then scout the fields during the growing season for any necessary follow-up weed control.

Recommendation:

The director recommends that Patrick Foster be retained as lessee. Mr. Foster is familiar with this lease and has property within ½ mile of the tract. Neither party presented evidence that a 35% crop share was the community standard for cropland leases in Hill County. The director recommends the lease be issued at a rate of \$28.00 per acre. Testimony indicated that higher crop share bids include provisions for the landowner sharing in an equivalent portion of certain expenses. Because the state does not share in expenses, a cash rate is more appropriate. \$28.00 per acre is consistent with the bid and average cash lease in Hill County.

0519-3

COMMERCIAL LEASE:

Proposed Solar Development

0519-3 Commercial Lease: Proposed Solar Development

Location: Beaverhead County

Trust Benefits: Pine Hills

Trust Revenue: \$480,000 annually

Item Summary

The Department of Natural Resources and Conservation (DNRC) is requesting approval to issue a long-term lease for development of approximately 1,308 acres within part of Sections 27, 28, 33, and 34 in Township 5S, Range 9W, in Beaverhead County, upon completion of an Environmental Impact Statement (EIS), if the EIS Record of Decision (ROD) supports moving forward with the lease.

Trust Revenue:

In Fiscal Year 2018, grazing revenue from the project area totaled \$2,430. Once operational, the proposed solar development would generate \$480,000 per year. Over the anticipated 35-year life of the project, inclusive of installation fees, bonus payments, and an annual increase initiated in year 16, the proposed solar development would generate over \$21 million in revenue to the trust.

	Under Option to Lease	Commercial Lease	
		Annual Rent is the Higher of these Factors	
Land Value	Annual Option Fee at 1.5% of Land Value	Annual Base Rent at 4% of Land Value (minimum rent)	\$3,000 per MW Installed Capacity
\$915,600	\$13,734	\$36,624	\$480,000

Proposal:

In July of 2018, a request for proposals was issued for a commercial lease of the subject property. One proposal was received from Clenera, LLC, for a 160-megawatt solar development project. The proposal forecasts commercial operation by June 2021, assuming the securing of all necessary permitting, including Land Board approval of the lease in this item. It is typical for a commercial developer to create a project company for a development. Clenera, LLC has created the project company Apex Solar, LLC, for the proposed solar development. Accordingly, Apex Solar, LLC is the name shown on all DNRC lease contracts related to this development.

Option to Lease:

Apex Solar, LLC, currently holds an exclusive Option to Lease for the subject property, contingent upon both Land Board approval of the lease, and an environmental review conducted in compliance with the Montana Environmental Policy Act (MEPA) and associated decision document signed by the Department. The Option to Lease provides that the final decision for the MEPA document may require modifications to the lease to ensure compliance with the MEPA decision. The Option to Lease provides for site control to conduct due diligence and permitting activity for the proposed project, and does not allow for any development activity upon the land.

MEPA:

0519-3

The appropriate MEPA document will be completed during the term of the Option to Lease, and prior to lease execution. DNRC has determined that an EIS is the appropriate MEPA document for this project. Upon approval of the lease, DNRC will work with Apex Solar, LLC (c/o Clenera, LLC) to contract for the EIS. Apex Solar, LLC will be responsible for funding the contract. As part of the EIS, DNRC has committed to public scoping that includes at least one public hearing in Dillon, MT.

Existing Uses on the proposed project area:

Grazing Leases: The project area currently has two active grazing leases. These leases would remain intact until such time that a commercial lease is executed. If the EIS ROD supports moving forward with a commercial lease, and Apex Solar, LLC wishes to proceed with the lease, a commercial lease will be executed, and the grazing leases will be withdrawn in accordance with the grazing lease terms. Upon that transition, Apex Solar, LLC must compensate the grazing lessees for any improvements upon the land in accordance with MCA § 77-6-302.

Irrigation Ditches: The commercial lease is subject to the rights of existing irrigation ditches, including associated access rights under Montana law, including MCA § 70-17-112(1) regarding interference with canal or ditch easements.

NorthWestern Energy Transmission Line Easements: The commercial lease is subject to the rights of the existing transmission line easements, which will be honored and remain intact. Any change to the easements would require the easement holder to apply for an amendment, which would then have to be approved by the Land Board.

Public Involvement to Date:

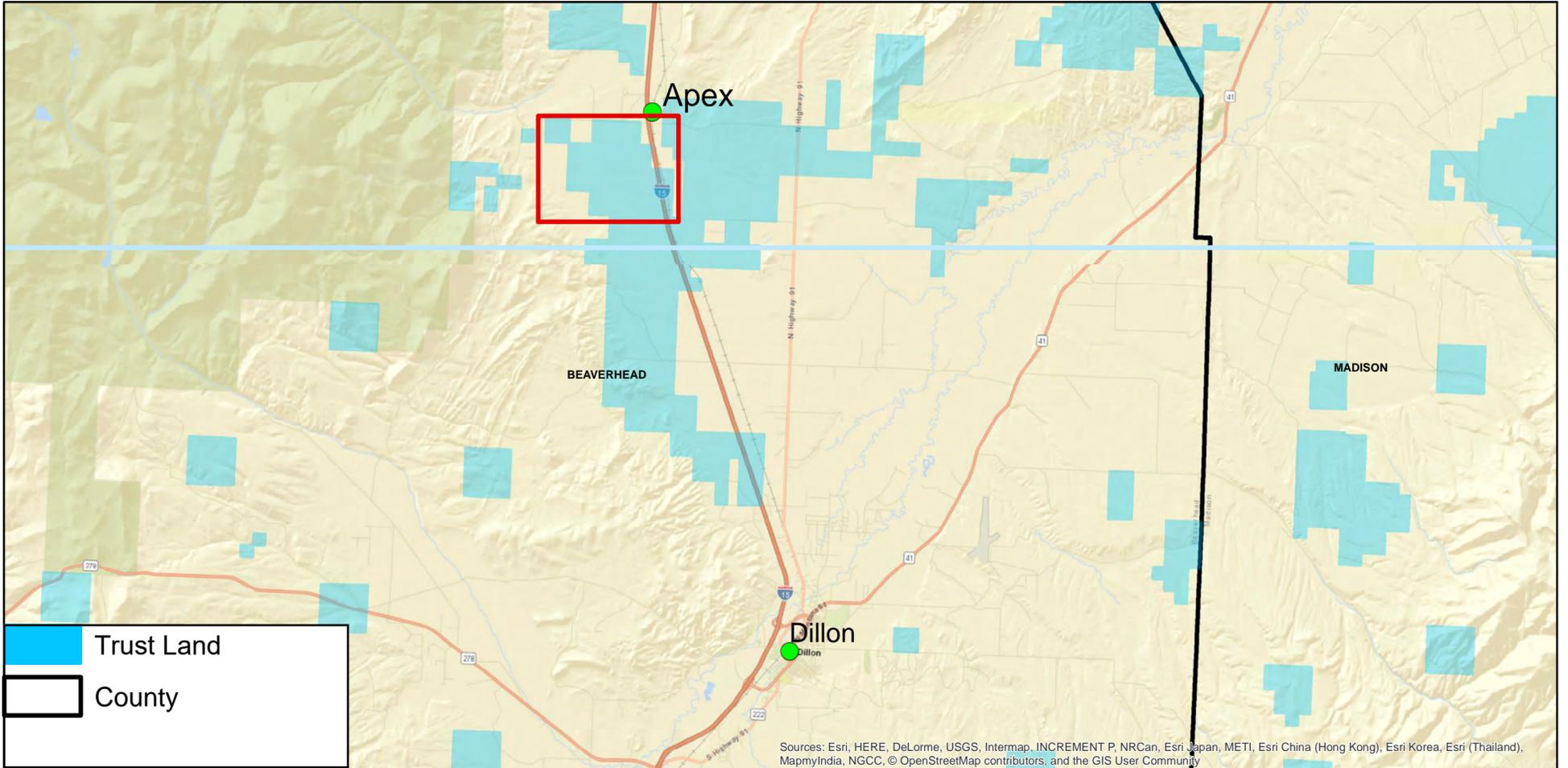
Prior to releasing an RFP, and throughout the process to date, DNRC staff has engaged directly with the impacted grazing lessees, County Commissioners, adjacent land owners, and local legislators with general information about the proposed project. Upon release of the RFP, DNRC also published a legal notice in the Montana Standard and the Dillon Tribune. DNRC hosted a public open house for the project in mid-April and published a press-release in the Montana Standard and advertised the open house in both the Dillonite Daily and the Dillon Tribune. There were approximately 40 attendees at the open house. Additionally, DNRC created a dedicated webpage (www.dnrc.mt.gov/solar) for the proposed project for access to project information and updates, and for interested parties to sign up to receive email notifications on the proposed project. DNRC sent a comprehensive informational notice directly to all interested parties that included project information, webpage and interested party sign-up information, and details on the scheduled open house and Land Board dates.

Public Comments Received:

DNRC has received 85 written public comments. Of these comments, three were general inquiries, eight were for the solar development lease, seven were against, and 67 were form letters received in opposition. Comments for the lease generally support the development of renewable energy, creation of jobs, and economic benefits including tax revenue and trust revenue. Comments against the lease generally oppose the development due to impacts to the local grazing lessees, limitations to recreational use, changes to the viewshed in the area, and concerns about the environmental impact of the proposed development. All comments received to date will be considered along with all other responses to public scoping when preparing an EIS for the project.

The director recommends that the Board approve the commercial lease for the Apex Solar, LLC solar development in Beaverhead County.

PROPOSED SOLAR DEVELOPMENT COMMERCIAL LEASE VICINITY MAP



Legend

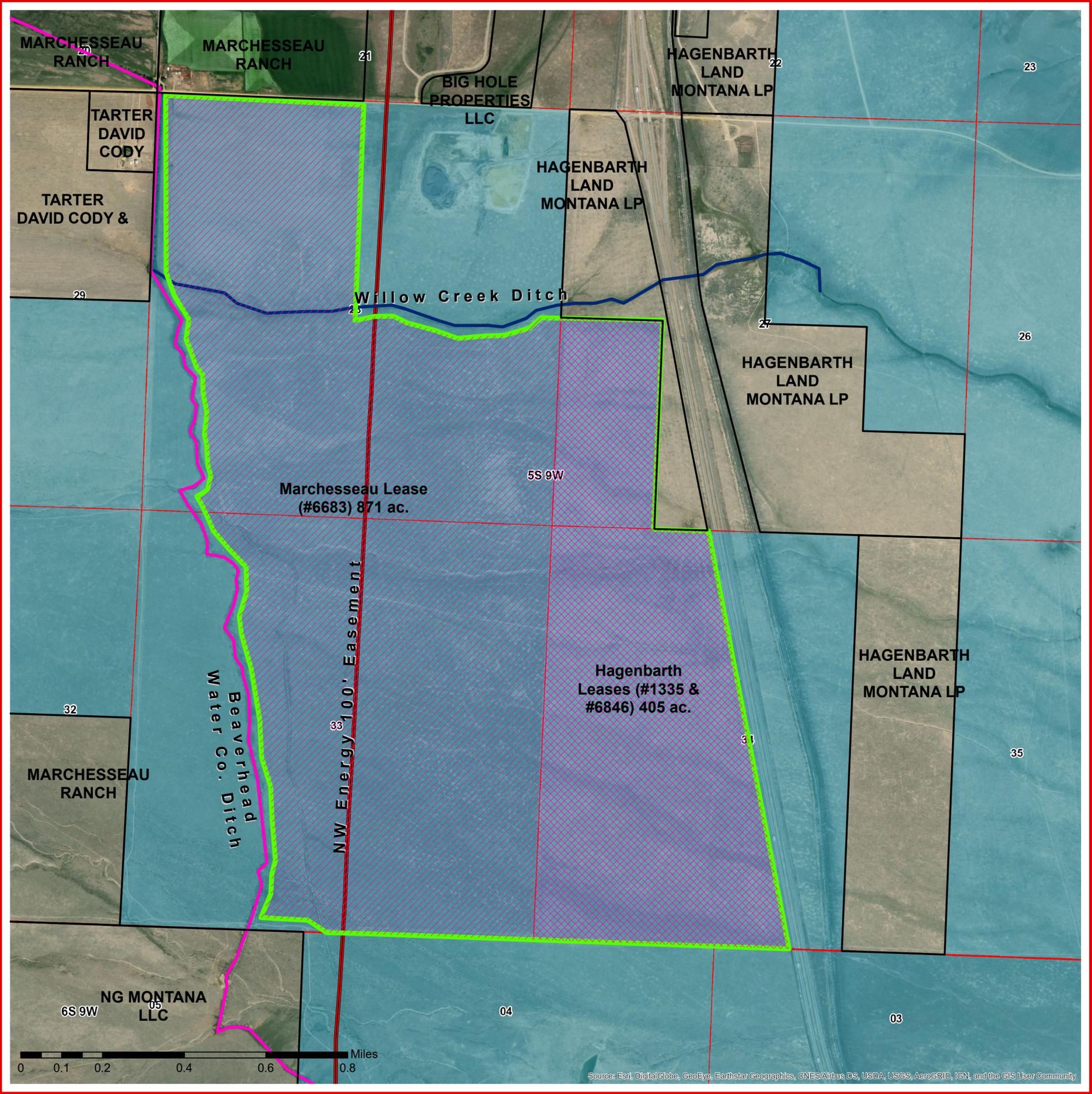
- Proposed Lease Premises
- Trust Land Tracts

Location: Beaverhead County, MT
 Date: 1-30-2019
 Prepared By: REMB Staff Member
 Projection: NAD83 Montana State Plane

Inset Area from top map shown in bottom map



APEX SOLAR LLC PROPOSAL Area Ownership



Legend

-  Area Owners
-  Hagenbarth Leases #1335 & 6846
-  Marchesseau Lease #6683
-  Apex Solar Option to Lease
-  Willow Creek Ditch
-  Beaverhead Water Co. Ditch
-  NW Energy Transmission Line
-  TLMD_SurfaceTracts

Location: Beaverhead County, MT
 Date: 5-6-2019
 Prepared By: REMB Staff Member
 Projection: NAD83 Montana State Plane



APEX SOLAR LLC
ARGENTA DILLON,
MONTANA

LEASE NO. 3073370

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THIS COMMERCIAL LEASE AGREEMENT (this “Lease”) is entered into as of the ____ day of _____, _____, (the “Commencement Date”) by and between the State of Montana by and through its Board of Land Commissioners, whose address is P.O. BOX 201601 Helena, MT 59620-1601 (hereinafter referred to as “Lessor”), and Apex Solar LLC, whose address is 1717 West Loop South, Suite 1800, Houston, Texas 77027 (hereinafter referred to as the “Lessee”).

1. **LEASE TERM AND PROPERTY DESCRIPTION**

The Term begins at the Commencement Date and includes the Pre-Operating Term and Operating Term and ends at the Expiration Date.

Lease Number	Commencement Date	Pre-Operating Term	Operating Term	Expiration Date
3073370	To be completed prior to signing	Commencement Date through the Operations Date, but no more than three years.	Beginning on the Operations Date, but no less than 15 years, plus any Renewal Periods as provided in Section 6.2.	To be completed prior to signing

Land Located in Beaverhead County, described as follows:

Description	Sec.	Twp.	Rge.	Acres
All excluding the area north of Willow Creek Ditch in the NE ¼ & SE ¼’s and the area West of Beaverhead Water Company Ditch in the SW ¼.	28	5s	9w	1308 +/-
West ½ of SW ¼	27	5S	9W	
All excluding the area West of Beaverhead Water Company Ditch in the NW ¼ & SW ¼’s, and a 14’-wide access road along the southern boundary in the SW1/4.	33	5S	9W	
All West of Interstate 15	34	5S	9W	

2. **RENT SCHEDULE**

The following schedule shows a summary of Rent and is not a comprehensive representation of the Rent conditions. All Rent will be paid according to Section 8 of this Lease.

SCHEDULE 1 – PRE-OPERATING TERM

Lease Year	Due Date	Annual Rent*		Additional Rent	
		Base Rent	Capacity Rent	Installation Fees **	Bonus Payment
1		\$36,624.00	N/A	N/A	N/A
2		\$37,356.48	N/A	N/A	N/A
3		\$38,103.61	N/A	N/A	N/A

SCHEDULE 2 – OPERATING TERM

Production Year	Annual Rent*		Additional Rent	
	Base Rent	Capacity Rent	Installation Fees	Bonus Payment
1	\$36,624.00	\$480,000.00	\$320,000.00	-
2	\$37,356.48	\$480,000.00	-	-
3	\$38,103.61	\$480,000.00	-	-
4	\$38,865.68	\$480,000.00	-	-
5	\$39,643.00	\$480,000.00	-	\$100,000.00
6	\$40,435.86	\$480,000.00	-	-
7	\$41,244.57	\$480,000.00	-	-
8	\$42,069.46	\$480,000.00	-	-
9	\$42,910.85	\$480,000.00	-	-
10	\$43,769.07	\$480,000.00	-	\$150,000.00
11	\$44,644.45	\$480,000.00	-	-
12	\$45,537.34	\$480,000.00	-	-
13	\$46,448.09	\$480,000.00	-	-
14	\$47,377.05	\$480,000.00	-	-
15	\$48,324.59	\$480,000.00	-	\$200,000.00
16 <i>Renewal Option</i>	<i>Market Adj.</i>	\$520,000.00	-	-
17	<i>TBD</i>	\$530,400.00	-	-
18	<i>TBD</i>	\$541,008.00	-	-
19	<i>TBD</i>	\$551,828.16	-	-
20	<i>TBD</i>	\$562,864.72	-	-
21 <i>Renewal Option</i>	<i>Market Adj.</i>	\$574,122.02	-	-
22	<i>TBD</i>	\$585,604.46	-	-

23	<i>TBD</i>	\$597,316.55	-	-
24	<i>TBD</i>	\$609,262.88	-	-
25	<i>TBD</i>	\$621,448.14	-	-
26 <i>Renewal Option</i>	<i>Market Adj.</i>	\$633,877.10	-	-
27	<i>TBD</i>	\$646,554.64	-	-
28	<i>TBD</i>	\$659,485.73	-	-
29	<i>TBD</i>	\$672,675.45	-	-
30	<i>TBD</i>	\$686,128.96	-	-
31 <i>Renewal Option</i>	<i>Market Adj.</i>	\$699,851.54	-	-
32	<i>TBD</i>	\$713,848.57	-	-
33	<i>TBD</i>	\$728,125.54	-	-
34	<i>TBD</i>	\$742,688.05	-	-
35	<i>TBD</i>	\$757,541.81	-	-

*The annual rent due during the Pre-Operating Term will be the Base Rent. The annual rent due during the Operating Term and continuing throughout the remainder of the Term, including any Renewal Period(s), shall be the greater of Capacity Rent or Base Rent, plus all applicable Installation Fees and scheduled Bonus Payments.

3. PURPOSE.

For the Term of this Lease, Lessee shall have the exclusive right to occupy and maintain the state trust Land described in Section 1 of this Lease for the development, construction, maintenance and Operations of the Project.

4. DEFINITIONS.

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

“Affiliate” means, with respect to Lessee, any Person directly or indirectly controlling, controlled by or under common control with Lessee. The term “*control*” (including the terms “*controlled by*” or “*under common control with*”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership, by contract, or otherwise. Any Person shall be deemed to be an Affiliate of the Lessee if such Person owns 50% or more of the voting securities of the Lessee, or if 50% or more of the voting securities of the Lessee and such Person are under common control.

“Base Rent” means the annual rental fee due for the Lease during the Pre-Operating Term, and the minimum rental fee throughout the Term of the Lease. The Base Rent shall be equal to 4% of the bare Land Value per year. For purposes of determining the Base Rent for the Pre-Operating Term, the Lessor and Lessee agree that the Land Value as of the Commencement Date is \$915,600.00 (the “Original Land Value”). Four percent (4%) of the Original Land Value equals the Base Rent of \$36,624.00 per year, i.e. \$28.00 per acre per year. The Base Rent shall increase by 2% percent on each anniversary of the Commencement Date through the Primary Term. In accordance with MCA § 77-1-905, the annual Rent shall never be less than the annual Base Rent.

“Capacity Rent” means the annual rental fee due for the Lease period commencing on the Operations Date

and continuing throughout the remainder of the Term (Including any Renewal Periods) at the annual Rent amount obtained by multiplying the Capacity Rent Rate by the Installed Capacity.

“Capacity Rent Rate” means Three Thousand Dollars (\$3,000.00) for each Production Year through the Primary Term; upon renewal, the Capacity Rent Rate shall be Three Thousand Two Hundred and Fifty Dollars (\$3,250.00) for the first year of the first Renewal Period and shall increase by 2% annually thereafter throughout any Renewal Periods.

“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. Lessor acknowledges and deems that the use of the Land by Lessee for the purposes permitted and contemplated under this Lease constitutes a Commercial Purpose hereunder and under said statute.

“Default Rate” shall mean one percent 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 Laws (hereafter, “Claims”), or any permit issued under any such Environmental Laws, including without limitation: (a) any and all Claims by governmental or regulatory authorities (acting within their authority with respect to the enforcement of Environmental Laws) for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Laws; 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: (a) the Comprehensive Environmental Cleanup and Responsibility Act (CECRA), 75-10-701, et seq., MCA; (b) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; (c) the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 5101, et seq.; (d) the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq.; (e) the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, et seq.; (f) the Toxic Substances Control Act, 15 U.S.C. § 2601, et seq.; (g) the Clean Air Act, 42 U.S.C. § 7401, et seq.; (h) the Safe Drinking Water Act, 42 U.S.C. § 300f, et seq.; and (i) the Major Facility Siting Act, Mont. Code Ann. §§ 75-20-101 et seq.

“Expiration Date” means the last day of the Term as provided in Sections 1 and 6.1 and 6.2 of this Lease.

“First Lease Year” means the first 12-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 Mortgage, or any conveyance in lieu of such foreclosure.

“Guarantee” means a guarantee, bond, or other form of security satisfactory to Lessor to secure the full

performance by Lessee of its obligations under the Reclamation Plan, described in Section 22 and attached hereto as Exhibit C, to decommission the Project and reclaim the Land.

“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, §75-10-701, et seq., MCA, or under any Environmental Laws.

“Improvements” mean any Project facilities installed or constructed by Lessee upon the Land.

“Installation Fee” means the one-time fee to be paid by Lessee to Lessor equal to \$2,000 per megawatt of Installed Capacity as described in Section 8.2 of this Lease.

“Installed Capacity” means the installed nameplate capacity of the energy generating equipment of the Project as determined by the respective equipment manufacturers.

“Land” means the real property described in Section 1 of this Lease.

“Land Value” is the monetary value of the bare Land, excluding operating revenue and the value of Improvements thereon, determined by an appraisal by a certified general appraiser or a department staff appraiser or by a limited valuation, per MCA § 77-1-902(4).

“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 Year” means each twelve (12) month period during the Term commencing on the Commencement Date.

“Leasehold Mortgage” means any mortgage, deed of trust, assignment of rents, assignment of leases, security agreement or other hypothecating instrument (including any sale-leaseback arrangement documentation entered into for financing purposes) encumbering Lessee’s interest under this Lease or the leasehold estate in the Premises hereby created, or any interest hereunder, 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.

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

“Market Adjustment” means a review of current Base Rent factors to ensure compliance with MCA § 77-1-905 conducted prior to each Renewal Period, which will be used to determine the Base Rent for the next period, including consideration of the minimum lease rate percentage described in MCA § 77-1-905(2) and Land Value at the time of the Market Adjustment..

“Operating Term” means the period of time beginning on the Operations Date and continuing through the remainder of the Term including any Renewal Periods.

“Operations” means (a) determining the feasibility of solar energy conversion for any such Projects, including studies of solar resources and other meteorological data; (b) converting solar energy into electrical energy, and collecting and transmitting the electrical energy so converted; (c) developing, constructing, reconstructing, erecting, installing, improving, replacing, relocating and removing from time to time, and using, maintaining, repairing, operating and monitoring, Improvements; (d) vehicular and pedestrian

ingress, egress and access to and from Improvements, including by cranes and other construction equipment, over and across the Land by means of roads and lanes thereon if existing, or otherwise by such roads and ways, including but not limited to turning radius from public roads, if necessary, as Lessee or anyone else may construct from time to time; and (e) conducting surveys, tests and studies, including but not limited to biological, cultural, geotechnical and environmental, testing, drilling, and sampling and studies.

“Operations Date” means the date Lessee first delivers power for sale (other than Test Electricity) to a power purchasing utility or other entity that is produced from any of the Improvements located on the Land. Lessee shall provide written notice to Lessor of the Operations Date, within thirty (30) days after said date.

“Person” means any individual, partnership, joint venture, company, corporation, limited liability company, limited duration company, limited life company, association, trust or other entity or organization, including a governmental authority or a political subdivision, agency or instrumentality thereof.

“Pre-Operating Term” means the period of time beginning on the Commencement Date and ending on the Operations Date.

“Premises” means the Land and all Improvements.

“Primary Term” means the period of time beginning on the Commencement Date and running through the portion of the Term up to the start of the first Renewal Period.

“Production Year” means each twelve (12)-month period during the Term commencing on the Operations Date.

“Project” means (a) solar energy conversion systems and solar power generating facilities (including associated solar modules, inverters, transformers, generators, towers, foundations and other structures and equipment and other power generation facilities) to be operated in conjunction with solar module installations, in each case of any type or technology on the Land; (b) transmission facilities, including overhead and underground transmission, distribution and collector lines, wires and cables, splice and junction boxes, switch panels, conduits, footings, foundations, towers, poles, crossarms, guy lines and anchors on, under or over the Land; (c) related substations, interconnection and/or switching facilities, circuit breakers and transformers located on the Land; (d) related operational and maintenance building; (e) related overhead and underground control, communications and radio relay systems and telecommunications equipment, including microwave towers, dishes, and control, fiber, wires, cables, conduit and poles; (f) related meteorological towers, guy wires, braces and solar measurement equipment; (g) necessary access easements, licenses, or road Improvements relating to such facilities; (h) related temporary laydown yards; (i) related signs; (j) related fences and other safety and protection facilities; and (k) other minor or incidental Improvements, facilities, appliances, machinery and equipment associated with any of the foregoing.

“Qualified Mortgagee” means any Leasehold Mortgagee who notifies Lessor in writing of its name, its address for notices, and the fact that it is a Leasehold Mortgagee. At commencement, a Qualified Mortgagee for the Project is:

Centaurus Renewable Energy LLC
 Attn: Keith Holst
 Attn: Stephen H Douglas
 1717 West Loop South, Suite 1800
 Houston, TX 77027
 Email: kholst@centcap.net
 Email: sdouglas@centaurusenergy.com

Telephone: (713) 554-1952

“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.

“Renewal Period” means the optional five-year continuation of the Lease upon expiration of the Primary Term or at the end of a Renewal Period. As provided by Section 6.2, the Lessee shall have the ability to continue the lease for up to four Renewal Periods following the expiration of the Primary Term.

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

“Security Deposit” means a dollar amount equal to \$10,000.00, to be held by Lessor as security for Lessee’s performance of Lessee’s obligations under this Lease, as herein provided, separate from the required reclamation bond.

“Site Plan” means the final site plan described in Sections 9.1 and 9.2 that contains a legal description and survey of the pertinent portion of the Land and on which the Project and all associated necessary infrastructure to be built is depicted.

“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, subject and subordinate to Lessee’s retained interest in this Lease.

“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 the Premises that renders the Premises inoperable for its intended use for more than 180 days.

“Substantial Taking” means a Taking of at least fifteen percent (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 Sections 1 and 6.1 and 6.2.

“Test Electricity” means energy produced for the purposes of initial testing, commissioning, performance testing and start-up procedures of the Project.

5. 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 – Memorandum of Lease

Exhibit B – Site Plan

Exhibit C – Reclamation Plan

Exhibit D – Post-Construction Environmental Monitoring

Exhibit E – Prior Existing Rights Map and Description

[Exhibits C and D are dependent on the Environmental Analysis and will be finalized prior to lease execution.]

6. LEASE TERM, RENEWAL, TERMINATION, AND RELEASE.

6.1 Term.

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.

6.2 Renewal Option.

Unless at the time of renewal an uncured default by Lessee (as defined below) shall be continuing following the expiration of any notice and cure period hereunder, Lessee may renew the Lease, extending the Operating Term, for four (4) periods of five (5) years each (each a “Renewal Period”). Lessee must provide Lessor written notice of Lessee’s intention to renew the Lease delivered at least six (6) months prior to the expiration of the Primary Term or applicable Renewal Period.

6.3 Lessee Right to Terminate; Release.

Lessee shall have the right, in accordance with the terms of this Lease, at any time and from time to time during the Term, to surrender or terminate all or any portion of its right, title and interest in this Lease, provided that no partial surrender or termination of this Lease shall be for less than tracts of approximately forty (40) acres or a governmental lot corresponding to a quarter-quarter section, by giving Lessor not less than sixty (60) days written notice thereof and by executing and causing to be acknowledged and recorded a release describing with particularity the portion of such right, title or interest so released and the part of the Land to which it applies. Upon any such release by Lessee, the parties’ respective rights and obligations hereunder (including as to the Rent payments) shall cease as to the portion of the Land or the right, title or interest herein as to which such release applies, but in no case shall surrender or termination be effective until Lessee shall have made complete restoration, reclamation and protection of the surface rights of the Land as may be reasonably determined by Lessor in accord with the terms of this Lease. This Lease and the parties’ respective rights and obligations hereunder shall remain in full force and effect as to any right, title, and interest of Lessee not so released.

7. RIGHTS; COVENANTS; CONDITION OF PREMISES; RESERVATIONS.

7.1 Lessee’s Rights.

The Land leased by this Lease shall be used and occupied by Lessee for the development, construction and Operations of the Project. In addition:

a) Lessee shall have the exclusive right to develop and use the Land for solar energy purposes and to convert all of the solar resources of the Land; provided, however, that nothing expressly or impliedly contained in this Lease or represented to Lessee shall be construed as requiring Lessee to: (i) continue operation of any Improvements from time to time located on the Land or elsewhere or (ii) generate or sell any minimum or maximum amount of electrical energy from the Land; and the decision when and to what extent to construct, install or operate Improvements, or to generate or sell electrical energy, shall be solely

in Lessee's discretion, subject to Section 20.1(b) of this Lease.

b) Lessee shall have an exclusive right to use, convert, maintain, and capture the free and unobstructed flow of solar resources over and across the Land.

c) Lessee shall have an exclusive right for audio, visual, view, reflective light, shadow flicker, noise, shadow and any other effects attributable to the Operations on the Land.

7.2 Lessor and Lessee Covenants.

Lessor covenants that Lessee will have quiet and peaceful possession of the Land subject only to the terms, conditions, and reservations of this Lease, including the prior existing rights depicted on the map in Exhibit E and described therein which Lessor represents and warrants are the only prior existing rights applicable to the Land to its knowledge. Lessee acknowledges such prior existing rights, including associated access rights thereunder and under Montana law, including MCA § 70-17-112(1), and Lessee shall comply with MCA § 70-17-112(1) and other Laws or agreements applicable to such access rights. Lessor covenants to observe and perform all of the terms, covenants, and conditions applicable to Lessor in this Lease. Lessor covenants and agrees that neither Lessor's activities nor those activities authorized by Lessor upon the Land will interfere with, impair or materially increase the cost of (i) the construction, installation, maintenance or operation of any Project Improvements, (ii) vehicular or pedestrian access to, or the transmission of energy from, the Land, any Improvements or the Project, (iii) any Operations of Lessee on the Land or with respect to the Project or (iv) the undertaking of any other activities or the free enjoyment and exercise of any other rights or benefits given to or permitted Lessee hereunder, or (v) in any other way, unreasonably interfere with the free and unobstructed flow of solar resources over and across the Land. 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.

7.3 Condition of Land.

Except as expressly set forth in this Lease, Lessee accepts possession of the Land on the Commencement Date in the then-current condition on an "AS IS, WHERE IS, AND WITH ALL FAULTS" basis. Lessor makes, and Lessee affirms that Lessor has made, no representations or warranties of any kind whatsoever with regard to the condition of the Land or its fitness or suitability for any particular purpose. Lessee acknowledges that it is solely responsible for performing its own due diligence and for becoming fully familiar with the condition of the Land and any applicable rights, reservations, restrictions, uses, or other conditions that might affect its development or use for a particular purpose. In the event the condition of the Land, or any other applicable rights, reservation, restrictions, uses or other conditions interfere with Lessee's ability to construct and operate the Project on the Land during the period beginning on the Commencement Date and ending on the date construction of the Project begins, Lessee may terminate this Lease at any time without liability to Lessor, upon delivering written notice of such termination.

7.4 Lessor Reservation of Rights.

Lessor reserves the following rights, subject to the terms and conditions of this Lease:

a) All rights and privileges of every kind and nature, except as are herein specifically granted to Lessee;

b) The right at all times during the life of this Lease, upon delivering to Lessee three (3) business days prior written notice, to go upon the Land and every part thereof for the purpose of inspecting same to ascertain if said Lessee and those holding thereunder by and from it are carrying out the terms, covenants, and agreements of this Lease. Lessor shall be escorted by an employee or representative of Lessee at all times, and shall comply with all safety policies and procedures of Lessee;

c) The right to use the Land, and grant permits or licenses to use the Land for sheep grazing, provided, however, that any such grazing shall not be allowed within the fenced perimeter of the Project without the prior consent and coordination of Lessee, and not in any manner that conflicts with the operation of the Project or poses any risk to the Improvements, humans, or sheep. Due to the high voltage and potentially hazardous nature of the Project, such consent, if given, may be subject to reasonable restrictions and safety measures as determined by Lessee to prevent injury to person or property and as otherwise required to

comply with all laws and restrictions to which the Project is subject. Lessee's consent may also be subject to the requirement that any such third party grantee of sheep grazing rights indemnify Lessee for any and all damages to the Project that are caused by such third party grantee's sheep grazing activity.

7.5 Reservation of Oil, Gas, and Minerals; Existing and Future Leases.

No transfer of mineral ownership, mineral rights, or pore space rights, including sand, gravel, scoria, or stone, is intended or granted to Lessee by or through this Lease. Rather, 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. Lessor reserves the right to develop the minerals on the Land owned by Lessor so long as such development (including any drilling or mining) does not interfere with Lessee's Operations or use of the Land and does not materially diminish the amount of Land surface available for the Lessee's Operations and the Project, nor shall the Lessor interfere with the Lessee's right to lateral and subjacent support, and Lessor waives any right to use the surface of the Land during the Term of this Lease for such purposes and shall not grant or convey surface rights to any other party. Any such development shall be at least two hundred and fifty (250) feet from the Improvements and shall not disturb the subsurface area of the Land located between the surface and three hundred feet (300') beneath any Improvements.

7.6 Reservation of Right to Evaluate Recreational Use.

As of the Commencement Date, the Land will be closed to general recreational use due to categorical exclusion for recreational use of state lands under an active commercial lease pursuant to ARM 36.25.150(1). Lessee shall post all such categorically closed Land at all customary access points with signs provided by the Department or duplicated from signs provided by the Department pursuant to ARM 36.25.150(3). The Department is required to evaluate any petition to exclude a specific leased tract from such categorical exclusion pursuant to ARM 36.25.150(2). Lessor will notify the Lessee of any petition to re-open the Land filed pursuant to the Rule and any administrative proceeding resulting from such petition. The Department will not grant any petition to reopen the Land that conflicts with Lessee's operation of the Project or poses a threat to human safety.

8. RENT; INSTALLATION FEES; OTHER PAYMENT TERMS; AUDIT RIGHTS.

8.1 Annual Rent: Base Rent and Capacity 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. Thirty (30) days prior to Operations Date, Lessee shall provide written notice to Lessor of Operations Date, and shall pay to Lessor Base Rent or Capacity Rent as follows:

a) Pre-Operating Term Rent. Base Rent due prior to the Operations Date shall be paid annually, in advance, on the Commencement Date, and each anniversary of the Commencement Date thereafter. The Rent shall be the Base Rent until the Operations Date. Should the Operations Date occur in the middle of a payment cycle under this subsection, a credit will be calculated and applied to the first Capacity Rent payment accordingly.

b) Operating Term Rent. Following the Operations Date, the Capacity Rent for each Production Year, including any Renewal Periods, will be payable in advance, due on or before the beginning of each Production Year throughout the Term. In accordance with MCA § 77-1-905, the Rent shall never be less than the Base Rent.

8.2 Installation Fees.

Lessee shall pay to Lessor a one-time Installation Fee equal to \$2,000 per megawatt of Installed Capacity for Improvements installed on the Land due and payable thirty (30) days after the Operations Date. Should the Project not be fully installed by the Operations Date, payment must be made for the remaining Installed Capacity within thirty (30) days of operation as to the applicable Improvements. Additional Installation Fees will be due for replacement of any existing Improvements only if the installed capacity is

increased, in which case Lessee shall pay for an Installation Fee for the difference between the originally Installed Capacity and the new Installed Capacity.

8.3 Bonus Payments

Lessee shall pay to Lessor three scheduled bonus payments in the amount of \$100,000 due on the fifth anniversary of the Operations Date, \$150,000 due on the tenth anniversary of the Operations Date, and \$200,000 due on the fifteenth anniversary of the Operations Date. Bonus payments shall be due in conjunction with the annual Rent for the applicable year.

8.4 Additional Payment to State Agricultural and Grazing Lessees.

In accordance with 77-6-302 MCA, Lessee shall be liable and agrees to pay Lessor's surface lessee(s) for improvements of such surface lessee(s) that will be damaged, impacted, or rendered unusable by the Project. Lessee agrees to work closely with the Department and any surface lessee to meet this requirement. This obligation shall not be interpreted to create third-party beneficiary rights in favor of such surface lessees. Lessor represents and warrants that there are only two applicable surface leases as disclosed to Lessee, and Lessor covenants that both such surface leases shall be withdrawn by Lessor upon the Commencement Date, and will not interfere with Lessee's Operations or use of the Land.

8.5 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 ten percent (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 thirty (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 due to the late payment by Lessee.

8.6 Lien for Unpaid Rent.

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

8.7 Additional Rent.

Lessor will not be required to pay any costs or expenses or provide any services in connection with Lessee's use of the Land. Accordingly, Lessee covenants and agrees to separately pay, in addition to the Rent, all utilities and services attributable to Lessee's use of the Land and all taxes and special assessments levied against Lessee's Improvements, whether assessed separately or not, as provided in Sections 11 and 12 below.

9. SITE PLAN; IMPROVEMENTS; RESTORATION.

9.1 Site Plan.

Within thirty (30) days after the appropriate governmental agency has issued building permits for any construction or grading activities upon the Land, the Lessee shall provide the Lessor with a copy of the building permits and the Site Plan used to obtain such building permits. The Site Plan shall include a legal description and survey of the pertinent portion of the Land locating the Project, utilities and grading, and a drawing of the elevation of the energy generating equipment and transmission facilities. The Site Plan shall also identify any and all planned Improvements, including Improvements necessary to calculate Installation Fees under this Lease. The Site Plan shall be incorporated herein as Exhibit B.

9.2 Construction of Improvements and Alterations; Approval.

a) Lessee may construct, operate, and maintain Improvements on the Land as approximately located on the Site Plan without the further consent of Lessor. Except for the Improvements depicted on the Site Plan, Lessee shall not construct, install, alter, or demolish and remove, any Improvements, on the Land without approval as shown through the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed, and shall be deemed granted unless Lessor shall deliver to Lessee written objection, with reasonable detail as to the basis for Lessor's objection and identifying the Improvements that are objectionable, within thirty (30) days after Lessee's request for approval. In the event that Lessor provides such timely written objection, Lessor and Lessee shall thereafter meet and shall use diligent and good faith efforts to resolve Lessor's reasonable objections as promptly as possible and agree upon revisions to the Site Plan containing any changes so agreed upon by the parties. Notwithstanding the foregoing, without additional approval, Lessee may make minor deviations and adjustments to the final siting of Improvements as reasonably necessitated by concealed conditions or other construction or engineering considerations or requirements, provided that such minor deviations do not conflict with any findings in the Lessor's final environmental review document. All expenses of constructing, installing, maintaining, repairing, 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 Land in order to protect the Land against any liens resulting from such work.

b) When Lessee commences construction of Improvements on the Land, Lessee shall diligently endeavor to cause the Operations Date to occur within twelve (12) months. Upon completion of the Improvements for the Land, Lessee shall deliver to Lessor an engineer's certificate for the Premises an electronic "as-built" survey of the Premises in both .shp (or other ArcGIS compatible file) and .pdf format. The Lessee shall thereafter furnish the Lessor with copies of any updated plans showing all changes and modifications thereto. The Lessee shall also furnish to the Lessor copies of certificates of occupancy or other similar documents issued to certify completion of construction in compliance with applicable Laws.

9.3 Title to Improvements.

a) During the Term, Lessee will be deemed to own, and hold title to all Improvements subject only to the following limited reversionary interest of Lessor in certain Improvements upon the expiration or termination of the Lease.

b) Upon the expiration or earlier termination of the Lease, or land use license under Section 9.4, as applicable, title to all Improvements then held by Lessee that remain upon the Land, except moveable personal property not constituting fixtures, will automatically vest in Lessor without representation or warranty per MCA §77-1-906(2). For purpose of this provision, solar modules, racking, inverters, and transformers shall be deemed to be moveable personal property and not fixtures.

9.4 Removal of Lessee Improvements and Restoration.

Prior to the expiration, surrender, or termination of this Lease, including early termination, or expiration of a land use obtained pursuant to this Section 9.4, as applicable whether as to the entire Land or only as to a part thereof, Lessee shall fulfill all obligations provided within the Reclamation Plan attached hereto as Exhibit C, as developed between Lessee and Lessor after completion of the appropriate environmental analysis document prior to executing this Lease. In the event that such removal occurs after the expiration, surrender, or termination of this Lease, Lessee shall obtain a land use license from the Department allowing access to the Land and Improvements, and as a term of such license shall pay an amount not less than the Base Rent, or a pro-rated portion of the Base Rent applicable to the last full Production Year, until such obligations provided within the Reclamation Plan are completed by Lessee. In addition to, and in accordance with, the terms of the Reclamation Plan, Lessee shall (a) remove from the Land (or such part thereof, as applicable) any Improvements owned, installed or constructed by Lessee thereon, except for any roads that Lessor allows to remain on the Land; (b) leave the surface of the Land (or such part thereof, as

applicable) free from debris; and (c) otherwise restore the portion of the Land affected by Lessee to a condition as close as practicable to the condition it was in before Lessee's use. Restoration includes, if applicable, the reseeded of affected areas with grasses and/or natural vegetation in accordance with reasonable and customary land care and maintenance standards in the area relating to weed control and the restoration of disturbed pastureland, as reasonably determined by Lessee upon consultation with county agricultural authorities and in coordination with Lessor, as to matters including seed types and seeding timing and processes, it being the intent that Lessor be able to utilize the Land in the same manner as before Lessee's use. Lessee shall be required to remove buried utilities, cable, etc. (i) up to twenty four (24) inches below the surface of the Land or (ii) the depth (if any) required by applicable Law. Lessee shall provide Lessor with an electronic file, e.g. a shapefile, in the format chosen by the Lessor, which depicts the exact locations, including lat/long or UTM coordinates, of Improvements that the Lessee does not entirely remove and intends to allow to revert to Lessor. The provisions of this paragraph shall survive the termination or cancellation of this Lease.

9.5 Secondary Uses and Post-Construction Restoration.

Upon the completion of the construction of the Lessee Improvements, all Land disturbed by Lessee, its agents, contractors, and/or employees, and not required for continuing Operations of the Project, shall be restored to a condition and forage density reasonably similar to its original condition and forage density, consistent with the continued use of the Land pursuant to this Lease. Reclamation shall include, as reasonably required, leveling, terracing, mulching, and other reasonably necessary steps to prevent soil erosion, to ensure the establishment of suitable grasses and forbs, and to control noxious weeds and pests. After the completion of construction, no refuse, waste, or other litter of any kind shall be left on the Land by Lessee. This post-construction reclamation requirement is separate and apart from the requirements found in Section 9.4 above.

10. USE AND ENVIRONMENTAL COMPLIANCE.

10.1 Use and Compliance.

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 Lessee's Improvements in good repair, and shall pay all costs and expenses in connection therewith. Lessee shall not damage or commit waste or permit impairment or deterioration of the Land during construction, installation, and removal of Improvements contemplated by this Lease, ordinary wear and tear, and damage by casualty and condemnation excepted. Excavations and Improvements shall be maintained in a safe condition to prevent injury to persons, livestock, and wildlife.

a) Noxious Weeds and Invasive Plants. The Lessee shall be responsible for controlling any noxious weeds and non-native grass species and other plants regulated by the Montana Weed Control Association introduced by Lessee's activity on the Premises or adjacent state-owned land. The Dillon Unit Office of Lessor must review the Lessee's methods of control. The Lessee shall comply with the Montana County Noxious Weed Management Act.

b) Construction Time Periods. All construction activities will occur during dry (non-saturated) or frozen soil conditions to minimize rutting and soil compaction after consultation with the Dillon Unit Office of Lessor.

c) Resource Removal. Lessee will not cut or otherwise remove any timber or standing trees, or soil or other vegetation upon the Land unless authorized to do so by Lessor, other than such cutting and removal as required for Lessee's construction activities or Operations on the Land.

10.2 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, Mont. Code Ann., and all associated Administrative Rules of Montana.

10.3 Post-Construction Environmental Monitoring and Montana Environmental Policy Act (MEPA).

Environmental analysis is required prior to execution of this Lease. Lessee understands that there may be reasonable additional environmental monitoring required from the Lessee after construction and/or Operations, based on the Project specifications and the environmental analysis conducted prior to Lease execution. Any additional monitoring requirements will be made part of this Lease and attached hereto as Exhibit D prior to lease execution. Lessee agrees to pay all costs associated with such reasonable post-construction environmental monitoring and any MEPA monitoring as may be required.

10.4 Environmental Matters.

a) Lessor has made no representations to Lessee concerning the presence of Hazardous Substances within the definition of the CECRA on the Land. Lessee agrees as follows: Lessee will (a) comply with all Environmental Laws applicable to the operation or use of the Land 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 Land 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 Land to be kept free and clear of any liens arising from Lessee's use and occupancy of the Land imposed thereon pursuant to any Environmental Laws.

b) 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 Land, or transport or permit the transportation of any Hazardous Substances to or from the Land, in each case in any quantity or manner which violates any Environmental Laws.

c) If Lessor has knowledge of any pending or threatened Environmental Claim against Lessee or the Land that is caused by the Lessee, or has good reason to believe that Lessee's activities on the Land are in violation of any Environmental Laws, which violation is caused by Lessee, 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 such purported violation, 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 Land. 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 ninety (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.

d) 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 Land.

e) 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 Land, which are on the Land 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.

10.5 Survival.

The reimbursement obligations under this Section 10 will survive the expiration or earlier termination of this Lease.

11. UTILITIES; REPAIRS; WATER RIGHTS.

11.1 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 Project. Lessee will maintain, repair, replace and keep the Premises in reasonably good condition and repair.

11.2 Utilities.

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

11.3 Water Rights.

Any water right appropriated or secured on the Land by Lessee for use on or off such Land shall be appropriated or secured in the name of the Lessor unless prior written permission to do otherwise is granted by the Lessor. Lessor shall be notified prior to such development or appropriation of water right. Lessee shall be responsible for the costs of obtaining any such water rights, but Lessee shall not be required to pay Lessor any additional consideration (i.e., in addition to Rent) for the use of water from any such water right.

12. TAXES.

12.1 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 and levied against Lessee's Improvements, including privilege taxes, also known as beneficial use taxes, per MCA 15-24-1203, if applicable and any other taxes levied by the State including electrical generation taxes listed in MCA 15-24-3004, et seq.

12.2 Special Assessments.

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

13. INSURANCE.

13.1 Types of Required Insurance.

Lessee shall procure and maintain, or cause one or more of its Sublessees to provide and keep in force and provide Lessor with additional insured status (except additional insured status shall not apply to Workers Compensation/Employer's Liability coverage), the following:

(a) Commercial General Liability Insurance: For the duration of this Lease and for three years following the Expiration Date or until the Lessor certifies that reclamation is complete (whichever occurs later), Lessee shall purchase and maintain commercial general liability insurance with limits of \$1,000,000 per occurrence / \$2,000,000 general aggregate annually protecting Lessee and the Lessor, their elected and appointed officials, agents, and employees, against all claims for bodily injury, death, personal injury, property damage, and contractual liability, that directly or indirectly, arise or allegedly arise out of, in connection with, or on account of this Lease, any act or omission of Lessee, or any act or omission of Lessee's officers, agents, employees, or subcontractors that may cause a bodily injury or property damage loss. This provision is intended to require Lessee to purchase and maintain general liability insurance that includes protection for a bodily injury or property damage loss caused by Lessee's own acts or omissions, alleged acts or omissions, negligent conduct, and alleged negligent conduct.

(b) Property Insurance. For the duration of this Lease, Lessee shall purchase and maintain all-risk property insurance (including fire, leakage from fire protective devices and other water damage) covering loss or damage to the Improvements and betterments on a full replacement cost basis (except for Named

Windstorm, Flood and Earthquake for which annual aggregate sublimits are allowed), excluding existing architectural and engineering fees, undamaged excavation, footings and foundations.

(c) Worker's Compensation and Employer's Liability Insurance. For the duration of this Lease and until the Lessor certifies that reclamation is complete, Lessee shall either obtain and maintain an independent contractor exemption or shall purchase and maintain worker's compensation and employer's liability insurance covering Lessee and its employees and agents. Lessee shall also require each of its sub-contractors, for the duration of this Lease and until the Lessor certifies that reclamation is complete, to either obtain and maintain an independent contractor's exemption or to purchase and maintain workers' compensation and employer's liability insurance covering each subcontractor and its employees and agents.

(d) Environmental Impairment Liability Insurance. For the duration of this Lease and for three years following the Expiration Date or Until the Lessor certifies that reclamation is complete (whichever occurs later), Lessee shall purchase and maintain environmental impairment liability insurance with limits of \$1,000,000 per incident/ \$2,000,000 aggregate annually protecting Lessee against claims for bodily injury, death, and property damage. This provision is intended to require Lessee to purchase and maintain environmental impairment liability insurance. If Lessee can obtain environmental impairment liability insurance only on a "claims made" basis, it shall obtain the longest retroactive date and extended reporting periods available. Coverage may also be provided as Sudden and Accidental within the Commercial General Liability Policy.

(e) Automobile Liability Insurance. For the duration of this Lease and until the Lessor certifies that reclamation is complete, Lessee shall purchase and maintain business automobile liability insurance covering any automobile - including all owned (if any), hired and non-owned automobiles – used in connection with the Project.. Business automobile liability insurance shall have limits of not less than \$1,000,000 per accident. Lessee shall require each of its subcontractors to purchase and maintain business automobile liability insurance with the same limits.

13.2 Terms of Insurance.

a) Each insurance policy required by this Lease shall be written for the limits of liability specified in this Lease or required by Law, whichever coverage is greater.

b) Each insurance policy required by this Lease shall be written on an "occurrence" basis (not "claims made" basis), unless otherwise agreed to by subsequent written agreement between Lessee and Lessor.

c) Each insurance policy required by this Lease shall be maintained without interruption for the time periods required by this Lease and shall contain a provision that coverage will not be canceled, or allowed to expire unless and until the insurance carrier that issued the policy has given Lessor at least thirty (30) days prior written notice of cancelation or expiration, and ten (10) days for non-payment of premium.

d) Lessee is responsible for paying all premiums, deductibles, and retentions applicable to each insurance policy required by this Lease.

e) All insurance coverage of any kind purchased and maintained by Lessee or any subcontractor as required by this Lease shall be purchased only from an insurance carrier currently authorized to do business in the State of Montana with an A. M. Best's rating of no less than A-.

f) Commercial General Liability and Automobile Liability coverage of any kind purchased and maintained by Lessee or any subcontractor as required by this Lease shall be primary coverage. Any insurance or self-insurance maintained separately by Lessor, its officers, officials, employees, or volunteers shall be excess of the Lessee's or subcontractor's insurance and shall not contribute with it. Excess/Umbrella policies, if required, shall be non-contributory.

g) Lessee shall be identified on the declaration pages of the general liability, property, environmental impairment liability, business automobile liability, and excess/umbrella policies required by this Lease as the named insured.. Lessor shall be provided with additional insured status on all such policies including relevant endorsements.

h) Lessee, its subcontractors, or the insurance carrier issuing all insurance policies required by this

Lease must provide certificates of insurance to Lessor prior to execution of this Lease and as a necessary condition precedent to the formation, and enforceability of any provision, of this Lease. The Lessee shall deliver to the Lessor on or before the Effective Date and within thirty (30) days after the renewal date of each insurance policy required to be maintained by it pursuant to this Lease, certificates of insurance (or such other evidence of insurance reasonably requested by the Lessor in the form of endorsements and/or evidence of policies) executed by the insurer or its duly authorized representative, accompanied by a letter from the Lessee's authorized insurance representative certifying to the Lessor that the insurance policy (or policies) have been placed in accordance with the requirements of Section 13 to this Lease, coverage is in full force and effect and all premiums then due have been paid or are not in arrears.

i) Failure to obtain and maintain all required insurance shall be considered a material breach of this Lease. Lessee shall notify Lessor immediately if any insurance required by this Lease is canceled, expires, changes (in a manner not in compliance with this Lease), is reduced, or restricted in coverage or if any insurer notifies Lessee of its intent to cancel, allow to expire, change (in a manner not in compliance with this Lease), reduce, or restrict the coverage of such insurance.

j) The insurance provisions of this Lease can be modified only by subsequent written agreement between Lessee and Lessor.

14. DAMAGE OR DESTRUCTION.

In the event of any Substantial Damage arising from or relating to Lessee's activities on and its use of the Land or any Improvements from any causes whatsoever, Lessee shall promptly give written notice thereof to Lessor. Lessee shall promptly repair or restore the Land or remove any damaged Improvements and restore the affected portion of the Land 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's completion of a remediation plan developed by the Department pursuant to this Section. Lessee's duty to repair any damage or destruction of the Land, and to restore or remove any Improvements and to restore the Land, shall not be conditioned upon the availability of insurance proceeds from which the cost thereof may be paid. Unless this Lease is so terminated by mutual agreement as described in this Section 14, 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.

15. CONDEMNATION.

15.1 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.

15.2 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 sixty (60) days after the Taking Date. In such event, this Lease will terminate thirty (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.

15.3 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 all 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 Rent after the Taking Date will be adjusted to reflect the reduced Land remaining after the Taking.

15.4 Awards for Permanent Taking.

If there is compensation paid as a result of any Taking of the Land or Lessee's interest therein, then the award or compensation payable therefor, whether pursuant to a judgment, by agreement or otherwise, including any damages and interest (collectively, the "Award"), will be allocated as follows: (a) any portion of the Award attributable to the Taking of or injury to this Lease, or the Improvements shall be paid to Lessee, without reduction on account of any early termination effected due to the Taking; (b) any portion of the Award attributable to any cost or loss that Lessee may sustain in the removal and/or relocation of the Improvements, or Lessee's chattels and trade fixtures, shall be paid to Lessee; (c) any portion of the Award attributable to Lessee's anticipated or lost profits, to damages because of deterrent to Lessee's business or to any special damages of Lessee, shall be paid to Lessee; and (d) any portion of the Award attributable to the Taking of the fee, and all remaining amounts of the Award, shall be paid to Lessor.

15.5 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.

16 ASSIGNMENT, SUBLETTING AND FINANCING.

16.1 Assignment.

Lessee shall not assign its interest under this Lease, in whole or as to any part, without Lessor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. Lessor consent shall not be required if the Lessee provides sufficient documentation to Lessor that clearly shows the proposed assignee is (a) an Affiliate of Lessee, including a holding company, a Project company, or tax equity investor, or other entity related to or affiliated with any tax equity transaction contemplated by Lessee or otherwise necessary to facilitate tax equity financing and/or development of the Project; (b) a present or future purchaser of electricity generated by the Improvements or engaged in the transmission or distribution of such electricity; (c) a party to a merger or reorganization transaction involving Lessee, its Affiliates or a sale or transfer involving all or substantially all of Lessee's assets, including, but not limited to, the Improvements. For other such assignments, such consent may be determined in Lessor's sole and absolute discretion. Notwithstanding the foregoing, 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 Mortgagee, such Qualified Mortgagee 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 Mortgagee shall be released of any further liability under the Lease. However, any assignee must be registered with the Montana Secretary of State to conduct business in the State of Montana. If Lessee assigns its rights in this Lease, as permitted or approved pursuant to this Section 16, then Lessee shall be relieved of all liabilities hereunder accruing from and after the date of such assignment, but only if (i) the assignor gives Lessor notice of the assignment, and where consent is required obtains Lessor's written

consent; (ii) the assignment is expressly made subject to this Lease; (iii) the assignee expressly assumes Lessee's obligations which arise on or after the date of such assignment; and (iv) the assignee has the resources necessary to satisfy its obligations under this Lease. An assignment as described in this paragraph shall not relieve Lessee from any liability that arose prior to the assignment.

16.2 Subletting.

Lessee may sublease the Land or portions thereof in accordance with the terms of this Section. Lessee may grant possessory or use rights under its leasehold estate under this Lease, whether by sublease, license, or other instrument. Lessee shall not enter into any sublease without Lessor's prior written consent, which shall not be unreasonably withheld, conditioned, or delayed. Lessee shall inform Lessor of all proposed subleases by delivering a copy of the sublease to Lessor. No sublease shall be effective until a valid sublease agreement with a valid attornment provision is delivered to the Lessor, as hereinafter provided. All subleases shall include an attornment provision whereby upon the early termination of this Lease or repossession of the Land 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, and each Sublessee subject thereto shall agree to execute, acknowledge, and deliver to Lessor any document that Lessor reasonably requests to confirm such attornment.

16.3 Financing.

a) Lessee's Right to Encumber. Throughout the Term, Lessee may from time to time, upon written notice to Lessor, but without having to secure Lessor's consent, execute and deliver one or more Leasehold Mortgages securing any indebtedness or other obligation of Lessee. Without limiting the generality of the foregoing, Lessee may execute and deliver Leasehold Mortgages to secure promissory notes evidencing construction, interim or permanent financing for the Land or Improvements, 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. A Qualified Leasehold Mortgagee shall have the absolute right to do one, some, or all of the following things without further consent from Lessor: (a) assign its Leasehold Mortgage; (b) enforce its Leasehold Mortgage; (c) acquire title to the leasehold estate under this Lease as a Foreclosure Transferee; (d) take possession of and operate the Land and the Improvements or any portion thereof in accordance with this Lease and perform any obligations to be performed by Lessee hereunder, or cause a receiver to be appointed to do so; (e) assign or transfer the leasehold estate under this Lease to a third party; or (f) exercise any rights of Lessee hereunder.

b) Qualified Mortgagees' Cure Rights. Each Qualified Mortgagee shall have the absolute right to substitute itself for Lessee and perform the duties of Lessee hereunder, including for purposes of curing any default or alleged default by Lessee, including any uncured Default by Lessee (as defined below). As a precondition to exercising any rights or remedies as a result of any default or alleged default by Lessee, Lessor shall deliver a duplicate copy of the applicable default notice to each Qualified Mortgagee concurrently with delivery of such notice to Lessee. In the event of an uncured Default by Lessee after delivery of such notice and the expiration of Lessee's cure period, but prior to terminating this Lease or exercising any other right or remedy hereunder for a Default by Lessee, Lessor will give each Qualified Mortgagee notice of such Default by Lessee, and afford it a period of: (a) Thirty (30) days after such notice is given in which to cure such Default by Lessee if such Default by Lessee is a failure to pay Rent; or (b) Sixty (60) days after such notice is given in which to cure such Default by Lessee if such Default by Lessee is not a failure to pay Rent; provided, however, that if such Default by Lessee is not a failure to pay Rent and is susceptible of cure by a Qualified Mortgagee, but cannot reasonably be cured within such 60-day period, then so long as any Qualified Mortgagee commences a cure within such 60-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. However, if such Default by Lessee is not a failure to pay Rent and is

susceptible of cure by a Qualified Mortgagee, but cannot reasonably be cured until the Qualified Mortgagee obtains possession of the Land, then so long as any Qualified Mortgagee commences to obtain possession of the Land within such 60-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 Land, and then promptly commence and thereafter diligently pursue the cure to completion. If a Qualified Mortgagee is prohibited by any process or injunction issued by any court or by reason of any action of any court having jurisdiction over any bankruptcy or insolvency proceeding involving Lessee from commencing or prosecuting the proceedings described above, then the 60-day period specified above for commencing such proceedings shall be extended for the period of such prohibition.

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 Mortgagee. All rights and remedies of the Qualified Mortgagee hereunder will be cumulative with, in addition to, and non-exclusive of one another.

d) New Lease to Qualified Mortgagee. If this Lease (a) terminates because of Lessee's uncured Default by Lessee; or (b) is rejected or disaffirmed pursuant to bankruptcy law or any other law affecting creditors' rights, then, so long as a Qualified Mortgagee has cured any such monetary Default by Lessee, and is making commercially reasonable efforts to cure any such non-monetary Default by Lessee as provided herein, Lessor shall immediately, upon written request from such Qualified Mortgagee, received within ninety (90) days after any such event, without demanding additional consideration therefor, recognize the Qualified Mortgagee's interest in this Lease, or enter into a new lease in favor of such Qualified Mortgagee. The new lease shall: (i) contain the same agreements, terms, provisions and limitations as this Lease (except for any requirements that have been fulfilled by Lessee prior to such termination, foreclosure, rejection or disaffirmance hereinafter referred to as a "Terminating Event"); (ii) be for a term commencing on the date of such Terminating Event, and continuing for the remaining Term before giving effect to such Terminating Event; (iii) contain a lease of the Land or such portion thereof as to which such Qualified Mortgagee held a Leasehold Mortgage on the date of such Terminating Event; (iv) enjoy the same priority as this Lease over any lien, encumbrance or other interest created by Lessor. At the option of the Qualified Mortgagee, the new lease may be executed by a designee of such Qualified Mortgagee, without the Qualified Mortgagee assuming the burdens and obligations of Lessee thereunder. The provisions of this paragraph shall survive the termination or cancellation of this Lease.

16.4 Assignment by Lessor.

If Lessor sells or otherwise transfers the Land, or if Lessor assigns its interest in this Lease, 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. Notwithstanding the foregoing, contemporaneous with such transfer, Lessor will deliver to Lessee the written assumption of such purchaser, transferee or assignee, of Lessor's obligations under this Lease from and after the date of such transfer.

17 LEASE EXPIRATION.

17.1 Condition at End of Lease.

Upon the expiration or termination of this Lease, Lessee shall leave the Land in good condition and shall peaceably surrender the same to Lessor. Prior to expiration or termination, or subsequent to expiration or termination consistent with the requirements set forth in Section 9.4, Lessee will remove its Improvements and personal property and shall have restored the Land according to the terms of this Lease. All Improvements and personal property remaining on the Land on the day after the expiration or termination date of this Lease or land use license under Section 9.4, as applicable, shall be conclusively deemed abandoned by the Lessee and shall become property of Lessor without further notice to Lessee.

17.2 Holding Over.

If the Premises are not surrendered on the Expiration Date or on the expiration or termination of any land use license obtained pursuant to Section 9.4, as applicable, 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 (including a land use license obtained pursuant to Section 9.4) 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 Rent that was payable during the last full Production 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.

18 LIENS AND ESTOPPEL CERTIFICATES.

18.1 Liens.

Lessee will not allow any liens to be recorded, filed, claimed, or asserted against the Land as a result of Lessee's activities. In the event a lien is recorded, filed, claimed, or asserted, the Lessee will cause the same to be released or discharged within thirty (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.

18.2 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.

18.3 Estoppel Certificates.

Lessor and Lessee agree that at any time, and on occasion (but on not less than ten (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, and will be provided by the requesting party.

19 DEFAULTS BY LESSEE - LESSOR'S REMEDIES.

19.1 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 thirty (30) days after written notice from Lessor to Lessee of such failure;

b) Failure to Commence Construction. Lessee fails to commence construction of the Project within two (2) years of the Commencement Date;

c) Failure to Perform Other Obligations. Lessee breaches or fails to comply with any term, provision, or covenant of this Lease applicable to Lessee other than a covenant to pay Rent, and such breach or noncompliance continues for a period of thirty (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;

d) 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 thirty (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 Mortgage by a Qualified Mortgagee or to a transfer of Lessee's interest in this Lease and the Premises to a Foreclosure Transferee.

e) Fraud or Misrepresentation. Lessee's fraud or misrepresentation, or concealment of material facts relating to its procurement of this Lease, which if known to Lessor would have prevented its issuance of this Lease. Any material false certification or statement by Lessee in any other document or report required to be submitted under this Lease, which was known to be false by Lessee at the time it was made, shall, at the discretion of Lessor, be deemed a Default by Lessee under this Lease.

f) 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 thirty (30) days after written notice from Lessor to Lessee to cease such use.

g) Abandonment or Non-operation. Lessee's express or implied abandonment of the Lease Premises or non-operation of the Project upon the Land for 12 consecutive months.

19.2 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 while such Default by Lessee shall be continuing, 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.

19.3 Cure by Lessor.

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 utilizing all appropriate care, 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 ten (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.

a) 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.

b) 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.

c) 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, Montana Code Annotated, and Rule 66, 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.

d) 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.

20 DEFAULTS BY LESSOR AND LESSEE'S REMEDIES.

20.1 Defaults by Lessor.

Either of the following events, which continue beyond the applicable notice and cure period, will constitute a "Default by Lessor" under this Lease: (a) 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 thirty (30) days after notice thereof from Lessee to Lessor; or, (b) 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.

20.2 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 below. 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. 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 ten (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.

21 SECURITY DEPOSIT.

To secure compliance with the terms of this Lease, on or before the Commencement Date, the Lessee shall deposit with Lessor a \$10,000.00 Security Deposit upon Lease execution, to be held by Lessor without interest. Lessor shall not be required to segregate the Security 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.

21.1 Security Deposit upon the Expiration Date.

Upon the Expiration Date of this Lease, or expiration of any land use license obtained pursuant to Section 9.4, as applicable, Lessor may deduct the amount necessary from the Security Deposit to compensate Lessor for all tangible loss, injury, or deterioration of the Land caused by Lessee, or Lessee's guests, plus all unpaid Rent. 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 of record unless Lessee provides Lessor of a new address in writing. If the Security Deposit is insufficient to satisfy the damages, and unpaid Rent, Lessor may collect the deficiency from Lessee.

21.2 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 due to Lessee's early termination. If the Security Deposit is insufficient to satisfy the damages, and unpaid Rent, Lessor may collect the deficiency from Lessee.

21.3 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.

22 DECOMMISSIONING AND RECLAMATION PLAN AND GUARANTEE.

Prior to any construction on the Land, the Lessee shall furnish Lessor a Guarantee in a form satisfactory to Lessor, in the amount specified in the Reclamation Plan attached to this Lease as Exhibit C. The Guarantee shall secure the full performance by the Lessee of its decommissioning of the Project and reclamation of the Land. The amount of the Guarantee shall be reviewed every five (5) years and may be adjusted by the Lessor to assure that reclamation will occur in accordance to the Reclamation Plan. A new or modified Guarantee shall be delivered to the Lessor not less than thirty (30) days following Lessor's request for an additional Guarantee. Upon any default by Lessee of its obligations hereunder, Lessor may demand payment from the guarantor. Such demand shall not limit the liability or obligations of Lessee or the rights or remedies of Lessor. The Guarantee shall remain in effect until one (1) year after the expiration of the Lease Term, or one (1) year after cessation of Operations for which the Guarantee was intended, whichever is later, unless fully drawn upon earlier by Lessor or unless Lessor provides the issuer of the Guarantee with written notice authorizing the expiration of the Guarantee. Upon (a) the expiration of the Lease Term, and Lessee's compliance with its reclamation obligations, as reasonably determined by Lessor, Lessor shall be obligated to provide written notice to the issuer of the Guarantee authorizing the termination of the Guarantee. Any such written notice shall be provided by Lessor within ten (10) days of written request by Lessee. Lessee's failure to have a Guarantee in effect at all times required by this Lease in the full amount required by Lessor shall constitute a material breach of this Lease unless otherwise agreed to by Lessor. The

Lessee's obligation under this paragraph shall survive the termination of this Lease. In lieu of the foregoing, any reclamation bond required as a condition of approval to any permitting required by the applicable regulating authority, shall satisfy the Lessee's Guarantee obligations hereunder, upon Lessee's submittal of the bond to the applicable regulating authority.

23 LESSEE LIABILITY; INDEMNIFICATION.

Lessee shall protect, defend, indemnify, and save harmless Lessor its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, from and against all claims, liabilities, demands, causes of action, judgments, penalties, fines, and losses, including all costs of defense and reasonable attorney fees, arising in favor of or asserted by Lessee's employees and agents, its subcontractors, its subcontractor's employees and agents, or third parties on account of property damage, personal injury, bodily injury, death, violation of or non-compliance with any laws, regulations, or rules, or financial or other loss of any kind that in any way, directly or indirectly, arise or allegedly arise out of, in connection with, or on account of this Lease, any act or omission of Lessee, or any act or omission of Lessee's officers, agents, employees, or subcontractors.

Lessee waives all claims, demands, causes of action, and recourse against Lessor, including claims of contribution or indemnity, arising in favor of Lessee on account of property damage, personal injury, bodily injury, death, violation of or non-compliance with any laws, regulations, or rules, or financial or other loss of any kind that in any way, directly or indirectly, arise or allegedly arise out of or in connection with, or on account of this Lease, any act or omission of Lessee, or any act or omission of Lessee's officers, agents, employees, or subcontractors.

24 UTILITY INSTALLATION

The Lessee, at its sole cost and expense, shall determine the availability of, and shall cause to be installed in, on, and about the Land, all facilities necessary to supply thereto all water, sewer, gas, electricity, telephone, and other like services required in the Lessee's Operations hereunder. The Lessee shall pay all connection or acreage assessments or charges levied by any public utility, agency, or municipality with respect to their services. Notwithstanding the foregoing, the Lessee shall not enter into any contract or agreement with any city, county, or other governmental agency or body or public utility with reference to sewer lines or connections, water lines or connections, or street improvements relating to the Land without the prior written consent of the Lessor, which consent shall not reasonably be withheld.

25 MISCELLANEOUS

25.1 Force Majeure.

If performance of this Lease or any obligation hereunder is prevented or substantially restricted or interfered with by reason of an event of "Force Majeure" (defined below), the affected party, upon giving notice to the other party, shall be excused from such performance to the extent of and for the duration of such prevention, restriction, or interference. The affected party shall use reasonable efforts to avoid or remove such causes of nonperformance and shall immediately continue performance hereunder whenever such causes are removed. "Force Majeure" means fire, earthquake, flood, or other casualty or accident; war, civil strife or other violence; any law, order, proclamation, regulation, ordinance, action, demand or requirement of any governmental agency or utility; or any other act or condition beyond the reasonable control of a party hereto.

25.2 Notices.

All notices or other communications required or permitted under this Lease, including payments to Lessor, shall be in writing and shall 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 (1) business day after deposit with a private courier or overnight delivery service with a written acknowledgment of receipt; or (c) five (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 applicable address below. In the case of notices to a Qualified Mortgagee, to the address set forth in its most recent notice to Lessor. Any party may change its address for purposes of this paragraph by giving written notice of such change to the other parties in the manner provided in this paragraph.

Lessee's Address:

Apex Solar LLC
1717 West Loop South, Suite 1800
Houston, Texas 77027
Attn: Keith Holst and Stephen H Douglas

With a copy to:
c/o Clenera, LLC
Attn: Admin. Dept.
P.O. Box 2576
Boise, ID 83701
Email: cre.notices@clenera.com
Telephone: (208) 639-3232

Lessor's Address:

Montana Department of Natural Resources and Conservation
Attn: Real Estate Management Bureau Property Mgmt Section
1539 Eleventh Avenue
PO BOX 201601
Helena, MT 59620-1601

25.3 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, Sublessees, and assigns.

25.4 Entire Agreement; Modifications.

This Lease contains the entire agreement between the parties respecting its subject matter. Any agreement, understanding, representation, statement, promise, or inducement respecting the Premises, this Lease, or any other matter referenced herein not expressly set forth in this Lease or a subsequent writing signed by both parties is null and void. All modifications to this Lease must be in writing and signed by the Lessor and the Lessee. No purported modifications or amendments, including without limitation any oral agreement (even if supported by new consideration), course of conduct, or absence of a response to a unilateral communication, shall be binding on either party. If executed properly under this Section 25.4 modifications of this Lease do not need independent consideration to be legally enforceable.

25.5 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.

25.6 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.

25.7 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.

25.8 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.

25.9 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.

25.10 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.

25.11 Reasonableness.

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

25.12 Governing Law; Venue; Jurisdiction; Rule of Construction.

This Lease will be governed by and construed according to the laws of the State of Montana. In the event of litigation concerning this Lease, venue shall be in the First Judicial District in and for the County of Lewis and Clark, Montana. The parties acknowledge and agree that they have each participated in the drafting of this Lease, and therefore, any rule of construction to the effect that ambiguities are to be resolved against the party drafting a contract shall not be employed in the interpretation of this Lease and is hereby waived.

25.13 Time of Essence.

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

25.14 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.

25.15 Cooperation.

Lessor shall fully support and cooperate with Lessee in the conduct of its Operations and the exercise of its rights hereunder, and in carrying out and otherwise giving full force and effect to the purpose and intent of this Lease, including in Lessee's efforts to obtain from any governmental authority or any other person or entity any environmental impact review, permit, entitlement, approval, authorization or other rights necessary or convenient in connection with Operations. Lessor shall have no monetary obligation in paying any permit fees or consultant charges associated with any governmental permits required.

25.16 Recording.

This Lease may not be recorded. Lessor and Lessee shall execute in recordable form and Lessee shall then record a memorandum of this Lease in the form attached to this Lease as Exhibit A. Following due and proper compliance with its rules, regulations, and procedures, Lessor shall consent to the recordation of the interest of an assignee in the Land and the recordation of any documents related to the Project.

25.17 Confidentiality.

Lessee understands that, in accordance with Mont. Const. Art. II, § 9, and Montana's public records laws, as such laws may be amended, that Lessor must disclose to the public upon request any records it receives from Lessee. Lessor shall not disclose any information it receives from Lessee that Lessee has previously identified as confidential and is protected from mandatory public disclosure under a specific exemption to the Montana public records laws.

25.18 Survival of Terms, Conditions, Restrictions, Reservations, and Covenants.

Any term, condition, restriction, reservation, or covenant that gives rise to any rights or claims of Lessor against Lessee shall be deemed to survive the termination, relinquishment, or abandonment of this Lease until all claims have been settled or resolved.

26 SIGNATURES

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.

LESSEE:

APEX SOLAR LLC

By: CRE-Apex Montana LLC, its Manager

By: Centaurus Renewable Energy LLC, its Manager

By: _____
Stephen H. Douglas, Manager

By: _____
Keith Holst, Manager

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this _____ day of _____, 20____ by Stephen H. Douglas and Keith Holst, as authorized signatories of Centaurus Renewable Energy LLC, as Manager of CRE-Apex Montana LLC, as Manager of Apex Solar LLC.

Notary Public

LESSOR, STATE OF MONTANA, DNRC:

By: _____

Mike Atwood, Chief
Real Estate Management Bureau

The foregoing instrument was acknowledged before me this _____ day of _____,
20____by Mike Atwood, Chief, Real Estate Management Bureau, State of Montana, DNRC.

STATE OF MONTANA

COUNTY OF _____

Notary Public

EXHIBIT A

Form of Memorandum – Placeholder

The placeholder will be replaced with the actual exhibit prior to lease signature.

EXHIBIT B

Site Plan

The placeholder will be replaced with the actual exhibit prior to lease signature. The lease area shall not be greater than any area held under an Option to Lease.

EXHIBIT C

Reclamation Plan

This exhibit is dependent on the Environmental Analysis.

The placeholder will be replaced with the actual exhibit prior to lease signature. The final exhibit will include specific reclamation requirements, including reclamation bond amount and review schedule.

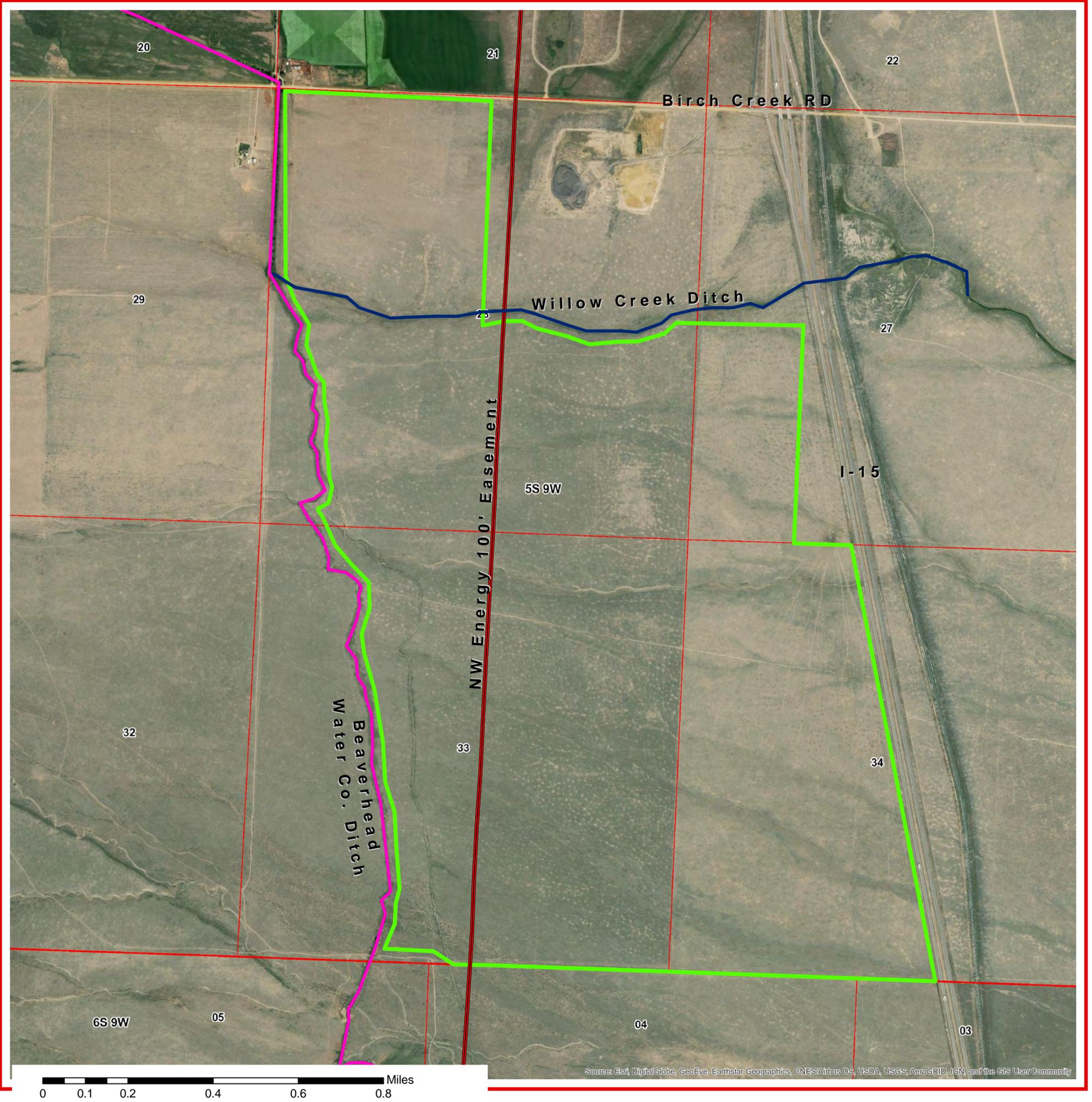
EXHIBIT D

Post-Construction Environmental Monitoring

This exhibit is dependent on the Environmental Analysis. The placeholder will be replaced with the actual exhibit prior to lease signature.

Exhibit E - Prior Existing Rights Map & Description

Page 1 of 3



Legend

- Willow Creek Ditch
- Beaverhead Water Co. Ditch
- Apex Solar Option to Lease
- NW Energy Transmission Line (Easement #3205 & 3206)

Location: Beaverhead County, MT
 Date: 5-6-2019
 Prepared By: REMB Staff Member
 Projection: NAD83 Montana State Plane



Form R. 48-1500-7-33.

No. D-2621.....

RIGHT OF WAY DEED

JR&
2-27-42
7546

IN THE NAME AND BY THE AUTHORITY OF THE STATE OF MONTANA

To All To Whom These Presents Shall Come:

Know ye that the State of Montana, in consideration of the sum of -----
-----ONE HUNDRED-TWENTY FIVE AND NO/100----- Dollars
now paid, grants to-----THE MONTANA POWER COMPANY, A CORPORATION-----
a right of way for an-----ELECTRIC TRANSMISSION AND TELEPHONE SYSTEM-----

upon and across state lands, as follows:

IN THE NE $\frac{1}{4}$

A tract or strip of land 100 feet wide, 50 feet on each side of a center line described as follows:

Beginning at a point on the North Line of Section 28, Twp. 5S, Rge. 9W, M.P.M., from which point the North $\frac{1}{4}$ corner of said Section 28 bears West 290.6 feet, thence from the point of beginning S. 0° 48' 10" W., 2658.0 feet to the terminal point on the South Line of the NE $\frac{1}{4}$ of said Section 28, from which terminal point the East $\frac{1}{4}$ corner of said Section 28 bears East 2378.7 feet. Contain ng an area of 6.10 acres, more or less.

IN THE SE $\frac{1}{4}$

A tract or strip of land 100 feet wide, 50 feet on each side of a center line described as follows:

Beginning at a point on the North Line of the SE $\frac{1}{4}$ of said Section 28, Twp. 5S, Rge. 9W, M.P.M., from which point the East $\frac{1}{4}$ corner of said Section 28 bears East 2378.7 feet, thence from said point of beginning S. 0° 48' 10" W., 2658.0 feet to the terminal point on the South line of said Section 28, from which terminal point the South $\frac{1}{4}$ corner of said Section 28 bears West 281.0 feet. Containing an area of 6.10 acres, more or less.

This right of way is granted upon the express condition, which is accepted by the grantee, that the State and its lessees and purchasers shall have the right to use and fully enjoy the land hereby granted, except the part that is actually occupied by the poles and supports, to cultivate, seed and harvest the crops thereon; and that the grantee and its successors and assigns shall pay any and all damages which may result to crops, fences and other property from the construction, maintenance, operation or removal of the said electric transmission and telephone system. The said damages if not mutually agreed upon shall be ascertained and determined by three disinterested persons, one of whom to be appointed by the purchaser or lessee of the land, heirs or assigns, one by the grantee herein, its successors or assigns, and the third by the two so appointed as aforesaid. The award of such three persons shall be final and conclusive.

It is understood and agreed by and between the parties hereto that if any conflict should arise, this easement shall be inferior and subject to any easement heretofore or hereafter granted in the said lands for public highways.

RIGHT OF WAY DEED

BY THE STATE OF MONTANA

CHIEF CLERK



It is further Provided that whenever said lands herein granted as a right of way shall cease to be used for such purpose, the same shall revert to the state upon notice to that effect being given to the said grantee named herein.

IN TESTIMONY WHEREOF, the State of Montana has caused these presents to be executed by the Governor, and to be attested by the Secretary of State, and countersigned by the Commissioner of State Lands and Investments, and the Great Seal of the State, and the Seal of the State Board of Land Commissioners to be hereunto affixed this _____27th_____ day of _____FEBRUARY_____ A. D. 19__42__.

.....
Sam C. Ford
Governor of the State of Montana

ATTEST:

.....
Sam W. Mitchell
Secretary of State

Countersigned by

.....
J. W. Walker
Commissioner of State Lands and Investments



Form R. 48-1500-7-33.

No. D-2622.....

RIGHT OF WAY DEED

JRA
2-27-42
7546

IN THE NAME AND BY THE AUTHORITY OF THE STATE OF MONTANA

To All To Whom These Presents Shall Come:

Know ye that the State of Montana, in consideration of the sum of-----
-----ONE HUNDRED TWENTY-FIVE AND NO/100----- Dollars
now paid, grants to-----THE MONTANA POWER COMPANY, A CORPORATION-----
a right of way for an-----ELECTRIC TRANSMISSION AND TELEPHONE SYSTEM-----

upon and across state lands, as follows:

IN THE NE 1/4

A tract or strip of land 100 feet wide, 50 feet on each side of a center line described as follows:

Beginning at a point on the North Line of Section 33, Twp. 5S, Rge. 9W, M.P.M., from which point the North 1/4 corner of said Section 33 bears West 281.0 feet, thence from the said point of beginning S. 0° 48' 10" N., 2647.4 feet to the terminal point on the South Line of the NE 1/4 of said Section 33, from which terminal point the East 1/4 corner of said Section 33 bears East 2441.3 feet. Containing an area of 6.07 acres, more or less.

IN THE SE 1/4

A tract or strip of land 100 feet wide, 50 feet on each side of a center line described as follows:

Beginning at a point on the North line of the SE 1/4, of Section 33, Twp. 5S, Rge. 9W, M.P.M., from which point the East 1/4 corner of said Section 33 bears East 2441.3 feet, thence from the said point of beginning S. 0° 48' 10" W., 2647.4 feet to the terminal point on the South Line of said Section 33 from which terminal point the South 1/4 corner of said Section 33 bears West 166.4 feet. Containing an area of 6.08 acres, more or less.

This right of way is granted upon the express condition, which is accepted by the grantee, that the State and its lessees and purchasers shall have the right to use and fully enjoy the land hereby granted, except the part that is actually occupied by the poles and supports, to cultivate, seed and harvest the crops thereon; and that the grantee and its successors and assigns shall pay any and all damages which may result to crops, fences and other property from the construction, maintenance, operation or removal of the said electric transmission and telephone system. The said damages if not mutually agreed upon shall be ascertained and determined by three disinterested persons, one of whom to be appointed by the purchaser or lessee of the land, heirs or assigns, one by the grantee herein, its successors or assigns, and the third by the two so appointed as aforesaid. The award of such three persons shall be final and conclusive.

It is also understood and agreed by and between the parties hereto that if any conflict should arise, this easement shall be inferior and subject to any easement heretofore or hereafter granted in the said lands for public highways.

RICHARD W. D. R. D.

IN THE NAME AND BY THE AUTHORITY OF THE STATE OF MONTANA

To all to whom these presents shall come

Know that the State of Montana in consideration of the sum of

Four hundred and no/100 Dollars

to and for the use of the said State of Montana

has granted unto the said

and unto his heirs and assigns forever

the right and full power

unto the said

and unto his heirs and assigns forever

the right and full power

unto the said

and unto his heirs and assigns forever

the right and full power

unto the said

and unto his heirs and assigns forever

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the right and full power

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and unto his heirs and assigns forever

the right and full power

It is further Provided that whenever said lands herein granted as a right of way shall cease to be used for such purpose, the same shall revert to the state upon notice to that effect being given to the said grantee named herein.

IN TESTIMONY WHEREOF, the State of Montana has caused these presents to be executed by the Governor, and to be attested by the Secretary of State, and countersigned by the Commissioner of State Lands and Investments, and the Great Seal of the State, and the Seal of the State Board of Land Commissioners to be hereunto affixed this 27th *day of* FEBRUARY *A. D. 19*42*.*

Sam C. Ford
Governor of the State of Montana

ATTEST:

Sam W. Mitchell
Secretary of State

Countersigned by

J. W. Walker
Commissioner of State Lands and Investments



0519-4

LAND BANKING PARCELS:

Preliminary Approval for Sale

**Land Board Agenda Item
May 20, 2019**

0519-4 Land Banking Parcels: Preliminary Approval for Sale

Location: Custer and Rosebud Counties

Trust Benefits: Common Schools

Trust Revenue: Appraisal to be completed after preliminary approval

Item Summary

The Department of Natural Resources and Conservation (DNRC) is requesting preliminary approval to sell seven parcels totaling approximately 4,480 acres nominated for sale in Custer and Rosebud Counties. The sales were nominated by the lessee and are located south and west of Miles City, Montana in Custer and Rosebud Counties.

Sale #	# of Acres	Legal	Nominator	Trust
126	640±	ALL T8N-R39E, Sec. 36, Rosebud County	Coffee Cattle Company	Common Schools
1049	640±	ALL, T4N-R48E, Sec. 16, Custer County	Coffee Cattle Company	Common Schools
1050	640±	SW4NE4, T4N-R47E, Sec. 36, Custer County	Coffee Cattle Company	Common Schools
1051	640±	ALL T2N-R44E, Sec. 16, Rosebud County	Coffee Cattle Company	Common Schools
1052	640±	ALL T2N-R46E, Sec. 16, Custer County	Coffee Cattle Company	Common Schools
1053	640±	ALL T2N-R45E, Sec. 36, Custer County	Coffee Cattle Company	Common Schools
1054	640±	ALL T1N-R45E, Sec. 16, Custer County	Coffee Cattle Company	Common Schools

The sale parcels have been used primarily for livestock grazing purposes.

Sale No. 126 is surrounded entirely by private land (Coffee Nefsy Limited Partnership) and is not legally accessible by the public.

Sale No. 1049 is surrounded entirely by private land (Farmland Reserve Inc. & Tongue River Ranch LLC) and is not legally accessible by the public.

Sale No. 1050 is surrounded entirely by private land (Coffee Nefsy Limited Partnership & Tongue River Ranch LLC) and is not legally accessible by the public.

Sale Nos. 1051 and 1052 are surrounded entirely by private land (Coffee-Nefsy Limited Partnership) and are not legally accessible by the public.

Sale No. 1053 is surrounded entirely by private land (Coffee-Nefsy Limited Partnership & Coffee Ranch LLC) and is not legally accessible by the public.

Sale No. 1054 is surrounded entirely by private land (Coffee Ranch LLC) and is not legally accessible by the public.

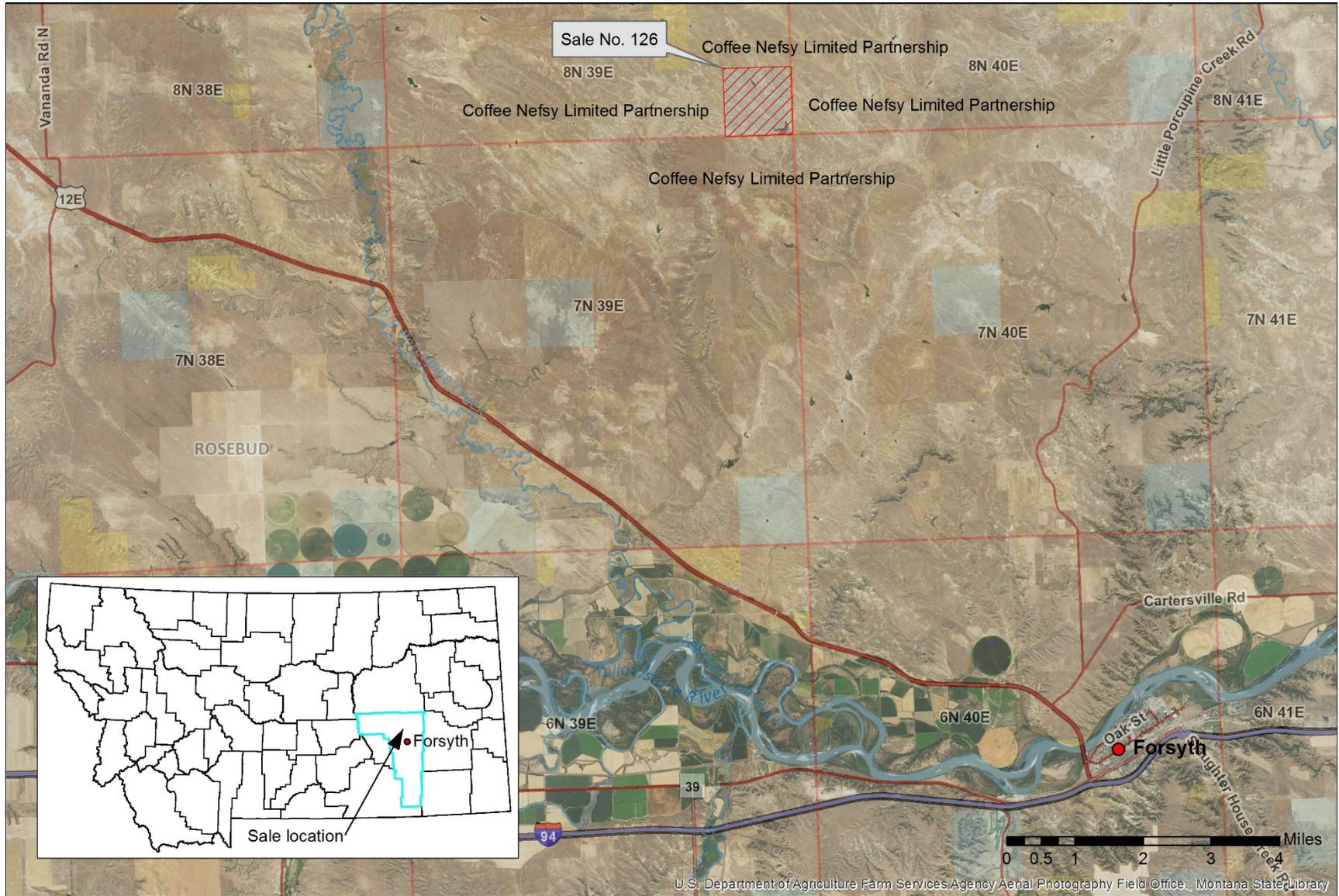
Together, these scattered parcels of state trust lands are surrounded entirely by private land and not legally accessible by the public. The sale of these seven parcels would not restrict or eliminate access to adjacent private land.

MEPA scoping has been completed, and no potentially negative issues related to the sale of these parcels have been identified.

With the Land Board's preliminary approval to sell these parcels, DNRC can continue the due diligence necessary to fully evaluate these parcels and process them for sale.

DNRC Recommendation

The director recommends the Land Board grant preliminary approval to sell these parcels.

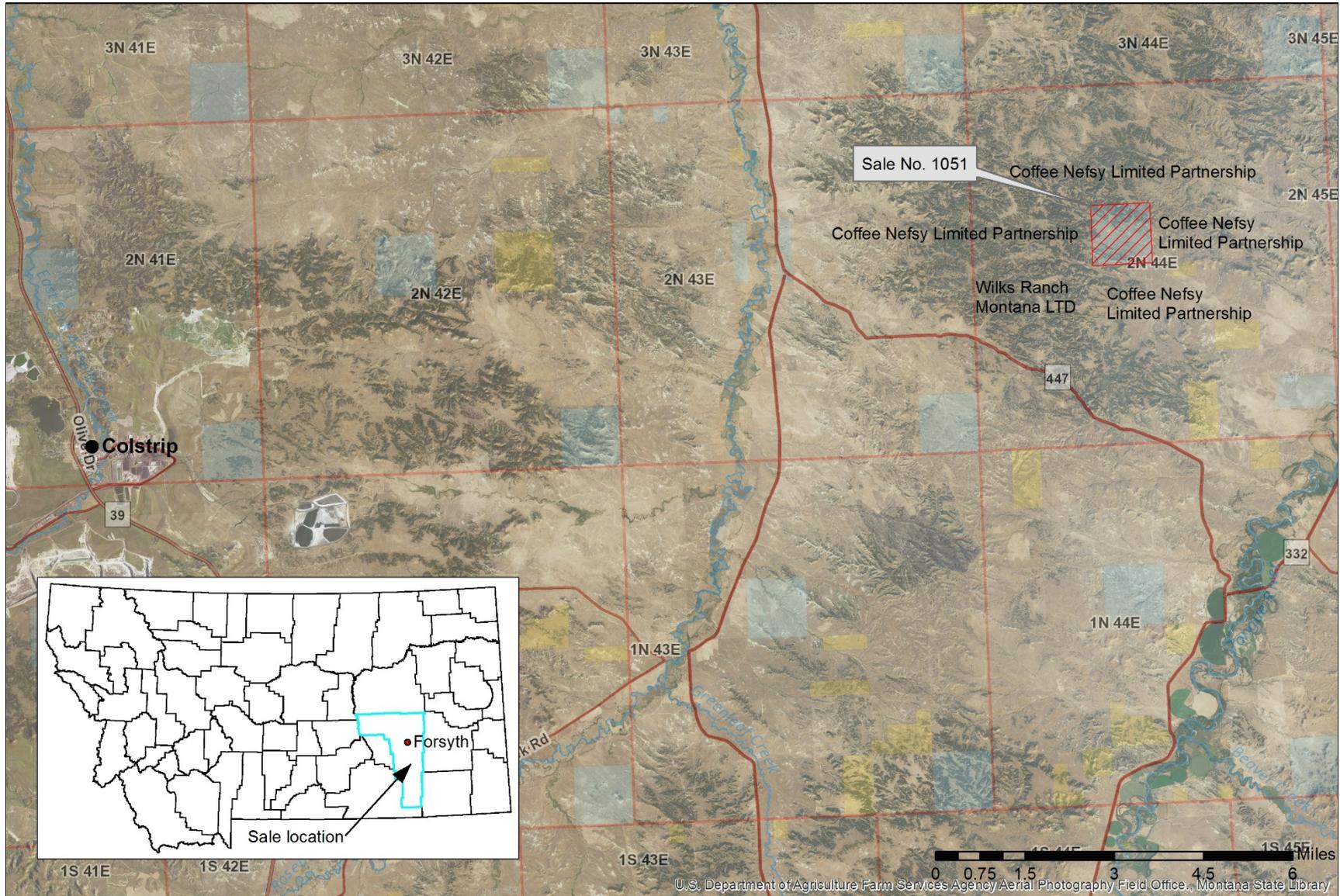


Location: Rosebud County
 Prepared on: 03 MAY 2019
 Prepared by: DNRC REMB Staff
 Projection: NAD 1983 - MT State Plane

Rosebud County Sale: Coffee Cattle Company
 Sale No. 1051 & 126, Common Schools

Land Sales
 Montana State Trust Land
 Bureau of Land Management



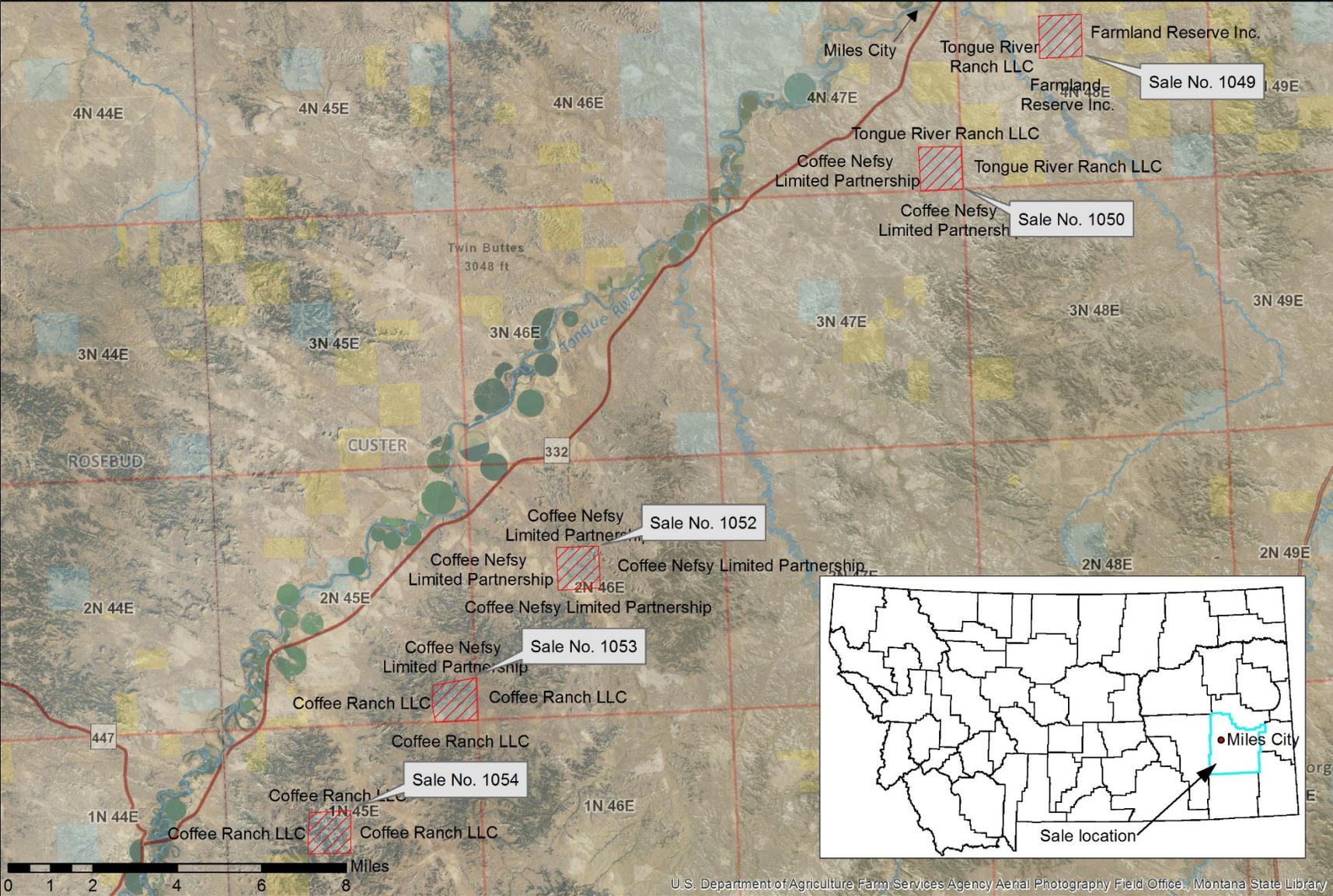


Location: Rosebud County
 Prepared on: 03 MAY 2019
 Prepared by: DNRC REMB Staff
 Projection: NAD 1983 - MT State Plane

Rosebud County Sale: Coffee Cattle Company
 Sale No. 1051 & 126, Common Schools

Land Sales
 Montana State Trust Land
 Bureau of Land Management





Location: Custer County
 Prepared on: 03 MAY 2019
 Prepared by: DNRC REMB Staff
 Projection: NAD 1983 - MT State Plane

Custer County Sales: Coffee Cattle Company
 Sale Nos. 1049, 1050, 1052, 1053 & 1054, Common Schools

Land Sales
 Montana State Trust Land
 Bureau of Land Management



0519-5

LAND BANKING PARCELS:

Final Approval for Sale

**Land Board Agenda Item
May 20, 2019**

0519-5 Land Banking Parcel: Final Approval for Sale

Location: Teton County

Trust Benefits: Common Schools, Public Buildings

Trust Revenue: \$130,000

Item Summary

The Department of Natural Resources and Conservation (DNRC) requests final approval on the sale of three parcels totaling approximately 200 acres nominated for sale in Teton County. The sales were nominated by the lessee and are located approximately 15 miles northwest of Choteau, Montana.

Sale #	# of Acres	Legal	Nominator	Trust
1044	80±	W2SE4, T25N-R6W, Sec. 2	Miller Colony, Inc.	Common Schools
1045	80±	W2NE4, T25N-R6W, Sec. 11	Miller Colony, Inc.	Common Schools
1046	40±	SW4NE4, T25N-R6W, Sec. 3	Miller Colony, Inc.	Public Buildings

The sale parcels have been used primarily for livestock grazing purposes. These sale parcels are small and isolated, generally not efficient to manage. Sale No. 1044 is used as a calving lot with lessee owned calving facilities.

Sale No. 1046 is surrounded entirely by private land and is not legally accessible by the public. Sale Nos. 1044 and 1045 are bordered to the southeast by other state trust lands leased by Miller Colony, Inc., for agricultural and grazing purposes. Together, this block of state trust lands is surrounded entirely by private land and not legally accessible by the public. The sale of these three parcels would not restrict or eliminate access to adjacent private land.

No potentially negative issues were identified through the MEPA process regarding the sale of these parcels.

Economic Analysis:

Short term – The average rate of return on the sale parcel 1044 is 1.30%, for sale parcel 1045 is 0.41% and sale parcel 1046 is 2.30%. These parcels would continue to receive this return if it remains 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 2.62% on acquisitions with income generated from annual lease payments.

Cultural/Paleontological Resources:

The state parcel proposed for sale was inventoried to Class III standards for cultural and paleontological resources. No cultural or paleontological resources were identified. A formal report of findings has been prepared and filed with the Montana State Historic Preservation Office per the requirements of the Montana State Antiquities Act.

Background:

In August 2018, the Board granted preliminary approval for these parcels to continue through the Land Banking sale evaluation process. These parcels were appraised by an independent Montana-certified General Real Estate Appraiser who provided an appraisal that conforms with the Uniform Standards of Professional Appraisal Practice and provided reasonable estimates of the current fair market value of the subject properties. In February 2019 the Board set the minimum bid at the appraised value with access as follows:

Appraised Value:

Sale #	Appraised Value with Access	Minimum Bid
1044	\$52,000	\$52,000
1045	\$52,000	\$52,000
1046	\$26,000	\$26,000

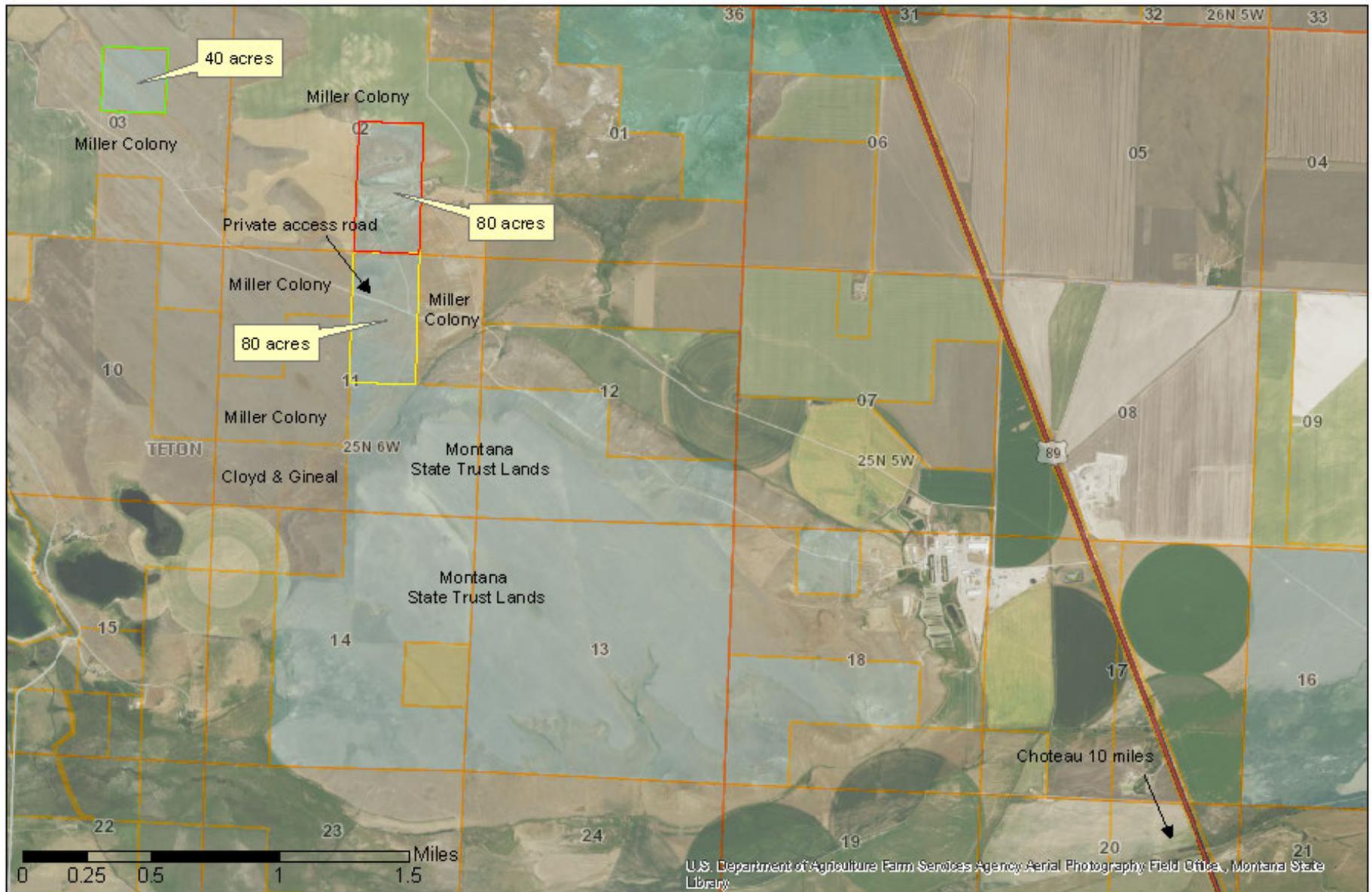
Sale Price:

The parcel was sold at a public auction on May 1, 2019. The Department received a bid deposit from one qualified bidder, who is the current lessee. The parcels sold for the minimum bid amount listed above.

DNRC Recommendation

The director recommends final approval of Land Banking Sales 1044, 1045, 1046. These sales will be closed within 30 days of final approval by the board.

Teton County Land Sales



Location: Section 2, 3, 11 T25 N, R6 W
 Prepared by: RMW
 Prepared on: 30 JUL 2018
 Projection: NAD 1983 - MT State Plane

- Land Sale #1044
- Land Sale #1045
- Land Sale #1046

- Parcel
- US Fish and Wildlife
- Montana State Trust Land



0519-6

DISCLAIMER OF INTEREST:

Ennis Public Park

**Land Board Agenda Item
May 20, 2019**

0519-6 Disclaimer of Interest – Ennis Public Park

Location: Madison County

Trust Benefits: N/A

Trust Revenue: N/A

Background

William and Katharine Ennis settled in the Madison valley in 1865, homesteading the area that eventually became the Town of Ennis. William passed away in 1898, Katharine in 1931. Katharine wished to create a park for the benefit of the public from the homestead lot, however, Ennis was not an incorporated town and had no form of local government to take ownership of and responsibility for such a park. In her Last Will and Testament, followed by a Decree of Distribution in 1946, the 0.1-acre public park was devised to the "State of Montana". The Will and Decree also stipulated that the Madison County Commissioners were trustees and had sole authority to control and manage the park. Further, the Decree stipulated that should the "Village of Ennis" be incorporated, the State may convey the park to the incorporated town or city by whatever legal means necessary. The Town of Ennis was incorporated in 1956.

Summary

The Department was unaware of the title situation relative to the park until receiving a request from the Town of Ennis to implement the terms of the Decree and transfer the Ennis Public Park to the Town. In order to do so the Department of Natural Resources and Conservation (DNRC) reviewed the Decree and title information, plus any historical information that was available to determine what ownership the State of Montana may have. Pursuant to §77-1-213, effective at the time of the Decree, the Board of Land Commissioners are authorized to accept, on behalf of the State, devises of land and are charged to control and manage such lands the same as other State Lands. A review of Land Board minutes from 1931 (date of Mrs. Ennis's death) through 1946 did not reveal any action by the Land Board to accept or take ownership of the donation of the park. Further, the Decree provided for management and control of the park to be held by another public entity, Madison County Commissioners. Because the park was neither accepted by the Land Board, nor did the Land Board have management or control authority, the legal conclusion drawn is that the park is not State Trust Land. In order to allow the Town of Ennis to claim ownership and control of the park, the Department concludes that a Disclaimer of Interest would be appropriate.

Director Recommendation

The director recommends approval of the Disclaimer of Interest for the Ennis Public Park.

DISCLAIMER OF INTEREST FROM THE STATE OF MONTANA

THE STATE OF MONTANA, acting through the State Board of Land Commissioners, whose address is P.O Box 201601, Helena MT 59620-1601, does hereby disclaim all interest in and to the following-described real property:

That certain parcel of land being a part of Lot 12 and Lot 13, Block 1, Original Townsite of Ennis as shown and described on Certificate of Survey No. _____, located in Section 4, Township 6 South, Range 1 West, Madison County, Montana, as follows: Commencing at the southwest corner of said Lot 12, Block 1; thence along the south line of said lot S88°52'30"E a distance of 11.00 feet to the Southwest corner of the said Ennis Public Park Tract and the Point of Beginning; thence N01°05'11"E a distance of 65.67 feet to the northwest corner of the said Ennis Public Park Tract; thence S89°26'26"E a distance of 65.91 feet to the northeast corner of the said Ennis Public Park Tract; thence S00°32'31"W a distance of 66.33 feet to the southeast corner of the said Ennis Public Park Tract; thence N88°52'30"W a distance of 66.54 feet to the True Point of Beginning. Said tract contains 0.10 acres, more or less.

IN TESTIMONY WHEREOF the State of Montana has caused these presents to be executed by the Governor and to be attested by the Secretary of State and countersigned by the Director of the Montana Department of Natural Resources and Conservation, and the Great Seal of the State, and the Seal of the State Board of Land Commissioners to be hereunto affixed this _____ day of _____, 2019.

(GREAT SEAL OF THE STATE OF MONTANA)

Governor of the State of Montana

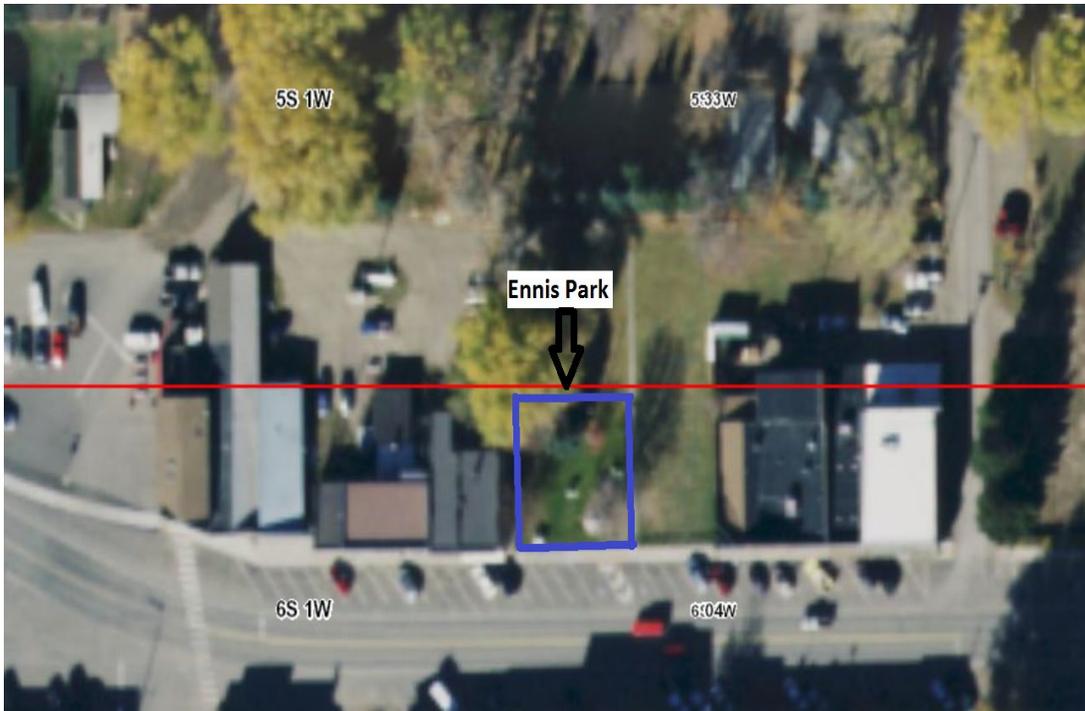
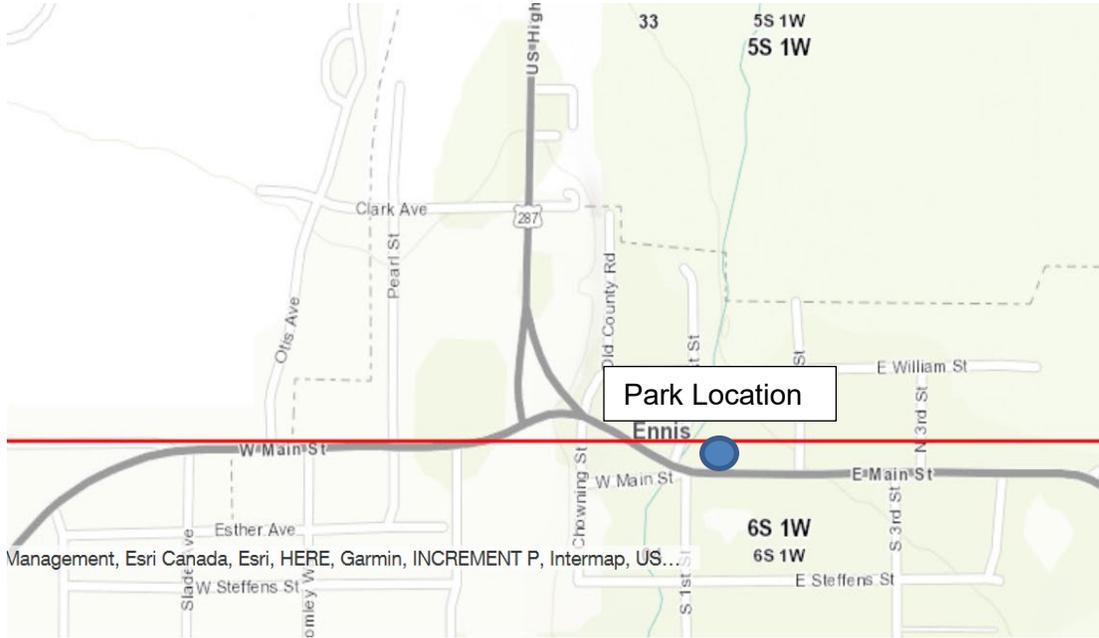
ATTEST:

Secretary of State

(SEAL OF THE STATE BOARD OF LAND COMMISSIONERS)

Director, Department of Natural Resources and Conservation

LOCATION MAP



0519-7

EASEMENTS:

**Land Board Agenda Item
May 20, 2019**

0519-7 Easements

Location: Broadwater, Chouteau, Gallatin, Jefferson, Judith Basin Madison, Park, Phillips, Prairie

Trust Benefits: Capitol Buildings, Common Schools, Public Land Trust – Nav. Rivers

**Trust Revenue: Capitol Buildings = \$2,100
Common Schools = \$45,639
Public Land Trust = \$7,304**

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Applicant	Right-of-Way Purpose	Term	Page(s)
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ABN Ranch Inc	Historic Private Access Road	Permanent	59-60
Triangle Telephone Coop. Inc	Buried Telecommunications Cable	Permanent	61-62
Mid-Rivers Telephone Coop	Buried Fiber Optic Cable	Permanent	63-73

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18375
 R/W Purpose: an overhead 12.47 kV electric distribution line
 Lessee Agreement: N/A (Historic)
 Acreage: 2.31
 Compensation: \$1,848.00
 Legal Description: 30-foot strips through the NW4SW4, S2SW4, Sec. 32, Twp. 2S,
 Rge. 1W, Madison County
 Trust Beneficiary: Capitol Buildings

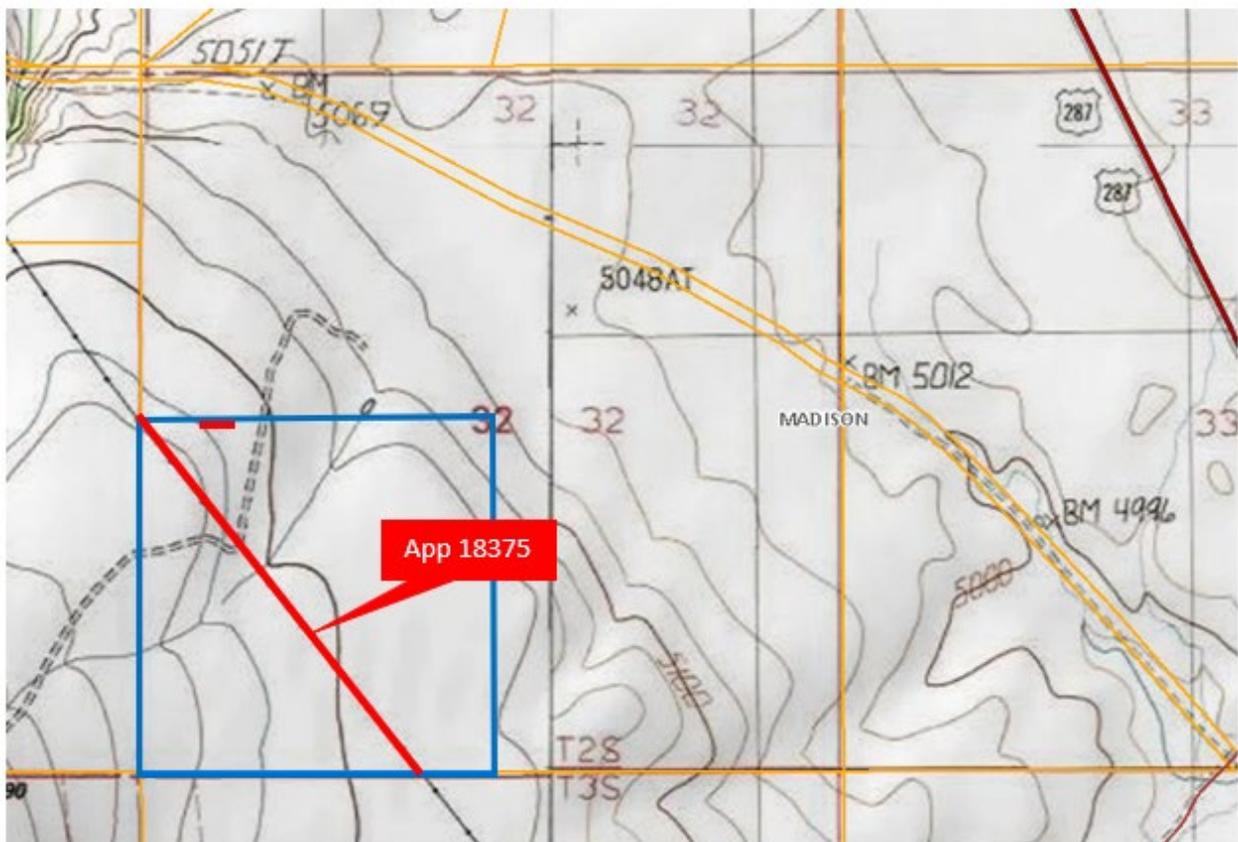
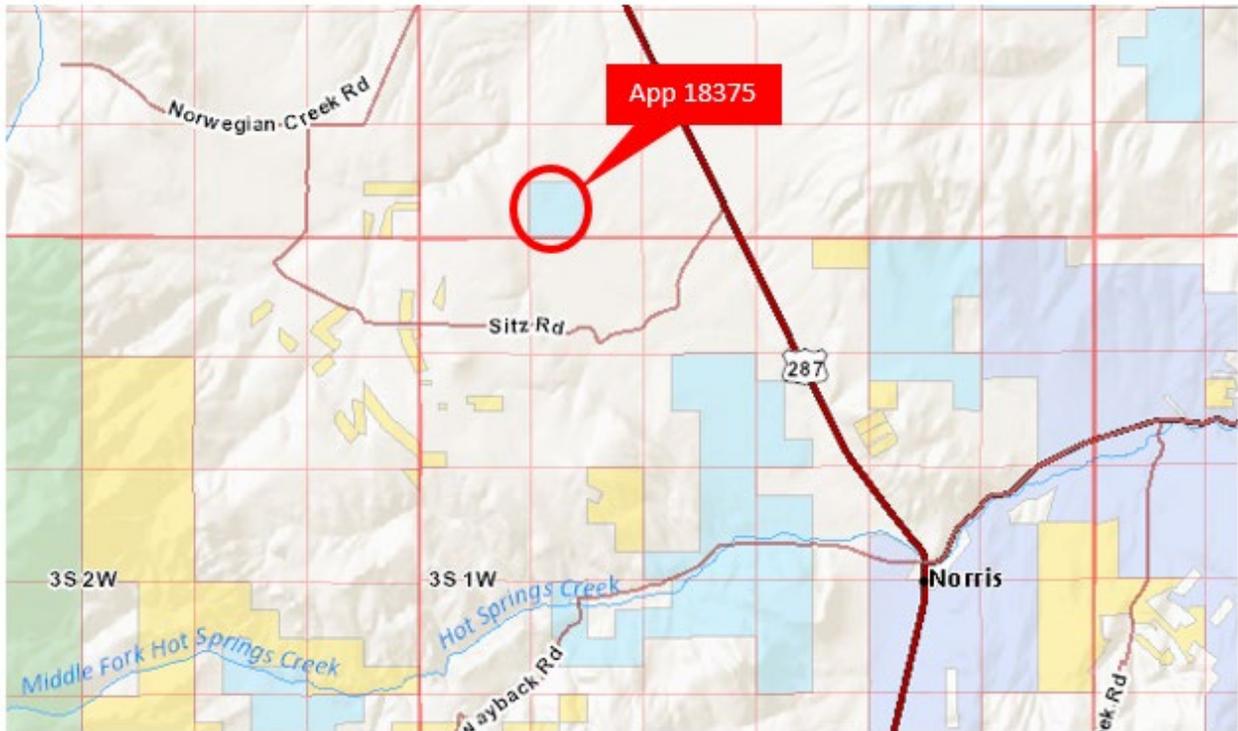
Item Summary

Northwestern Energy has made application for multiple overhead electric distribution and transmission lines and natural gas pipelines that were constructed on state lands many years ago without proper authorization from the Land Board. Pursuant to §77-1-130, MCA Northwestern Energy is requesting recognition of these overhead electric distribution and transmission lines as historic rights of ways.

DNRC Recommendation

The director recommends approval of these historic rights of way for Northwestern Energy

R/W Application 18375



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18376
R/W Purpose: a buried 12.47 kV electric distribution line
Lessee Agreement: N/A (Historic)
Acreage: 1.63
Compensation: \$1,304.00
Legal Description: 30-foot strip through the NE4NE4, S2NE4, Sec. 20, Twp. 2S,
Rge. 2W, Madison County
Trust Beneficiary: Common Schools

Item Summary

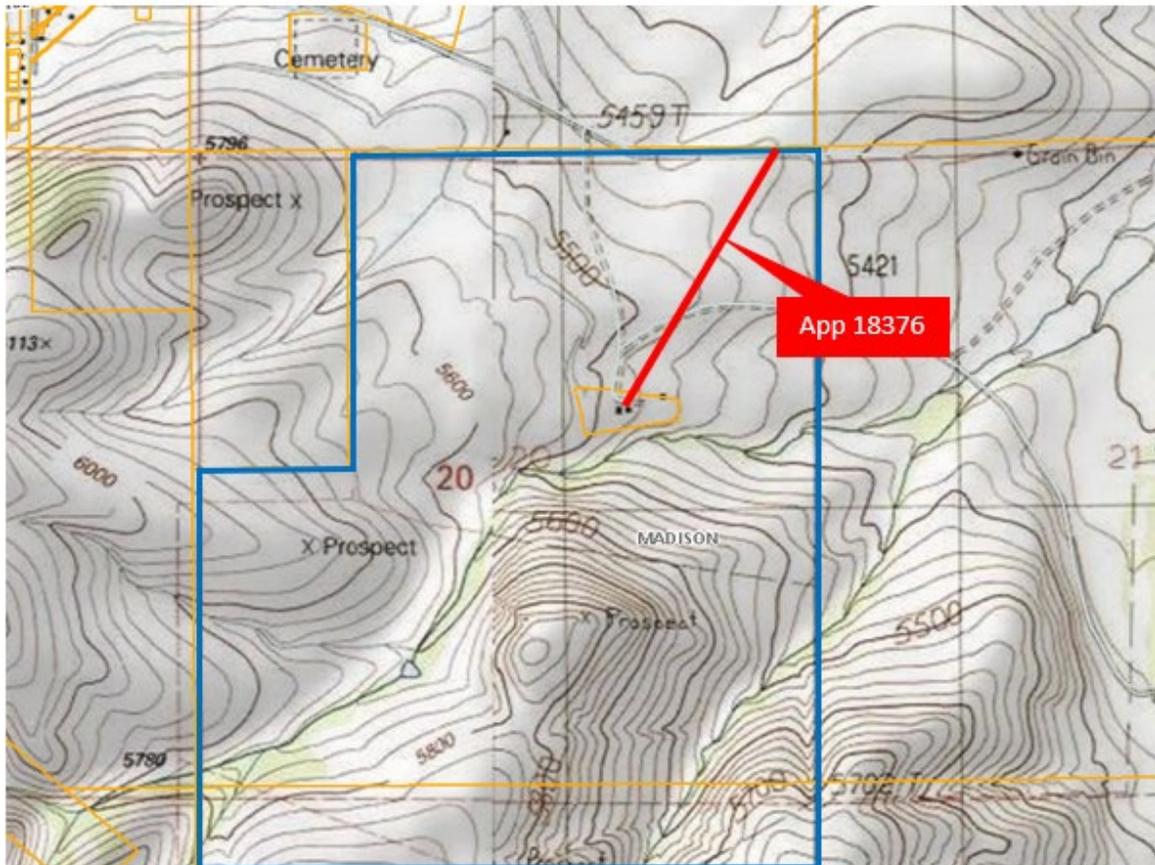
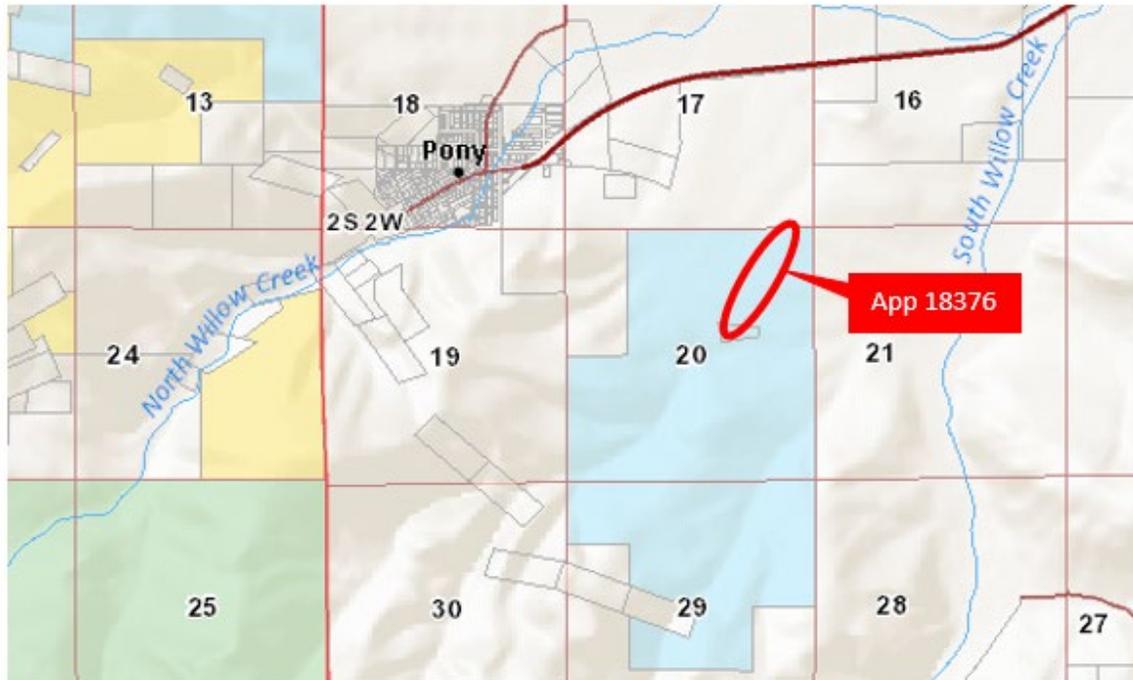
See page 1 for Summary

DNRC Recommendation

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R/W Application 18376



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18379
R/W Purpose: a buried 12.47 kV electric distribution line
Lessee Agreement: N/A (Historic)
Acreage: 2.15
Compensation: \$1,183.00
Legal Description: 30-foot strip through the SW4NW4, W2SW4, Sec. 16, Twp. 2N,
Rge. 1E, Broadwater County
Trust Beneficiary: Common Schools

Item Summary

See page 1 for Summary

DNRC Recommendation

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18380
R/W Purpose: an overhead 12.47 kV electric distribution line
Lessee Agreement: N/A (Historic)
Acreage: 0.02
Compensation: \$100.00
Legal Description: 10-foot strip across the Jefferson River in NW4NE4, Sec. 24,
Twp. 2N, Rge. 1E, Broadwater & Gallatin County
Trust Beneficiary: Public Land Trust - Nav. River

Item Summary

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DNRC Recommendation

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18381
 R/W Purpose: an overhead 12.47 kV electric distribution line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.04
 Compensation: \$100.00
 Legal Description: 10-foot strip across the Jefferson River in SW4NW4, Sec. 27,
 Twp. 2N, Rge. 1E, Gallatin County
 Trust Beneficiary: Public Land Trust - Nav. River

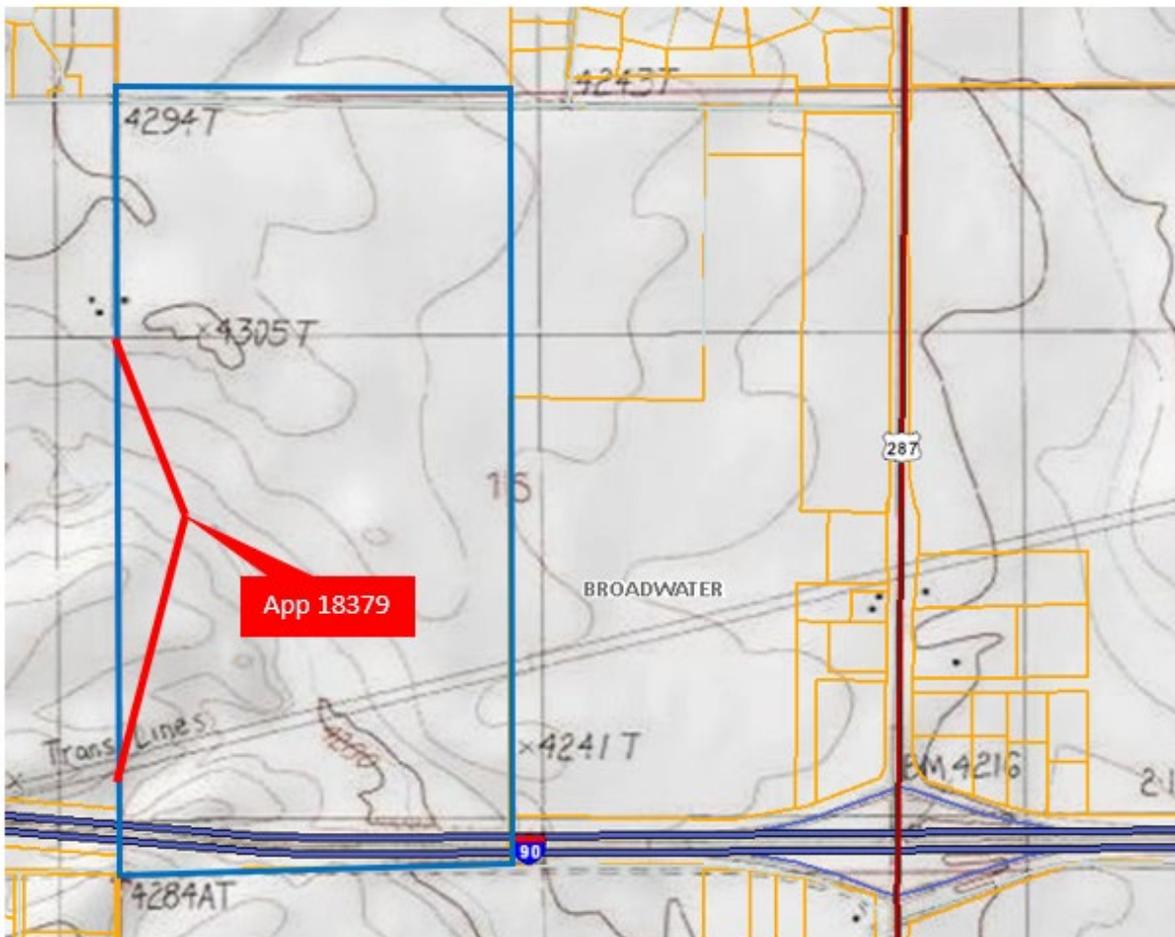
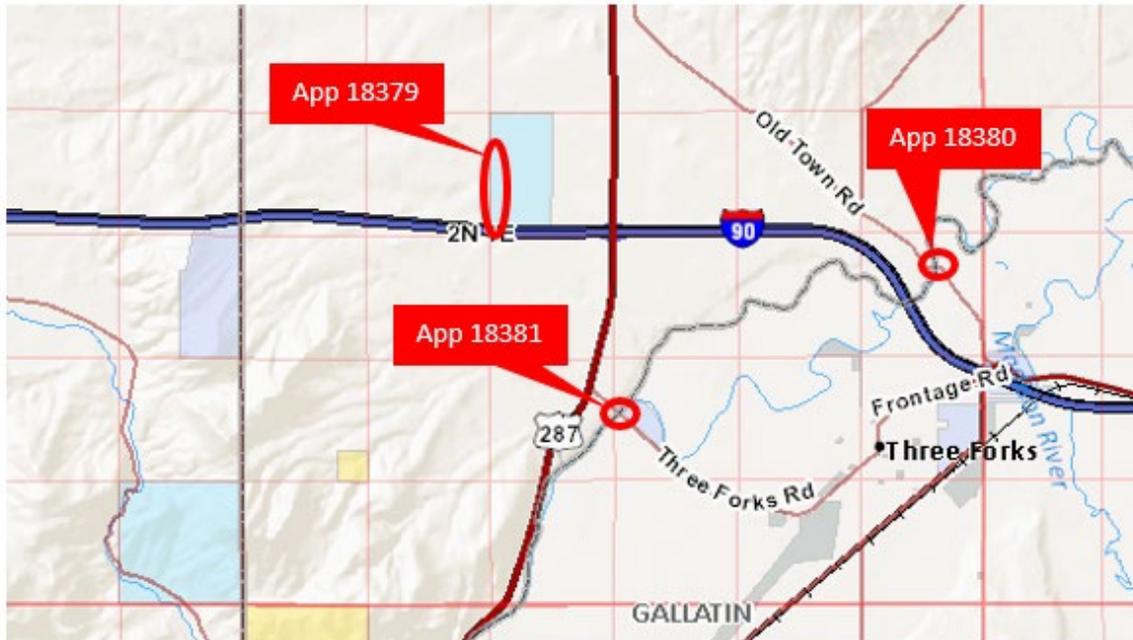
Item Summary

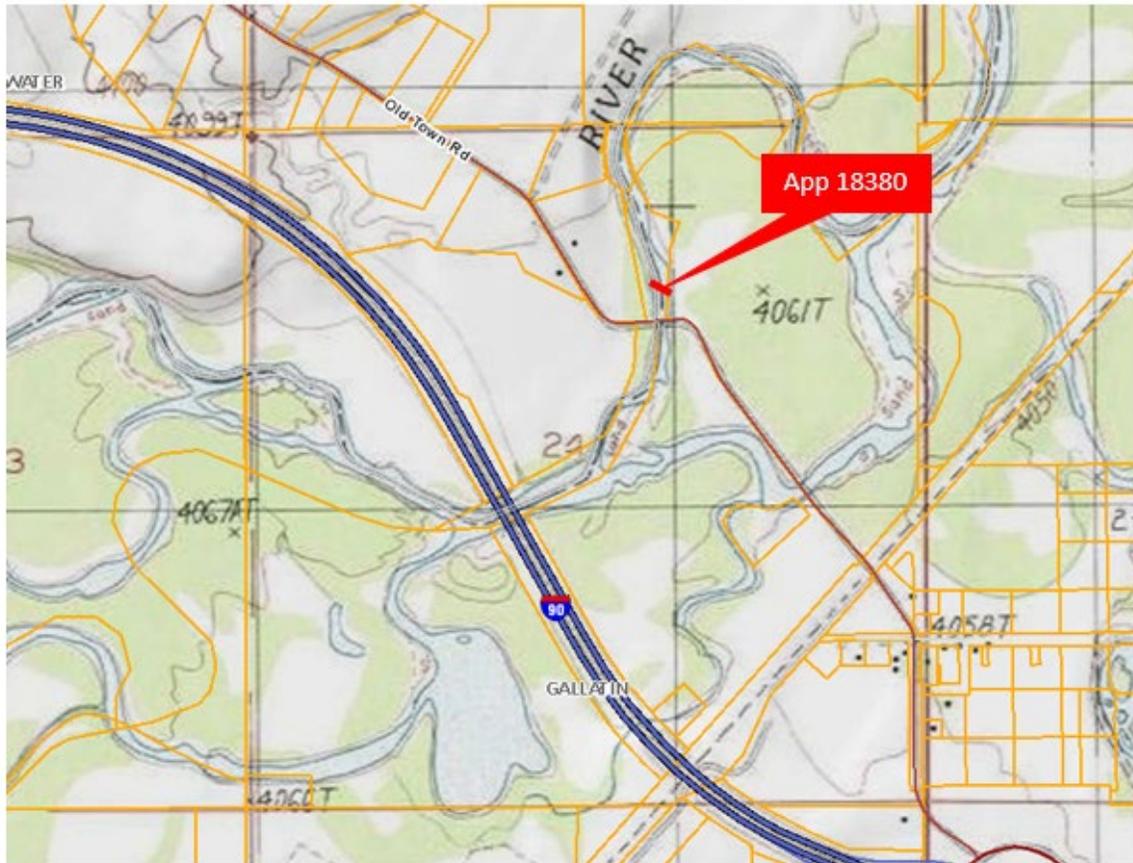
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DNRC Recommendation

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R/W Application 18379, 18380, & 18381





APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18384
 R/W Purpose: an overhead 161kV electric transmission line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.17
 Compensation: \$100.00
 Legal Description: 30-foot strip across the Missouri River in SE4SE4, Sec. 8,
 Twp. 2N, Rge. 2E, Broadwater & Gallatin Counties
 Trust Beneficiary: Public Land Trust - Nav. River

Item Summary

See page 1 for Summary

DNRC Recommendation

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18386
 R/W Purpose: an overhead 100kV electric transmission line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.33
 Compensation: \$231.00
 Legal Description: 30-foot strip across the Missouri River in NE4NW4, NW4NE4,
 Sec. 9, Twp. 2N, Rge. 2E, Broadwater & Gallatin Counties
 Trust Beneficiary: Public Land Trust - Nav. River

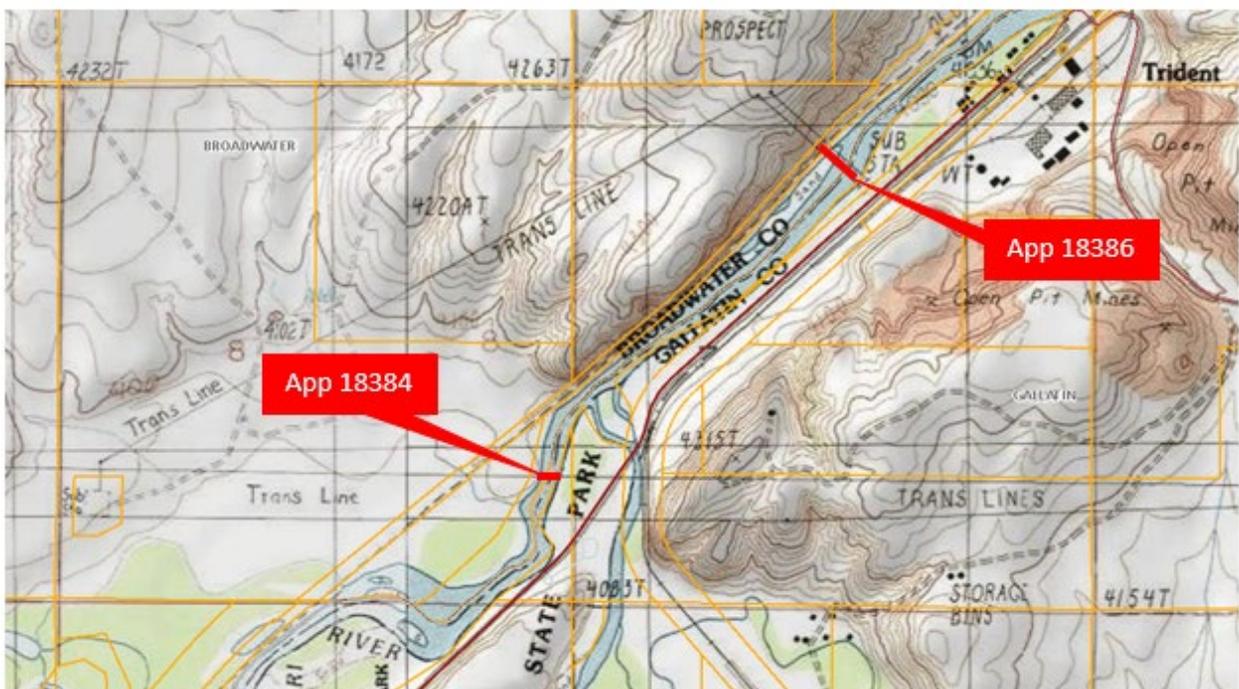
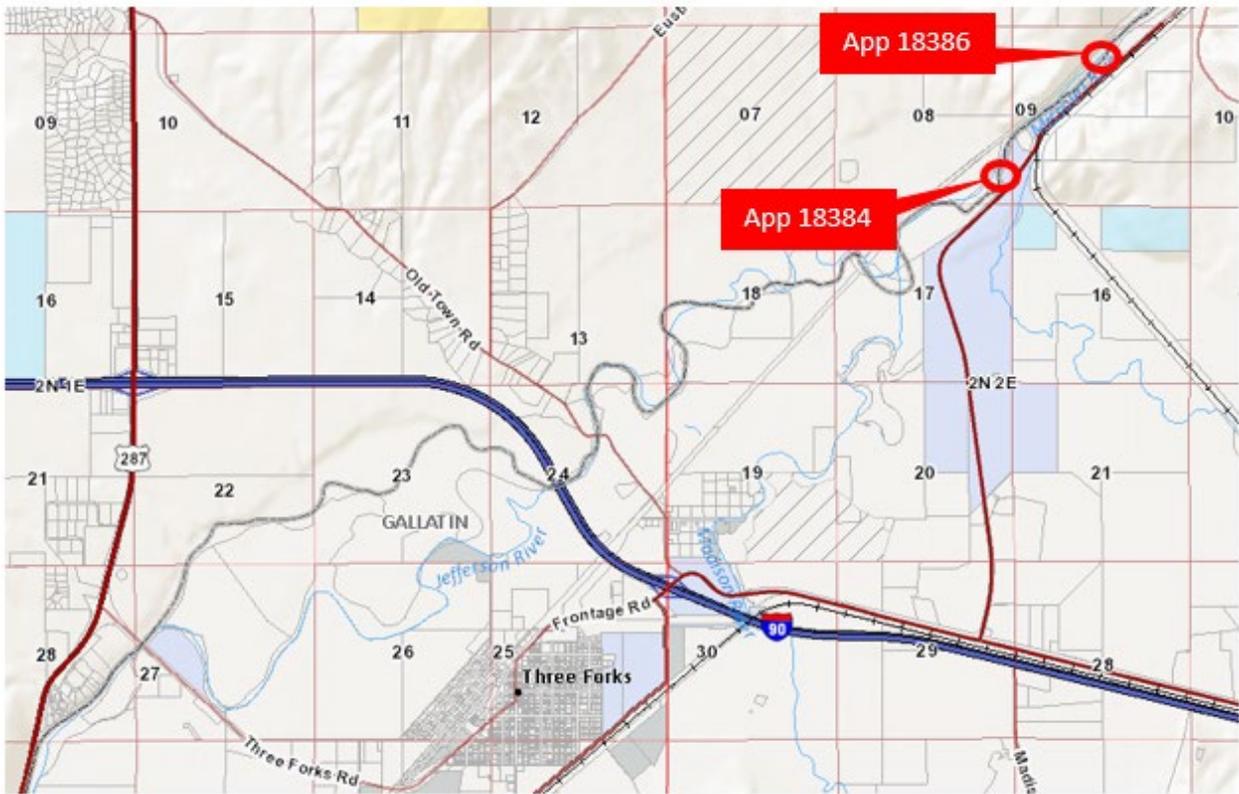
Item Summary

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DNRC Recommendation

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R/W Application 18384 & 18386



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18387
 R/W Purpose: an overhead 161kV electric transmission line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.28
 Compensation: \$154.00
 Legal Description: 80-foot strip through Gov. Lot 4, Sec. 5, Twp. 1N, Rge. 2W,
 Jefferson County
 Trust Beneficiary: Common Schools

Item Summary

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DNRC Recommendation

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18388
R/W Purpose: an overhead 161kV electric transmission line
Lessee Agreement: N/A (Historic)
Acreage: 1.12
Compensation: \$616.00
Legal Description: 80-foot strip through the Gov. Lot 2, Sec. 6, Twp. 1N, Rge. 2W,
Jefferson County
Trust Beneficiary: Common Schools

Item Summary

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DNRC Recommendation

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18389
R/W Purpose: an overhead 161kV electric transmission line
Lessee Agreement: N/A (Historic)
Acreage: 1.70
Compensation: \$935.00
Legal Description: 80-foot strip through the SW4SE4, Sec. 31, Twp. 2N, Rge. 2W,
Jefferson County
Trust Beneficiary: Common Schools

Item Summary

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18390
 R/W Purpose: an overhead 161kV electric transmission line
 Lessee Agreement: N/A (Historic)
 Acreage: 5.03
 Compensation: \$2,767.00
 Legal Description: 80-foot strip through the S2SW4, Sec. 32, Twp. 2N, Rge. 2W,
 Jefferson County
 Trust Beneficiary: Common Schools

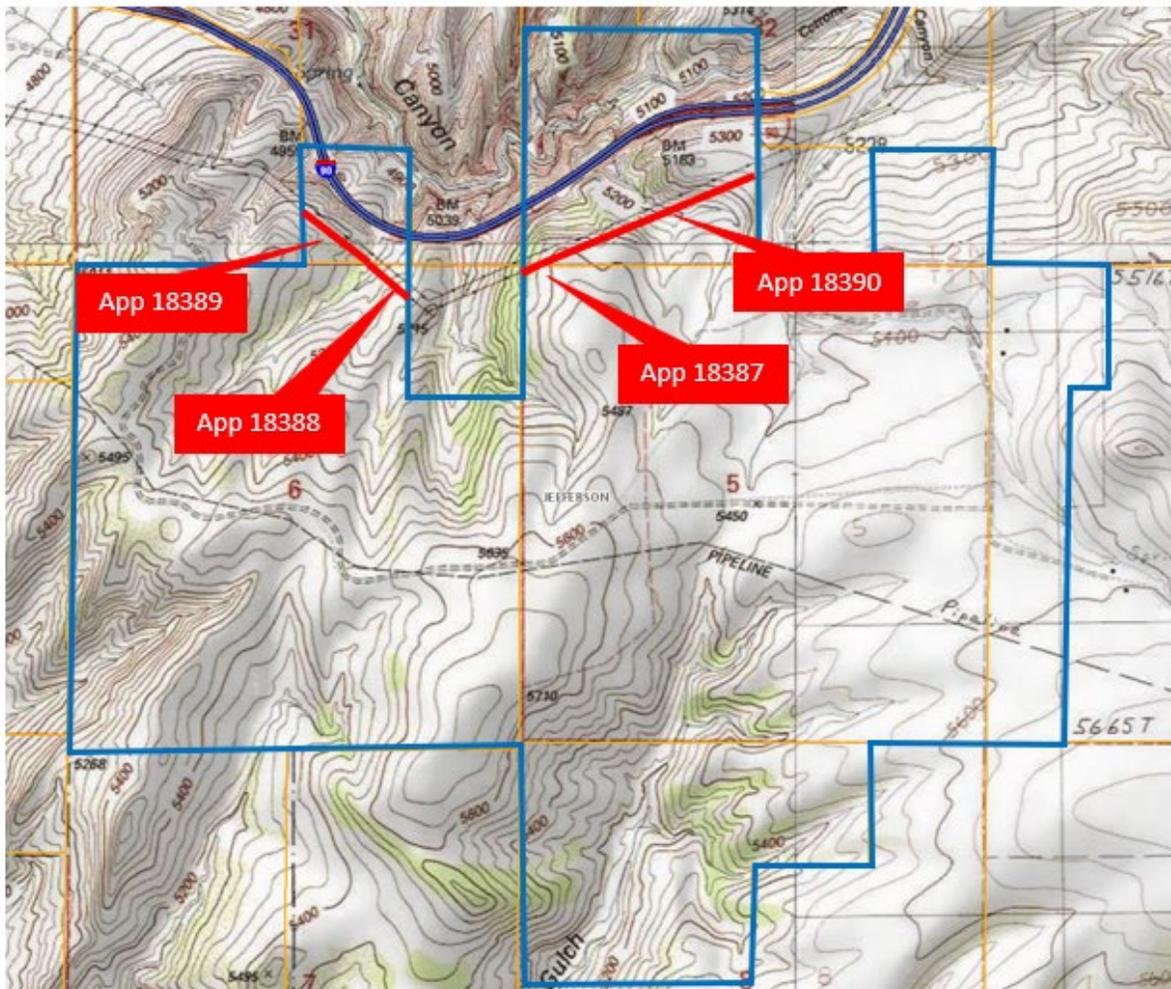
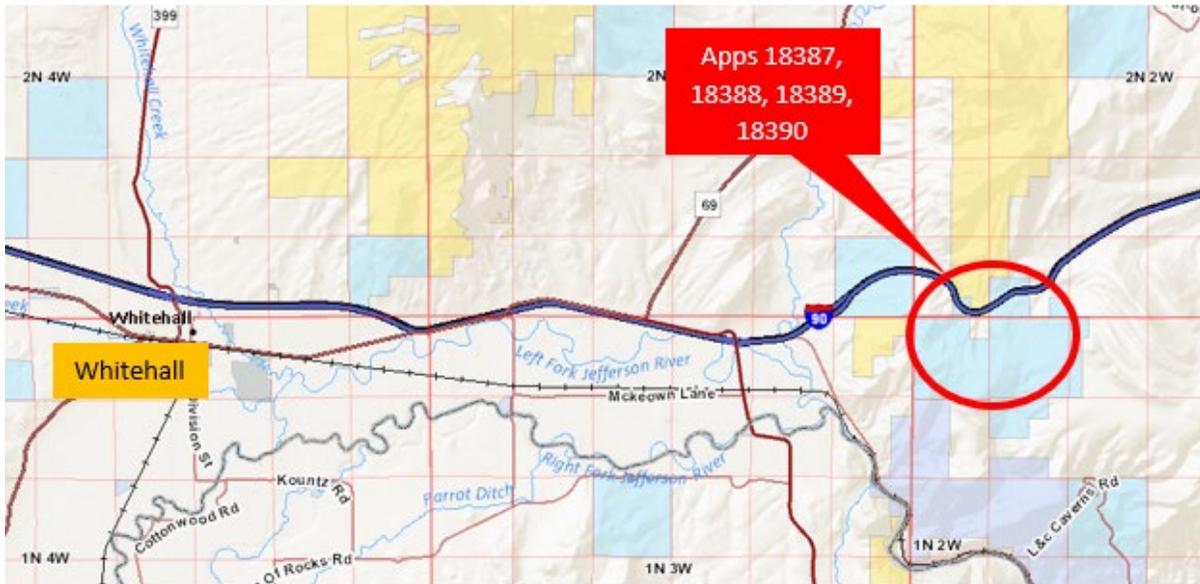
Item Summary

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DNRC Recommendation

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R/W Application 18387, 18388, 18389, & 18390



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18391
R/W Purpose: an overhead 100kV electric transmission line
Lessee Agreement: N/A (Historic)
Acreage: 0.65
Compensation: \$520.00
Legal Description: 60-foot strip through the NE4NW4, Sec. 20, Twp. 1S, Rge. 2W,
Madison County
Trust Beneficiary: Common Schools

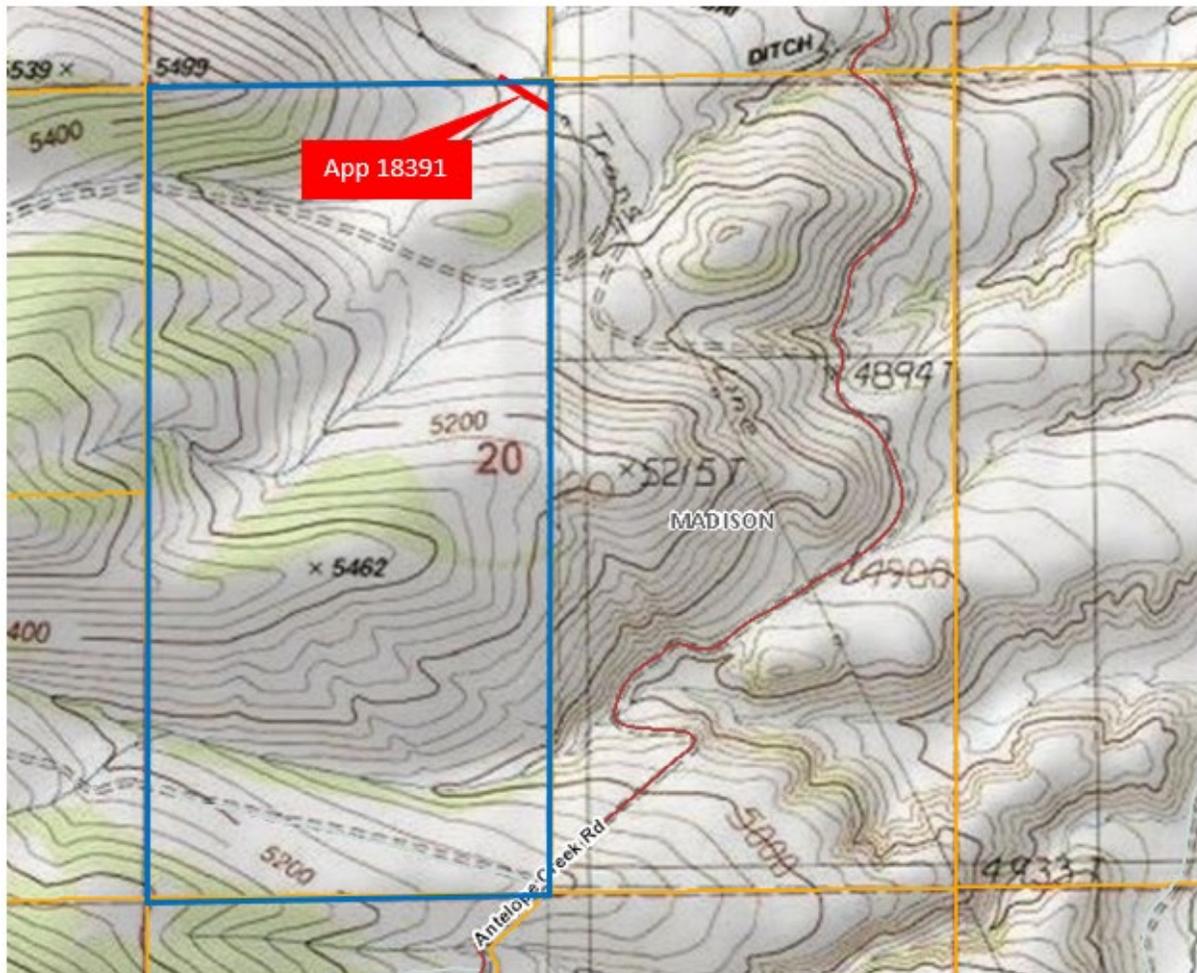
Item Summary

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DNRC Recommendation

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R/W Application 18391



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18392
 R/W Purpose: an overhead 100kV electric transmission line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.29
 Compensation: \$116.00
 Legal Description: 30-foot strip across the Jefferson River in SE4NE4, Sec. 10,
 Twp. 1N, Rge. 3W, Jefferson & Madison Counties
 Trust Beneficiary: Public Land Trust - Nav. River

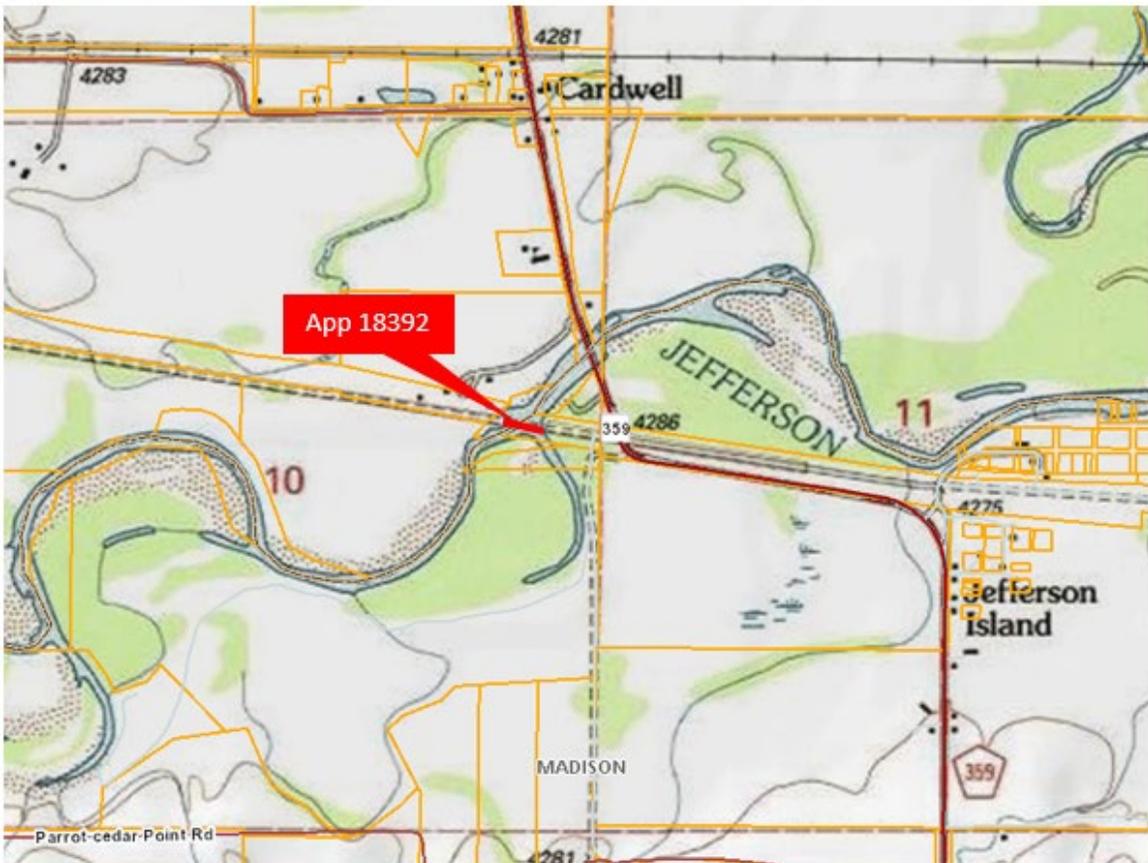
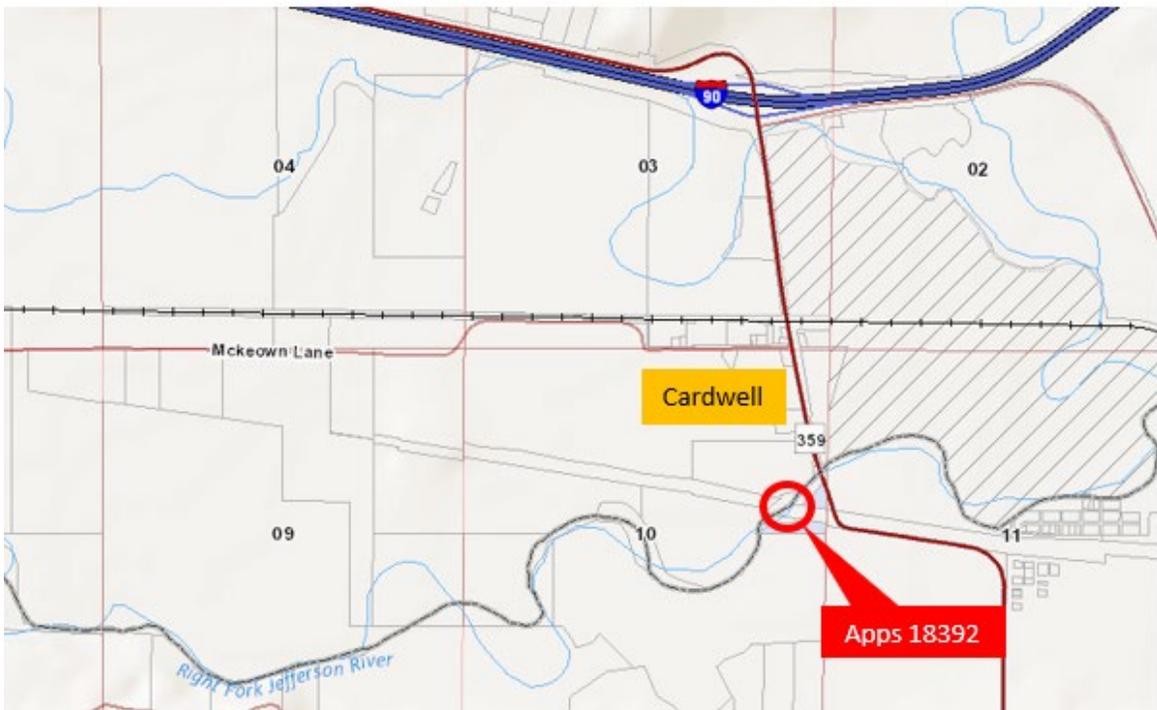
Item Summary

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DNRC Recommendation

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R/W Application 18392



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18393
 R/W Purpose: an overhead 230kV electric transmission line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.82
 Compensation: \$451.00
 Legal Description: 100-foot strip through the NW4NE4, Sec. 6, Twp. 1N, Rge. 2W,
 Jefferson County
 Trust Beneficiary: Common Schools

Item Summary

See page 1 for Summary

DNRC Recommendation

See page 1 for Recommendation

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18394
R/W Purpose: an overhead 230kV electric transmission line
Lessee Agreement: N/A (Historic)
Acreage: 2.71
Compensation: \$1,491.00
Legal Description: 100-foot strip through the SW4SE4, Sec. 31, Twp. 2N, Rge. 2W,
Jefferson County
Trust Beneficiary: Common Schools

Item Summary

See page 1 for Summary

DNRC Recommendation

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18395
R/W Purpose: an overhead 230kV electric transmission line
Lessee Agreement: N/A (Historic)
Acreage: 6.62
Compensation: \$3,641.00
Legal Description: 100-foot strip through the S2SW4, Sec. 32, Twp. 2N, Rge. 2W,
Jefferson County
Trust Beneficiary: Common Schools

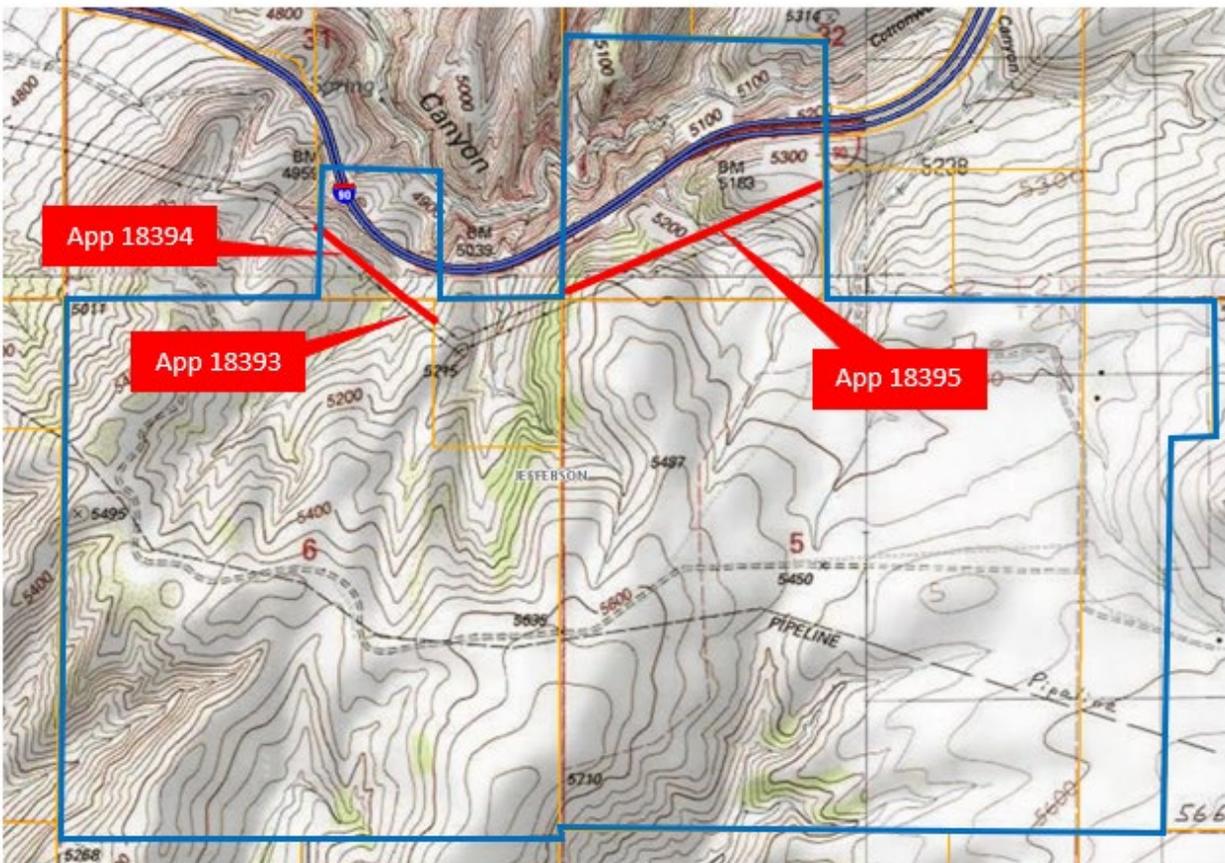
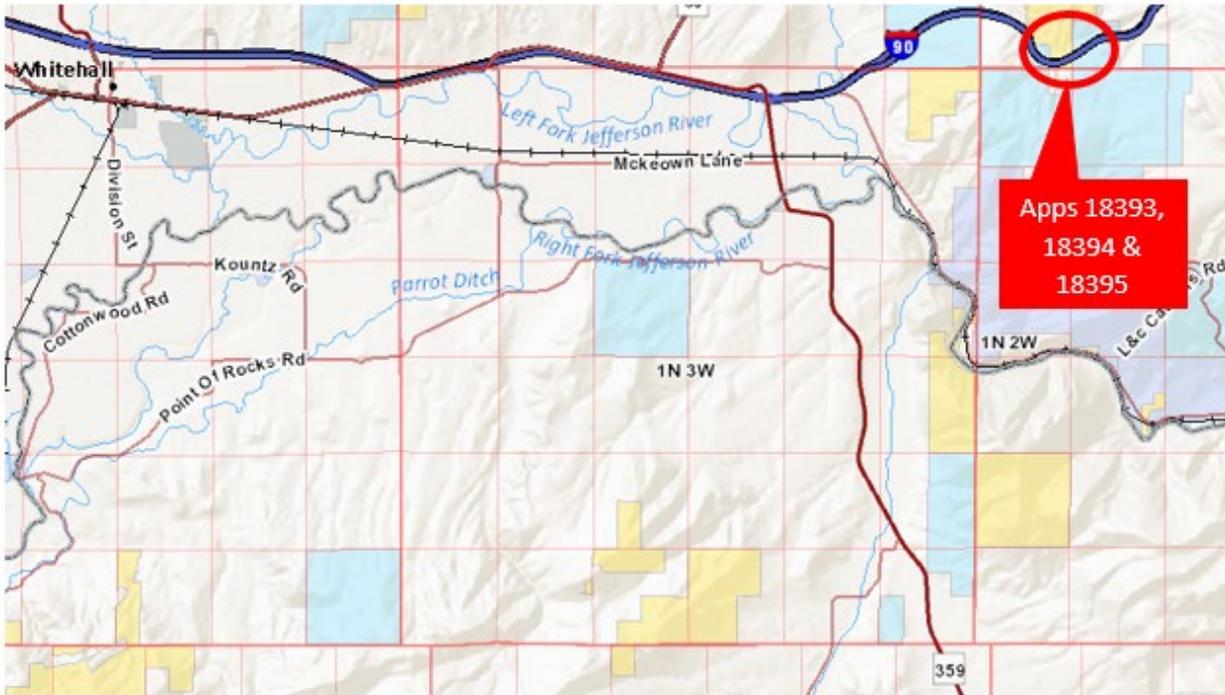
Item Summary

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DNRC Recommendation

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R/W Application 18393, 18394 & 18395



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18423
R/W Purpose: an overhead 12.47 kV electric distribution line
Lessee Agreement: N/A (Historic)
Acreage: 0.01
Compensation: \$397.00
Legal Description: 10-foot strip across the Gallatin River in NE4NW4, Sec. 27,
Twp. 8S, Rge. 4E, Gallatin County
Trust Beneficiary: Public Land Trust - Nav. River

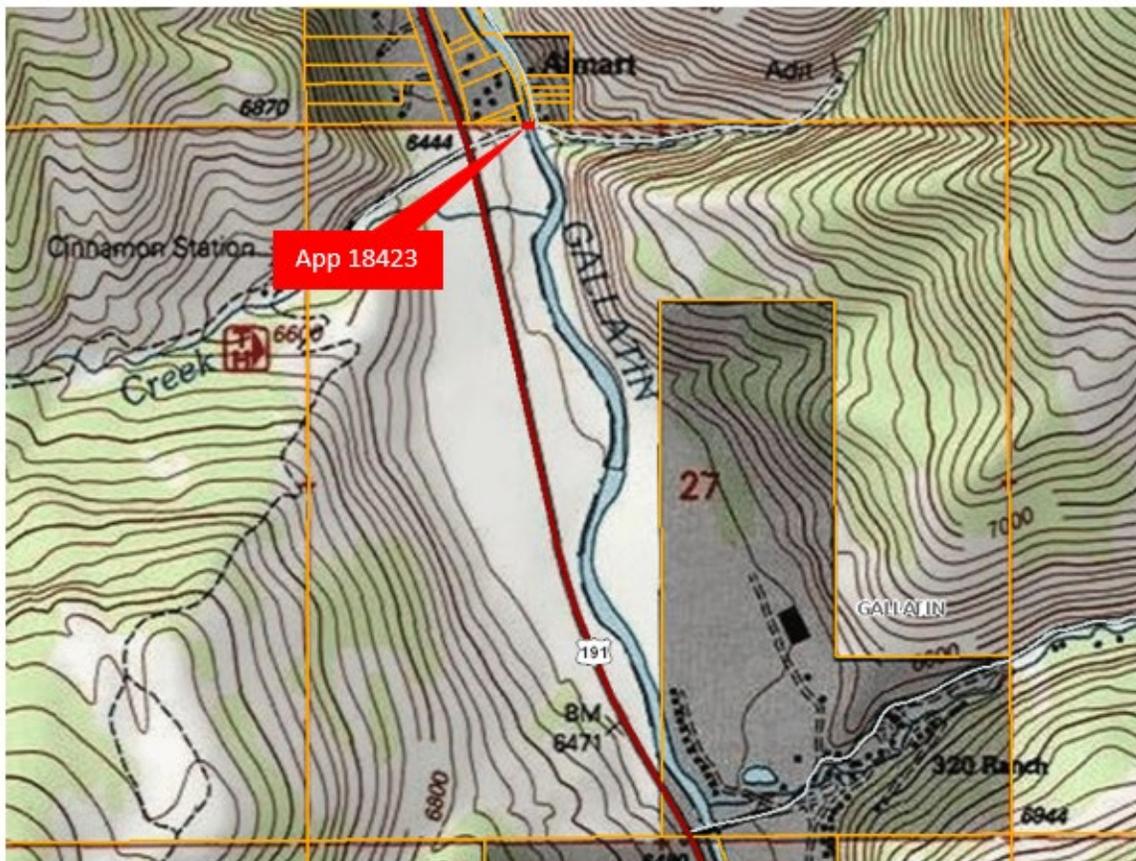
Item Summary

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DNRC Recommendation

See page 1 for Recommendation

R/W Application 18423



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18424
 R/W Purpose: an overhead 7.2kV electric distribution line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.07
 Compensation: \$100.00
 Legal Description: 10-foot strip across the Yellowstone River in NW4NW4, Sec. 6,
 Twp. 2S, Rge. 12E, Park County
 Trust Beneficiary: Public Land Trust - Nav. River

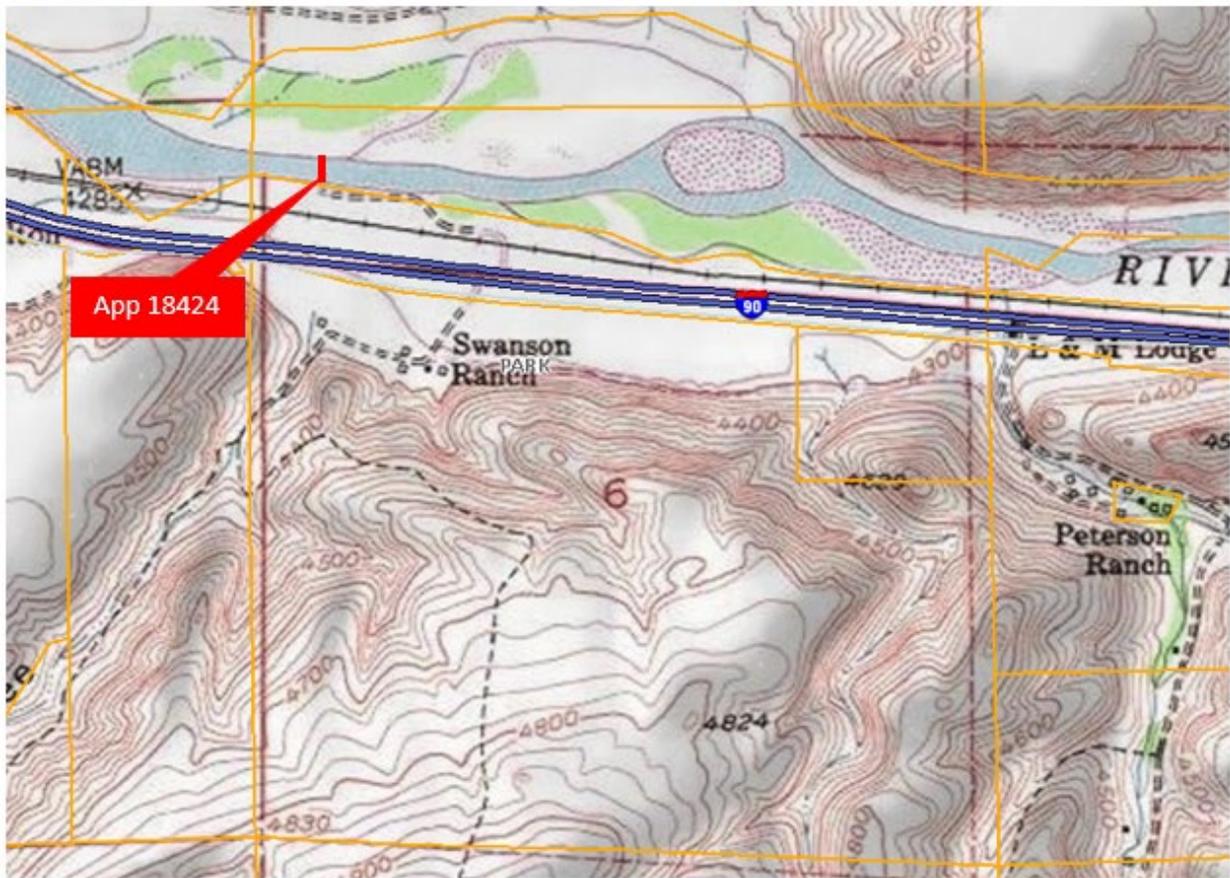
Item Summary

See page 1 for Summary

DNRC Recommendation

See page 1 for Recommendation

R/W Application 18424



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18425
 R/W Purpose: an overhead 12.47 kV electric distribution line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.09
 Compensation: \$100.00
 Legal Description: 10-foot strip across the Missouri River in NE4NW4, Sec. 27,
 Twp. 3N, Rge. 2E, Broadwater & Gallatin Counties
 Trust Beneficiary: Public Land Trust - Nav. River

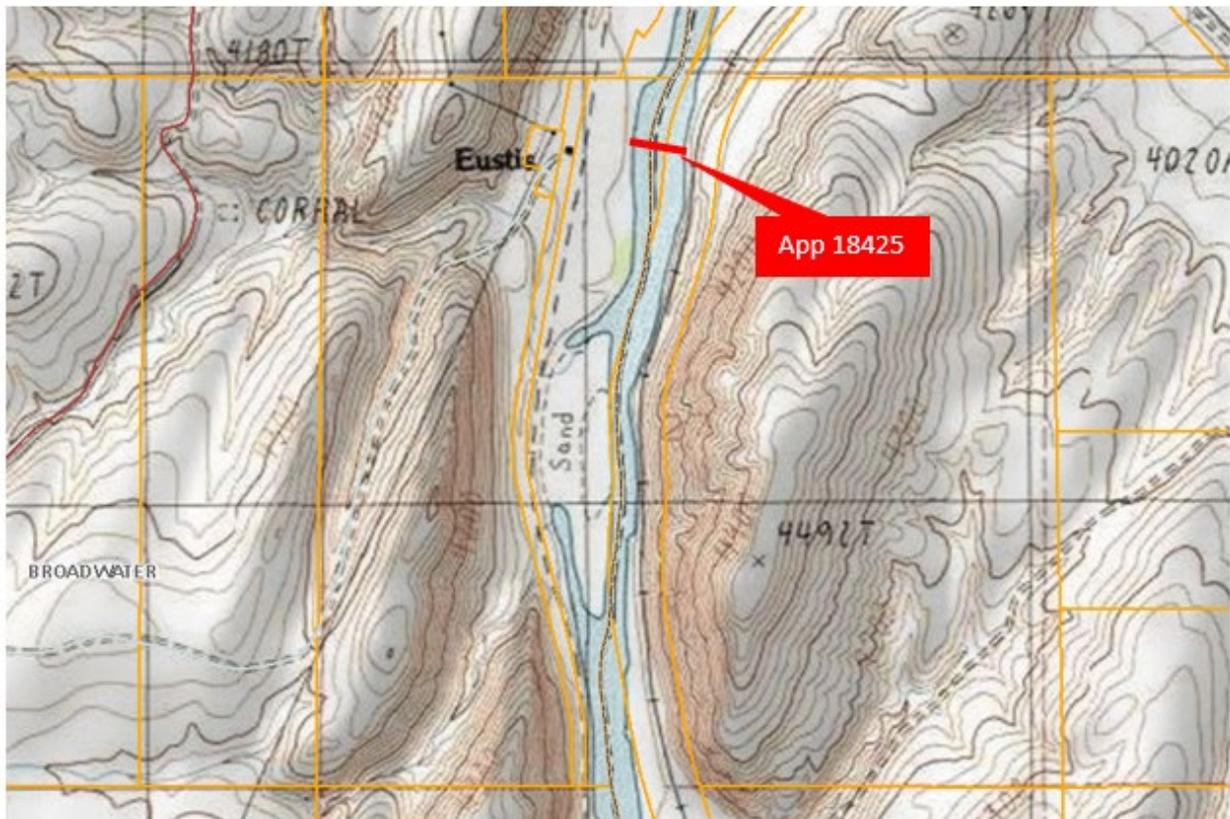
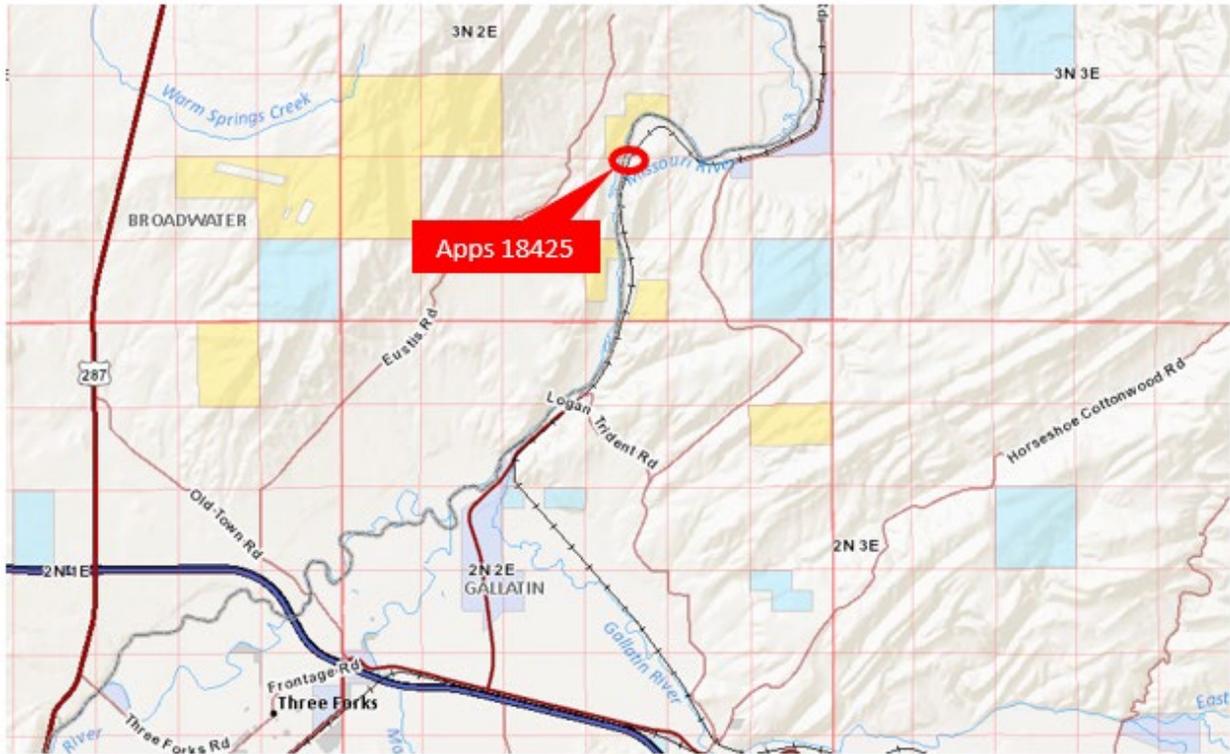
Item Summary

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DNRC Recommendation

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R/W Application 18425



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18426
 R/W Purpose: an overhead 12.47 kV electric distribution line
 Lessee Agreement: N/A (Historic)
 Acreage: 4.29
 Compensation: \$5,148.00
 Legal Description: 30-foot strip through E2NW4, SW4NE4, N2SE4, SE4SE4, Sec. 9,
 Twp. 3S, Rge. 1W, Madison County
 Trust Beneficiary: Common Schools

Item Summary

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18427
R/W Purpose: an overhead 12.47 kV electric distribution line
Lessee Agreement: N/A (Historic)
Acreage: 0.21
Compensation: \$252.00
Legal Description: 30-foot strip through the SW4SW4, Sec. 10, Twp. 3S, Rge. 1W,
Madison County
Trust Beneficiary: Capitol Buildings

Item Summary

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18428
R/W Purpose: an overhead 12.47 kV electric distribution line
Lessee Agreement: N/A (Historic)
Acreage: 1.56
Compensation: \$1,872.00
Legal Description: 30-foot strip through the S2NW4, NE4SW4, Sec. 15, Twp. 3S,
Rge. 1W, Madison County
Trust Beneficiary: Common Schools

Item Summary

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DNRC Recommendation

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18429
 R/W Purpose: an overhead 7.2kV electric distribution line
 Lessee Agreement: N/A (Historic)
 Acreage: 3.61
 Compensation: \$4,332.00
 Legal Description: 30-foot strips through the NW4, Sec. 20, Twp. 3S, Rge. 1W,
 Madison County
 Trust Beneficiary: Common Schools

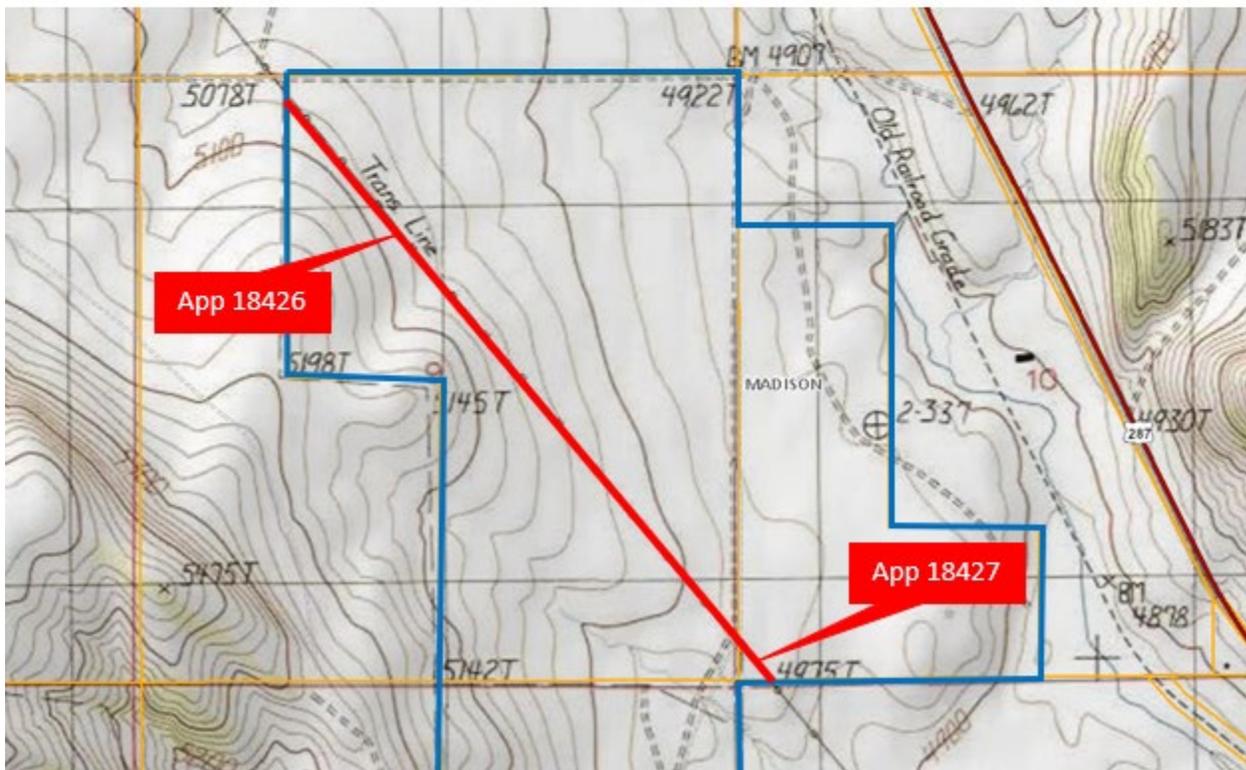
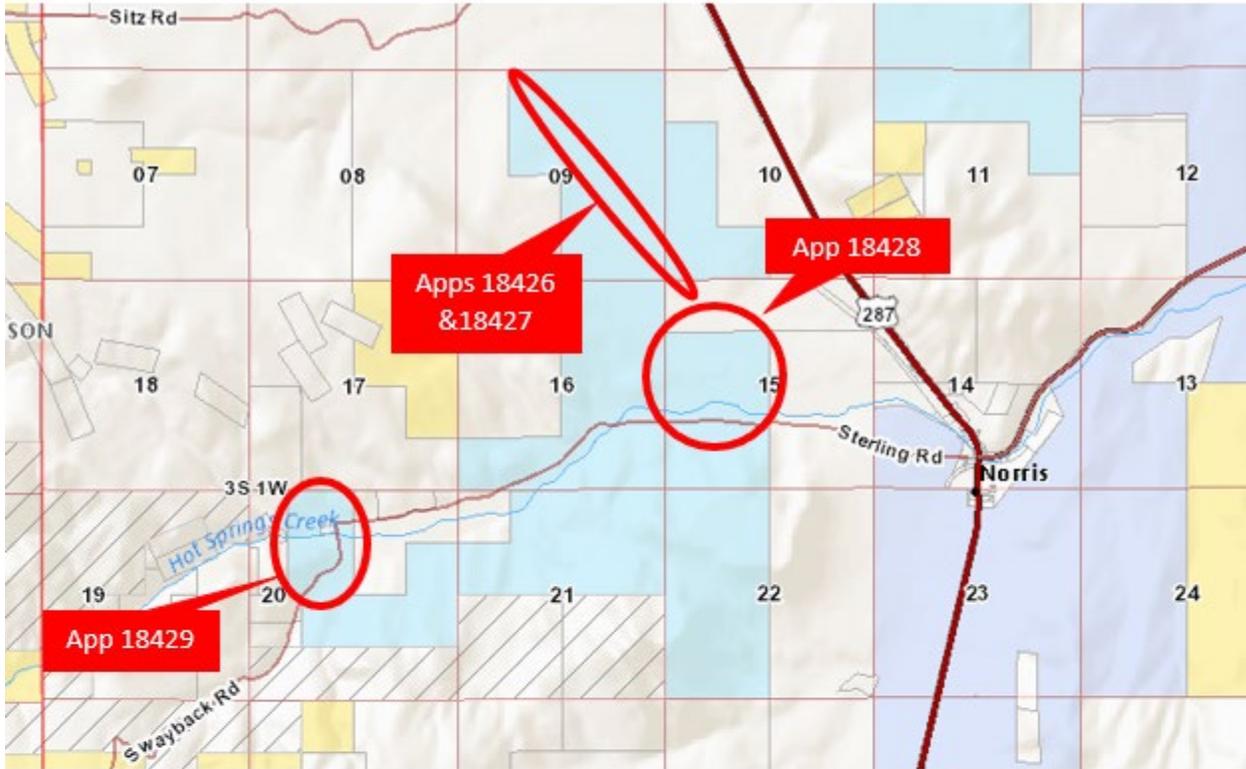
Item Summary

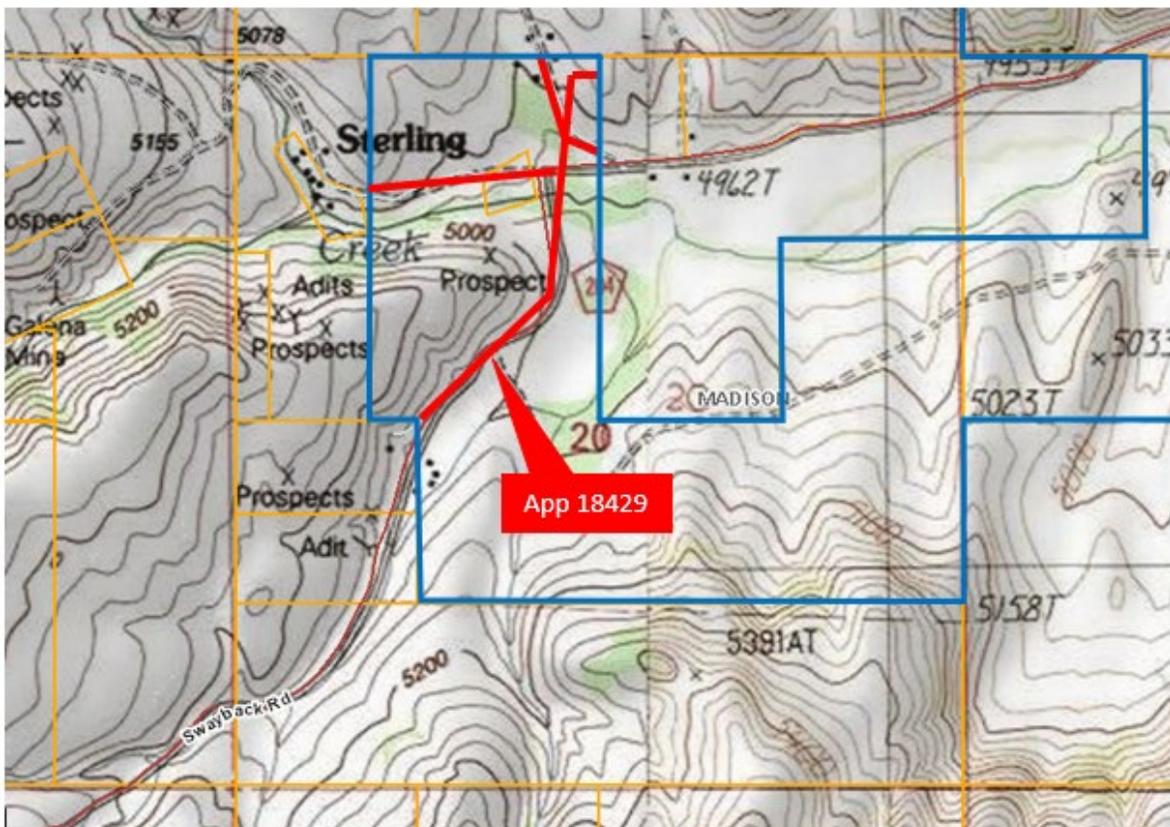
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R/W Application 18426, 18427, 18428 & 18429





APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18430
R/W Purpose: an overhead 12.47 kV electric distribution line
Lessee Agreement: N/A (Historic)
Acreage: 0.02
Compensation: \$161.00
Legal Description: 10-foot strip across the Gallatin River in NW4SE4, Sec. 10,
Twp. 3S, Rge. 4E, Gallatin County
Trust Beneficiary: Public Land Trust - Nav. River

Item Summary

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DNRC Recommendation

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18431
 R/W Purpose: an overhead 12.47 kV electric distribution line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.03
 Compensation: \$242.00
 Legal Description: 10-foot strip across the Gallatin River in NW4SW4, Sec. 11,
 Twp. 3S, Rge. 4E, Gallatin County
 Trust Beneficiary: Public Land Trust - Nav. River

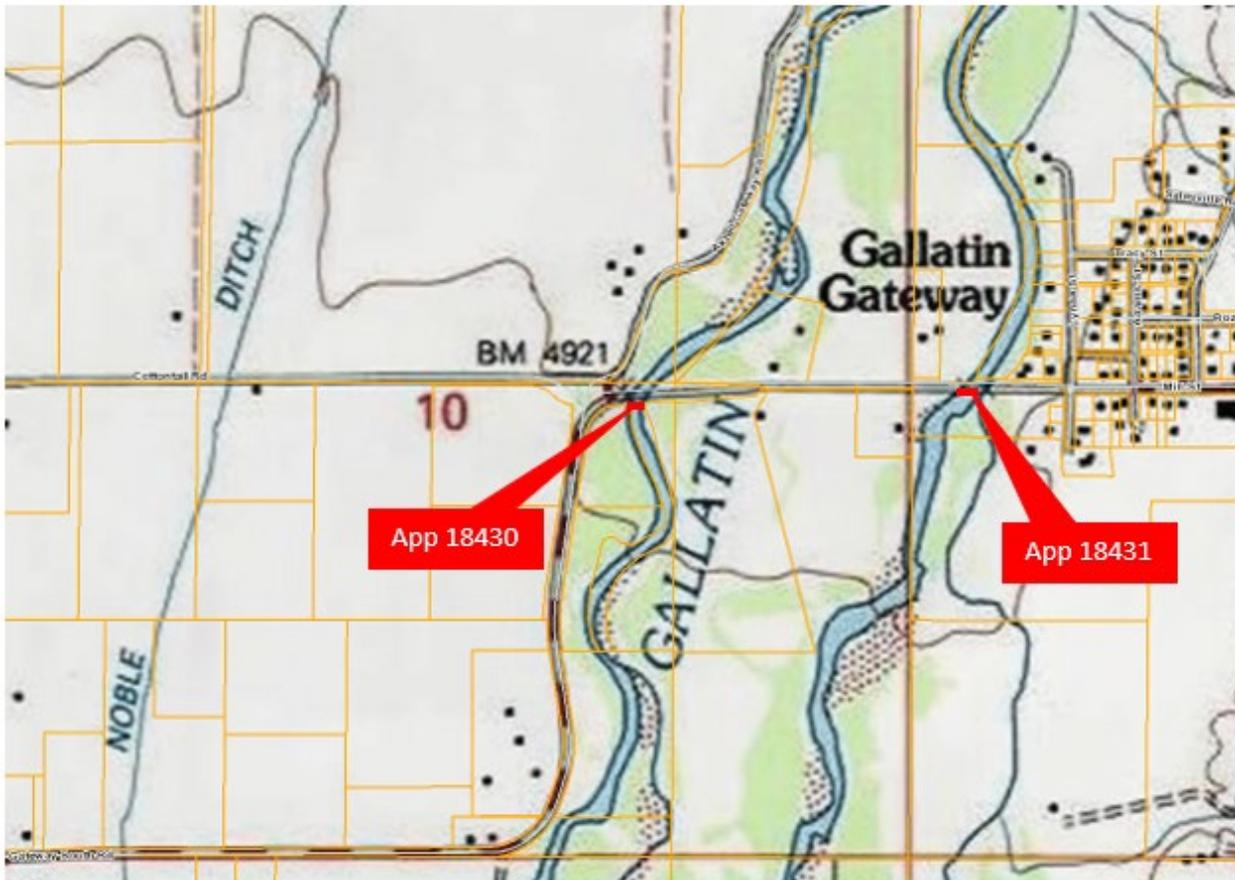
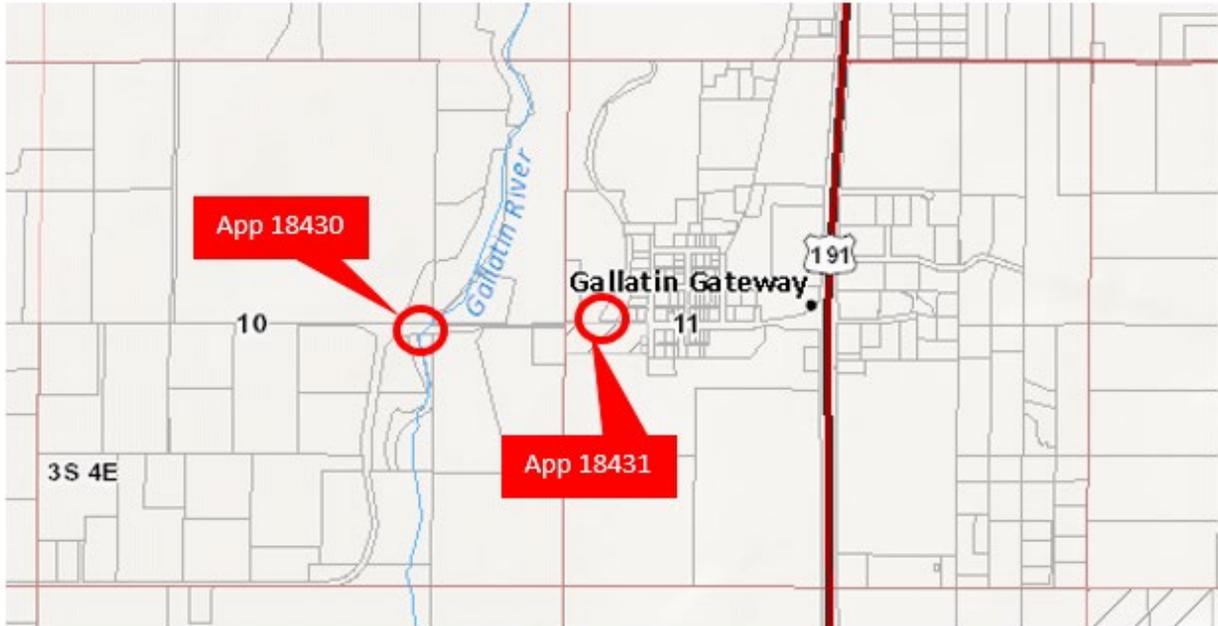
Item Summary

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R/W Application 18430



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18435
 R/W Purpose: an overhead 12.47 kV electric distribution line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.03
 Compensation: \$100.00
 Legal Description: 10-foot strip across the Gallatin River in SW4SE4, Sec. 28,
 Twp. 3S, Rge. 4E, Gallatin County
 Trust Beneficiary: Public Land Trust - Nav. River

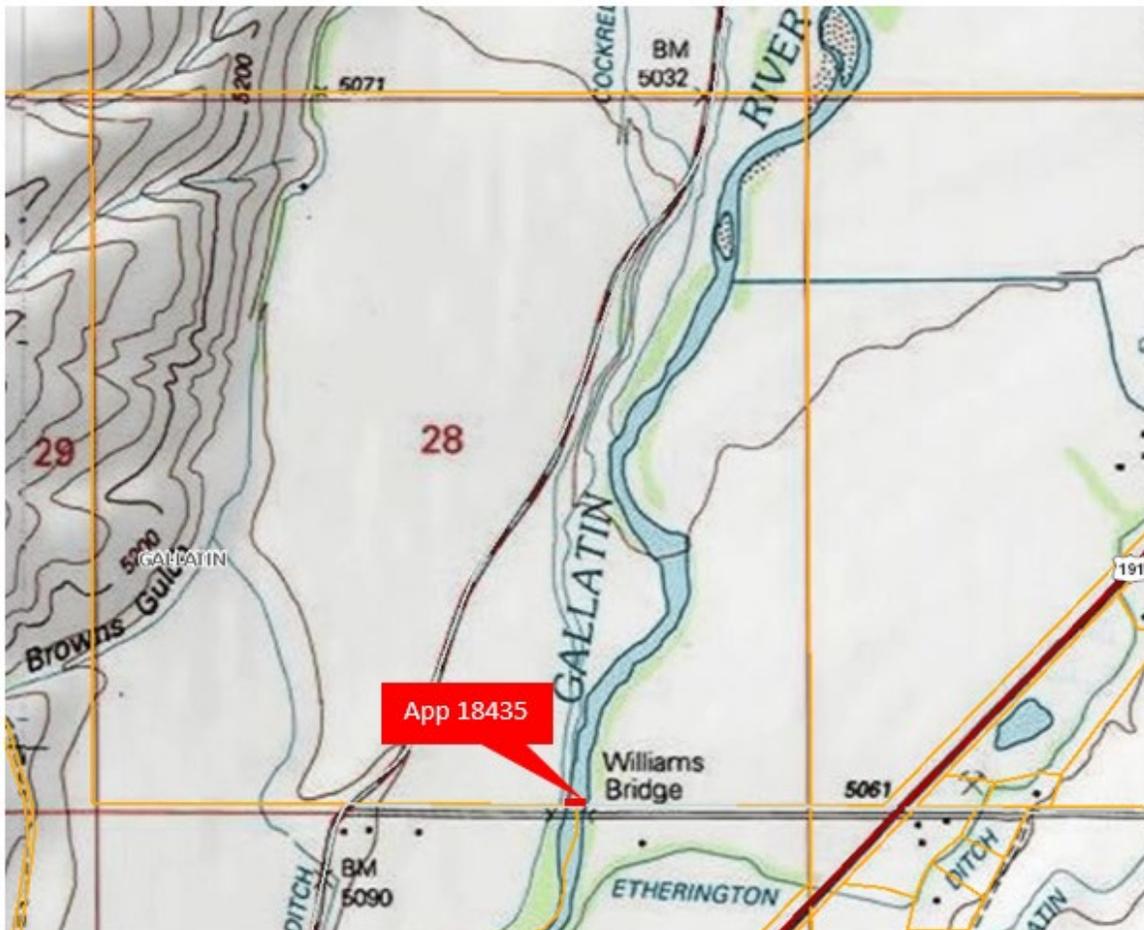
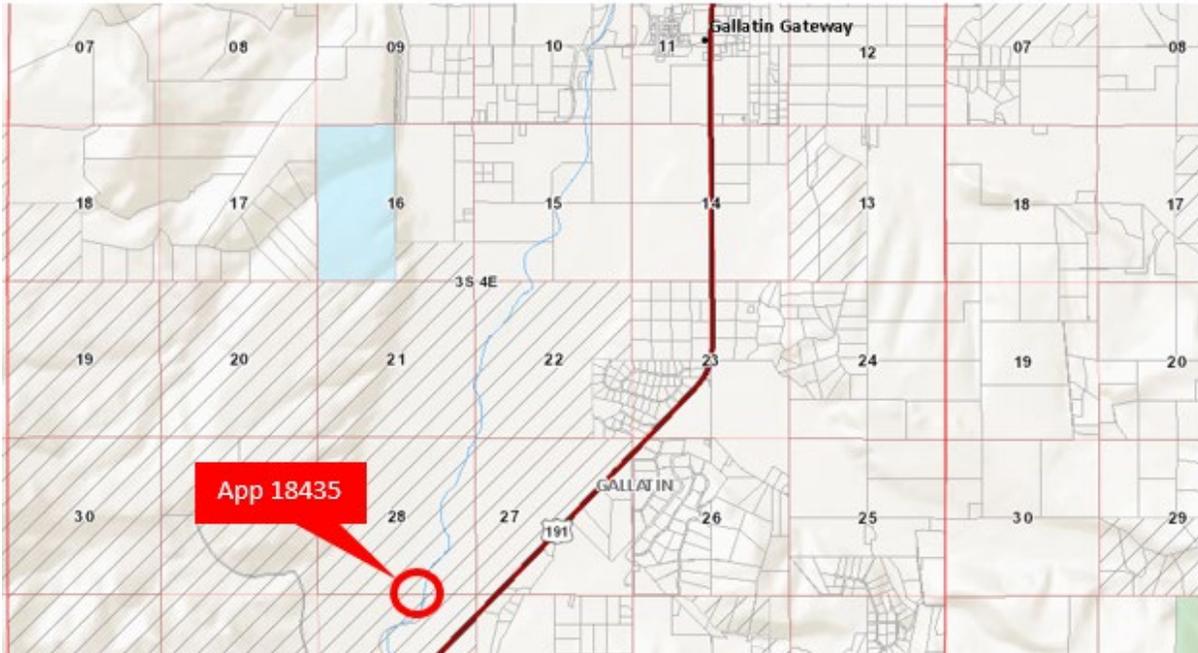
Item Summary

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DNRC Recommendation

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R/W Application 18435



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18436
 R/W Purpose: an overhead 7.2kV electric distribution line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.90
 Compensation: \$9,000.00
 Legal Description: 30-foot strip through the NW4SW4, Sec. 36, Twp. 3S, Rge. 4E,
 Gallatin County
 Trust Beneficiary: Common Schools

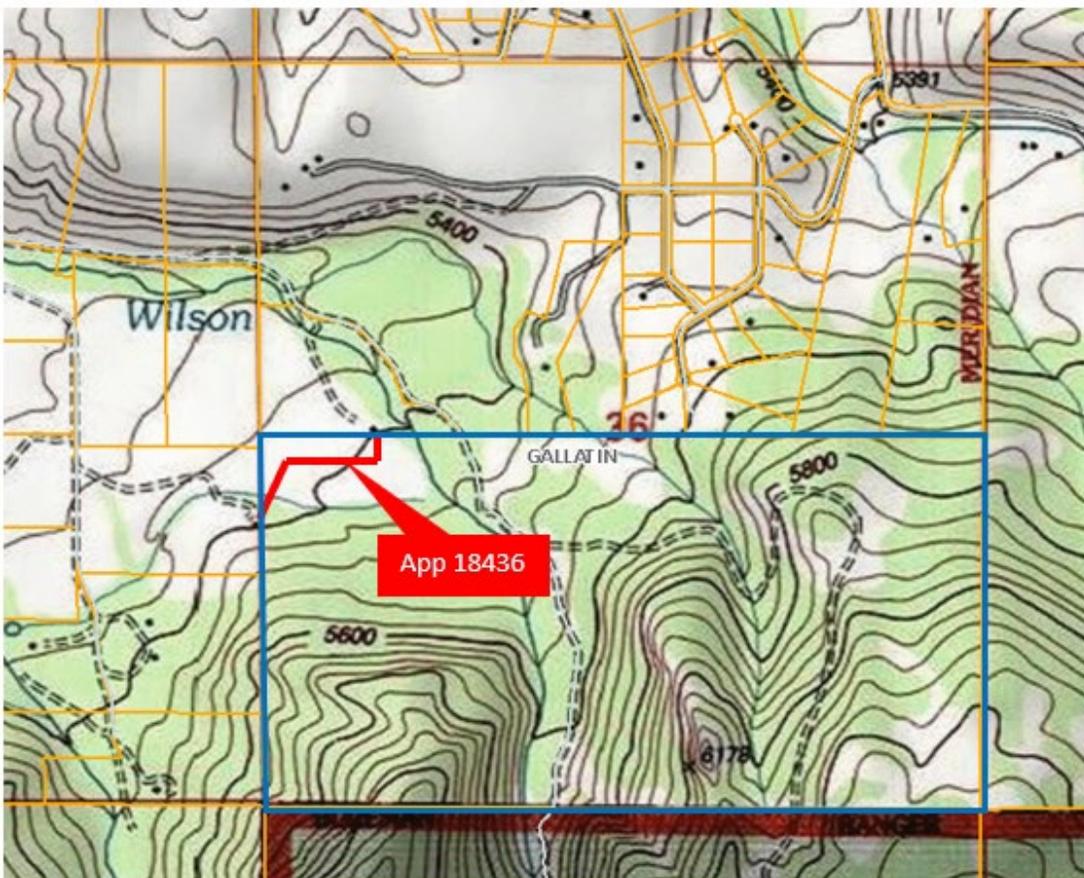
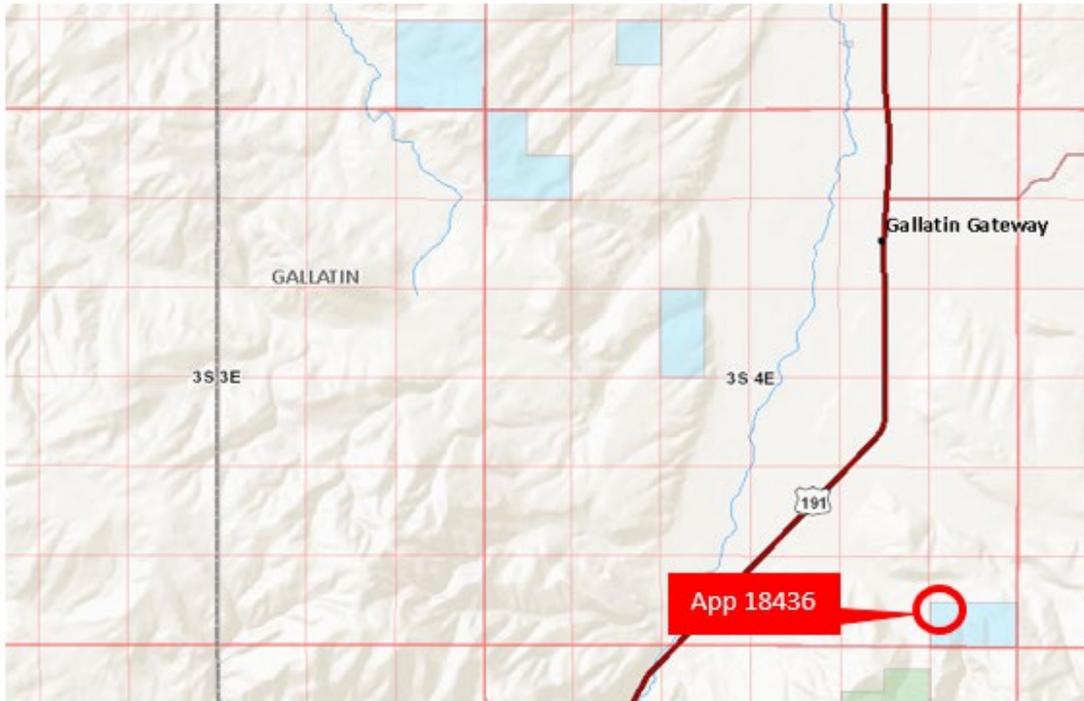
Item Summary

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DNRC Recommendation

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R/W Application 18436



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18437
 R/W Purpose: an overhead 12.47kV electric distribution line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.03
 Compensation: \$1,192.00
 Legal Description: 10-foot strip across the Yellowstone River in NE4SW4, Sec. 24,
 Twp. 2S, Rge. 9E, Park County
 Trust Beneficiary: Public Land Trust - Nav. River

Item Summary

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DNRC Recommendation

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18438
 R/W Purpose: an overhead 12.47kV electric distribution line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.11
 Compensation: \$4,079.00
 Legal Description: 10-foot strip across the Yellowstone River in SE4SW4, SW4SE4,
 Sec. 24, Twp. 2S, Rge. 9E, Park County
 Trust Beneficiary: Public Land Trust - Nav. River

Item Summary

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18439
R/W Purpose: an overhead 12.47kV electric distribution line
Lessee Agreement: N/A (Historic)
Acreage: 0.03
Compensation: \$136.00
Legal Description: 10-foot strip across the Yellowstone River in SE4SW4, Sec. 24,
Twp. 2S, Rge. 9E, Park County
Trust Beneficiary: Public Land Trust - Nav. River

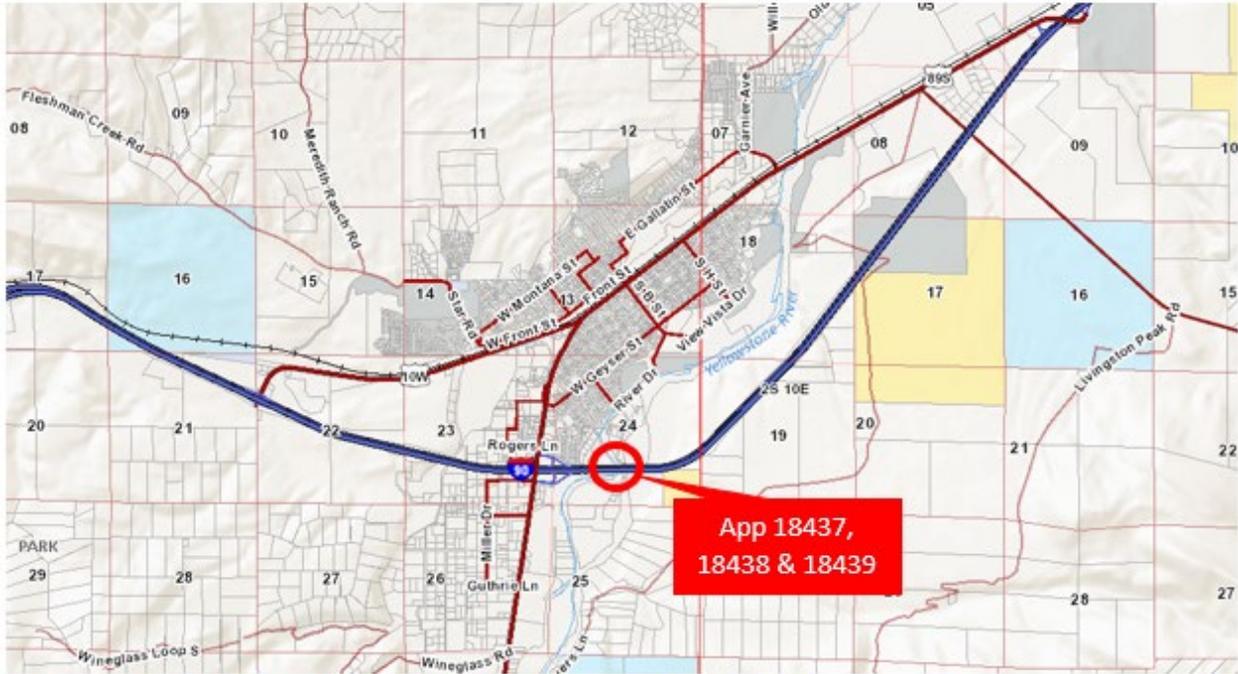
Item Summary

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R/W Application 18437, 18438 & 18439



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18444
 R/W Purpose: an overhead 100kV electric transmission line
 Lessee Agreement: N/A (Historic)
 Acreage: 2.78
 Compensation: \$3,336.00
 Legal Description: 60-foot strip through the SE4NW4, NE4SW4, Sec. 15, Twp. 3S,
 Rge. 1W, Madison County
 Trust Beneficiary: Common Schools

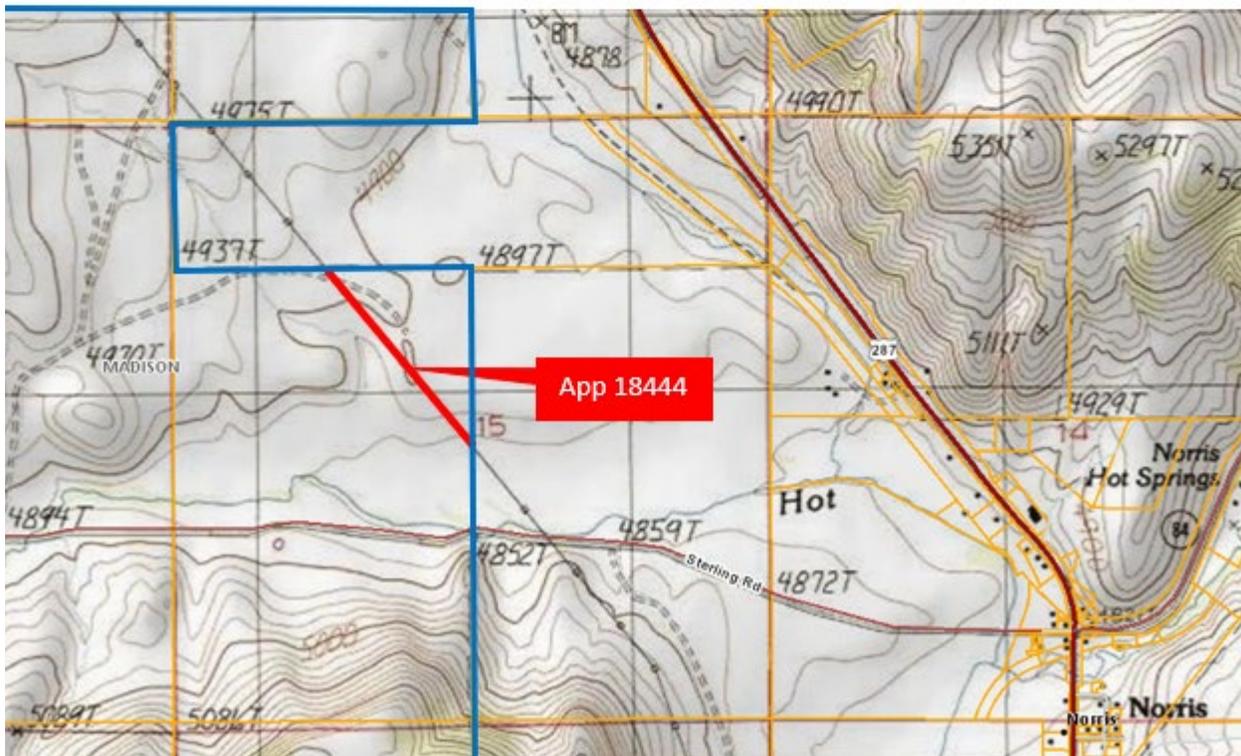
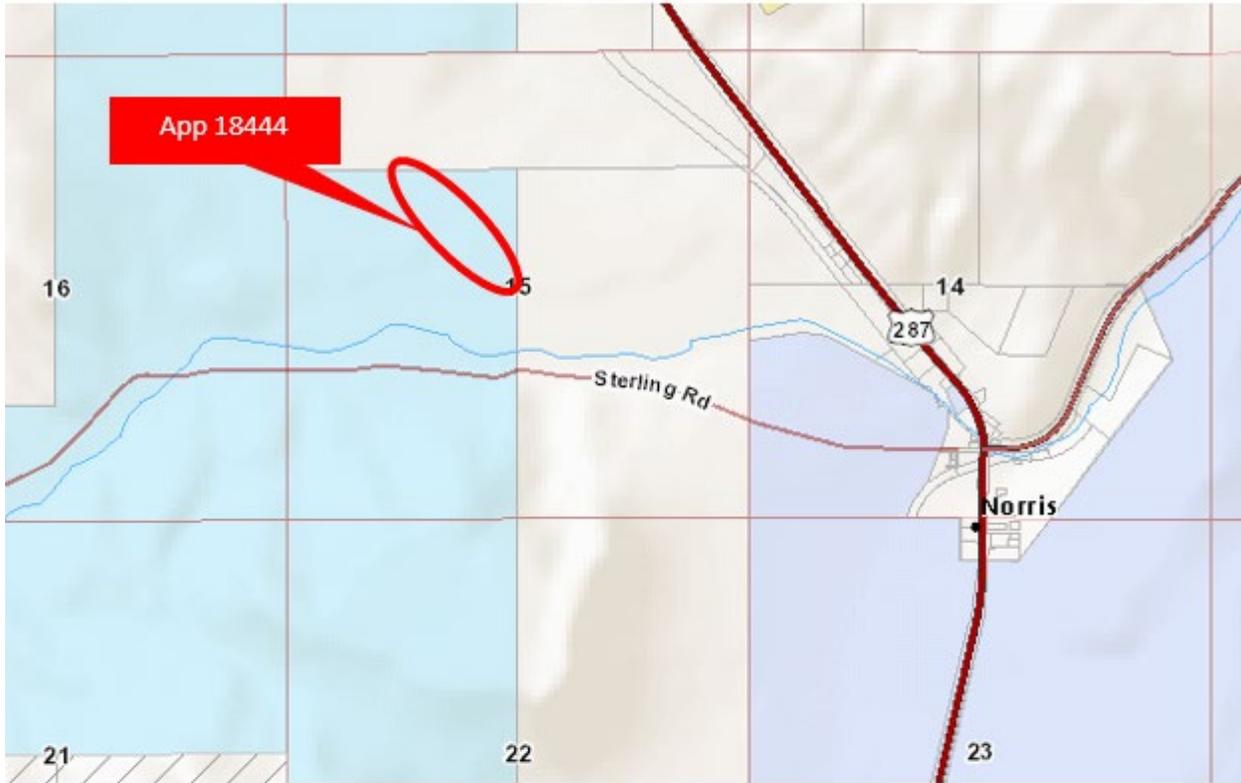
Item Summary

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R/W Application 18444



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
 11 E. Park
 Butte, MT 59701

Application No.: 18445
 R/W Purpose: an overhead 100kV electric transmission line
 Lessee Agreement: N/A (Historic)
 Acreage: 0.63
 Compensation: \$756.00
 Legal Description: 60-foot strip through the SW4SW4, Sec. 36, Twp. 3S, Rge. 1W,
 Madison County
 Trust Beneficiary: Common Schools

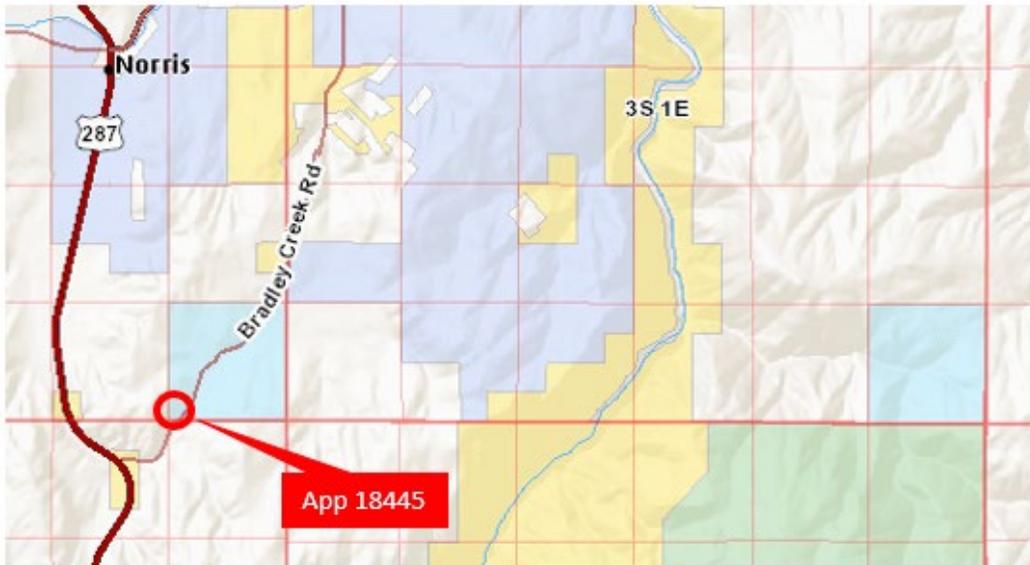
Item Summary

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DNRC Recommendation

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R/W Application 18445



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18446
R/W Purpose: an overhead 161kV electric transmission line
Lessee Agreement: N/A (Historic)
Acreage: 0.15
Compensation: \$150.00
Legal Description: 30-foot strip across the Madison River in NW4NW4, Sec. 15,
Twp. 3S, Rge. 1E, Madison County
Trust Beneficiary: Public Land Trust - Nav. River

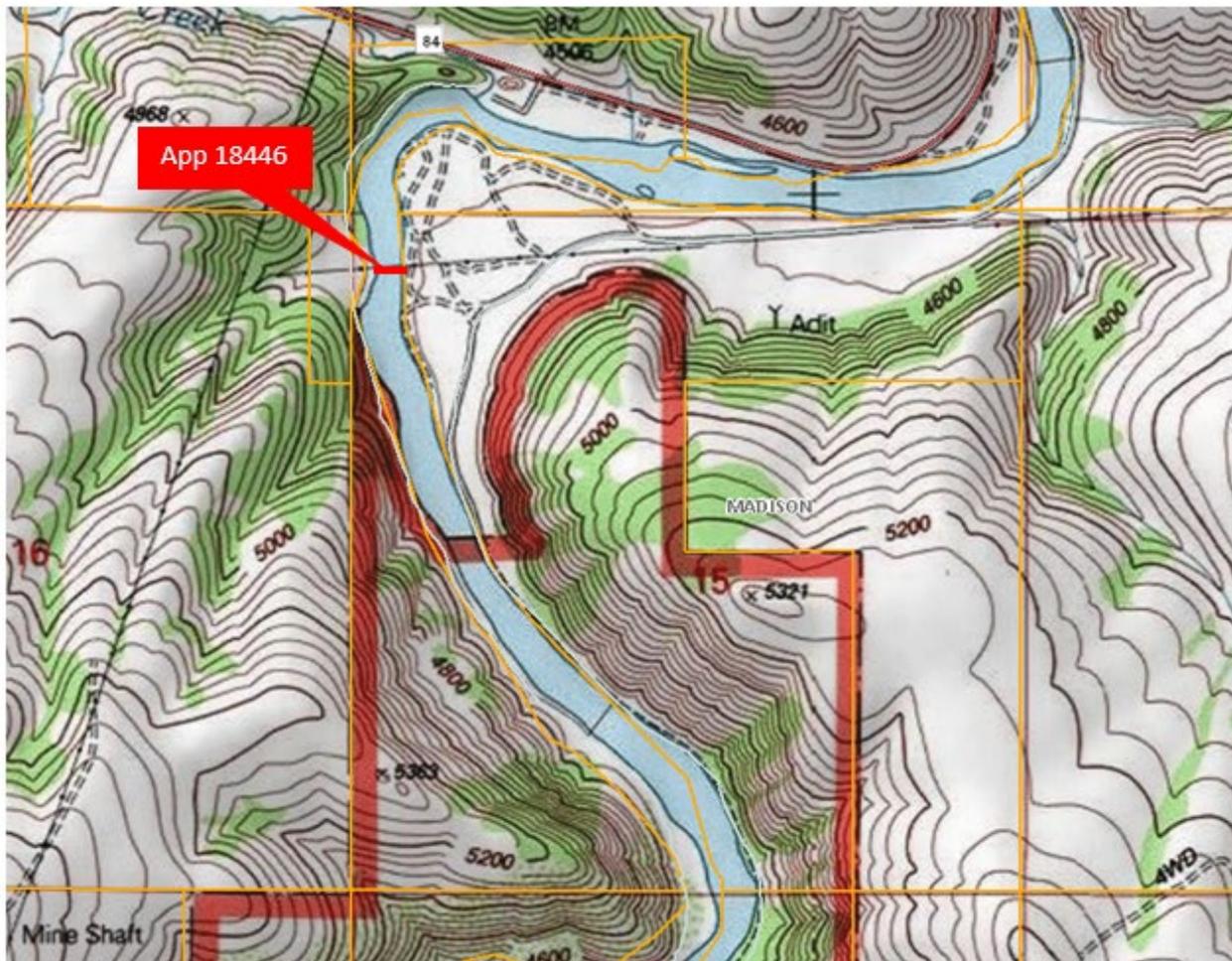
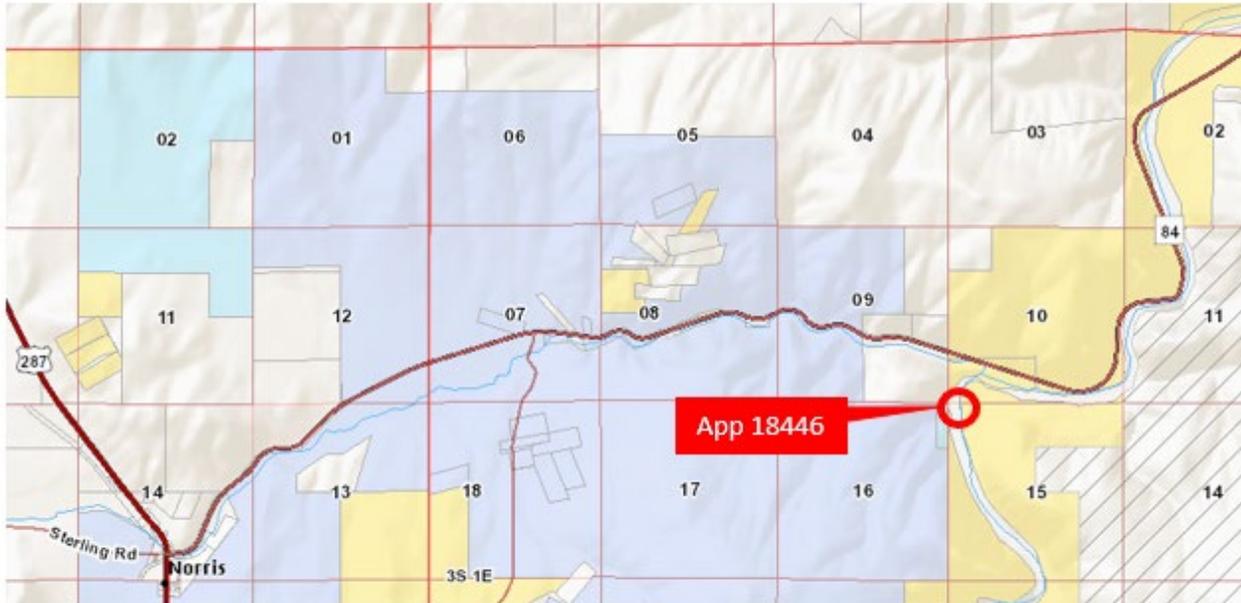
Item Summary

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R/W Application 18446



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: NorthWestern Energy
11 E. Park
Butte, MT 59701

Application No.: 18447
R/W Purpose: two overhead 50kV electric transmission lines
Lessee Agreement: N/A (Historic)
Acreage: 0.76
Compensation: \$1,140.00
Legal Description: two 40-foot strips through the NE4NW4, NW4NE4, Sec. 16,
Twp. 2S, Rge. 10E, Park County
Trust Beneficiary: Common Schools

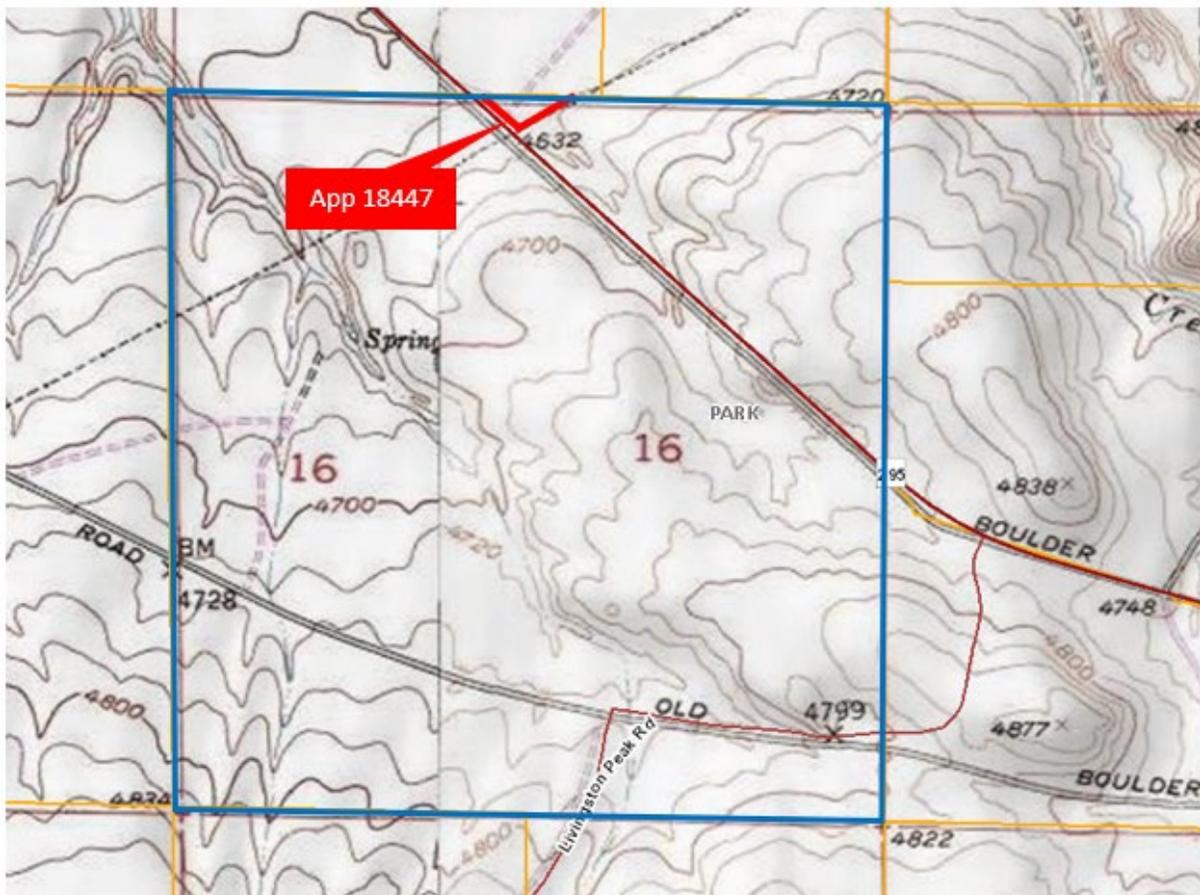
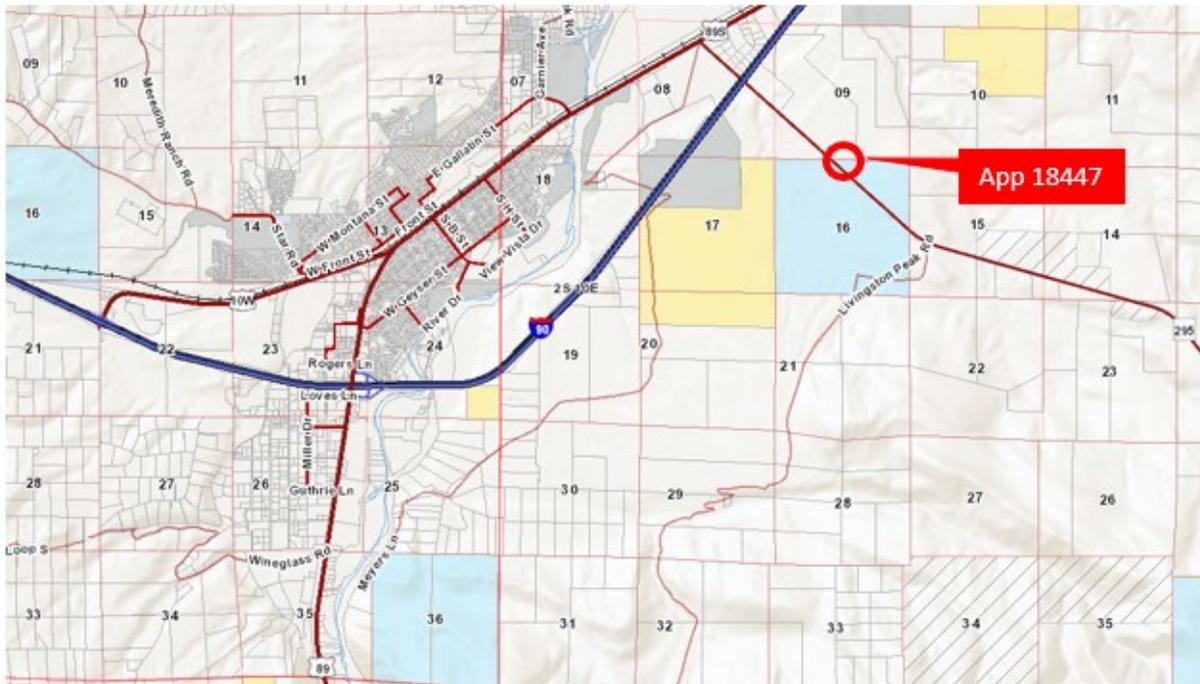
Item Summary

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R/W Application 18447



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Triangle Telephone Cooperative Association, Inc.
 PO Box 1220
 Havre, MT 59501

Application No.: 18719
 R/W Purpose: a buried telecommunications cable
 Lessee Agreement: ok
 Acreage: 0.15
 Compensation: \$638.00
 Legal Description: 20-foot strip through the SE4SE4, Sec. 18, Twp. 15N, Rge. 15E,
 Judith Basin County
 Trust Beneficiary: Common Schools

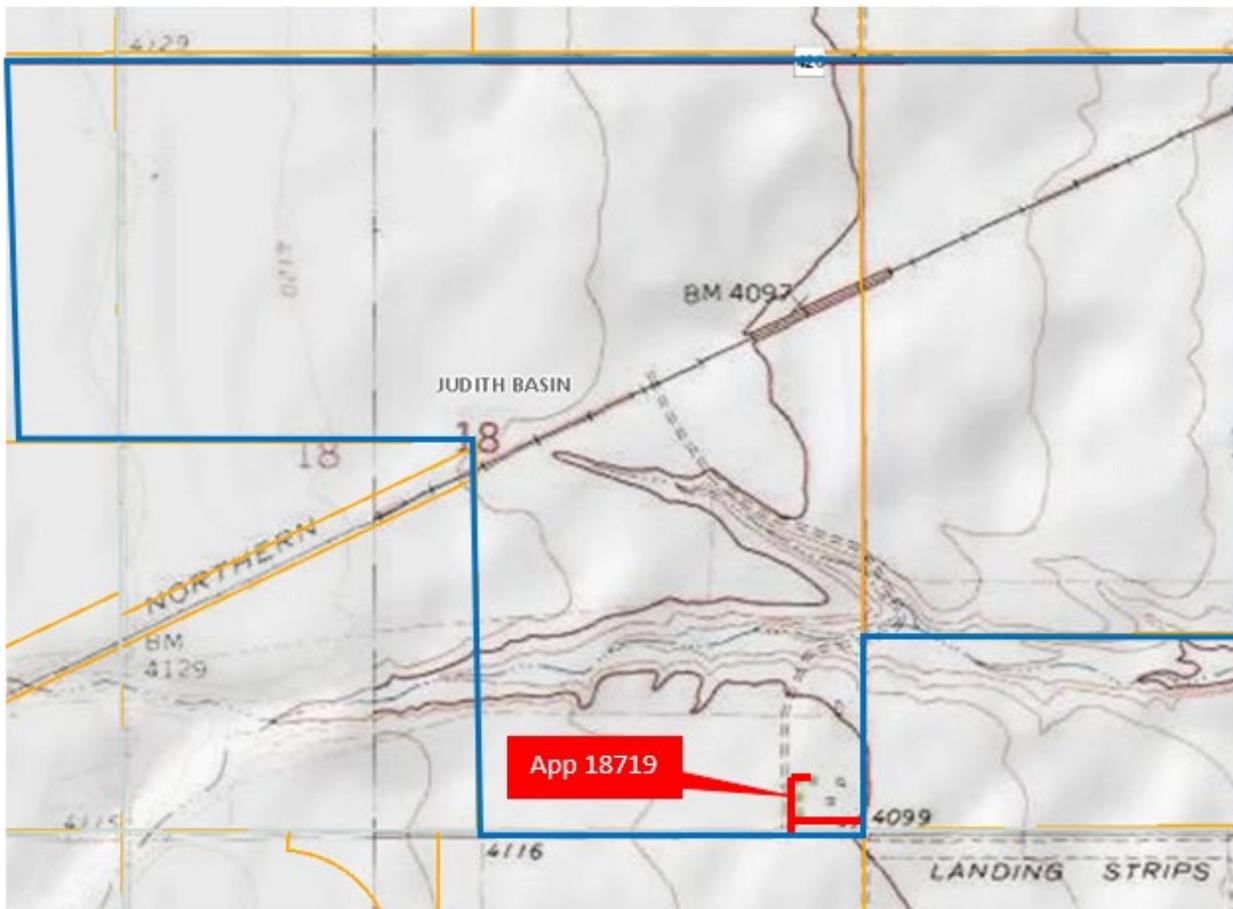
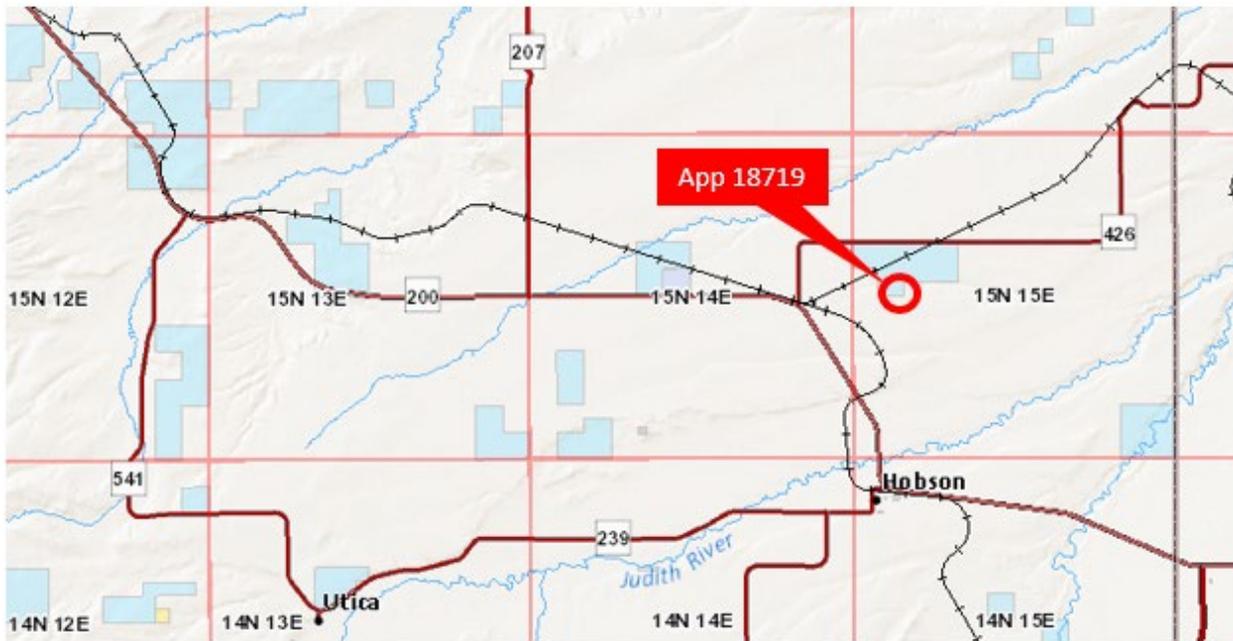
Item Summary

Triangle Telephone has made application for an easement to provide service to a state homesite lessee. The new buried telecommunications cable is part of a project to upgrade current services within the Hobson exchange service area. The route selected is the most direct route to provide the service necessary to the customer as well as allow for the future expansion of service to other customers in the area.

DNRC Recommendation

The director recommends approval of Triangle Telephone's utility request.

R/W Application 18719



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: ABN Ranch Inc.
 770 ABN Lane
 Fort Benton, MT 59442

Application No.: 18720
 R/W Purpose: a historic private access road
 Lessee Agreement: N/A (Historic)
 Acreage: 1.99
 Compensation: \$1,642.00
 Legal Description: 30-foot strip through W2, Sec. 17, Twp. 25N, Rge. 11E,
 Chouteau County
 Trust Beneficiary: Common Schools

Item Summary

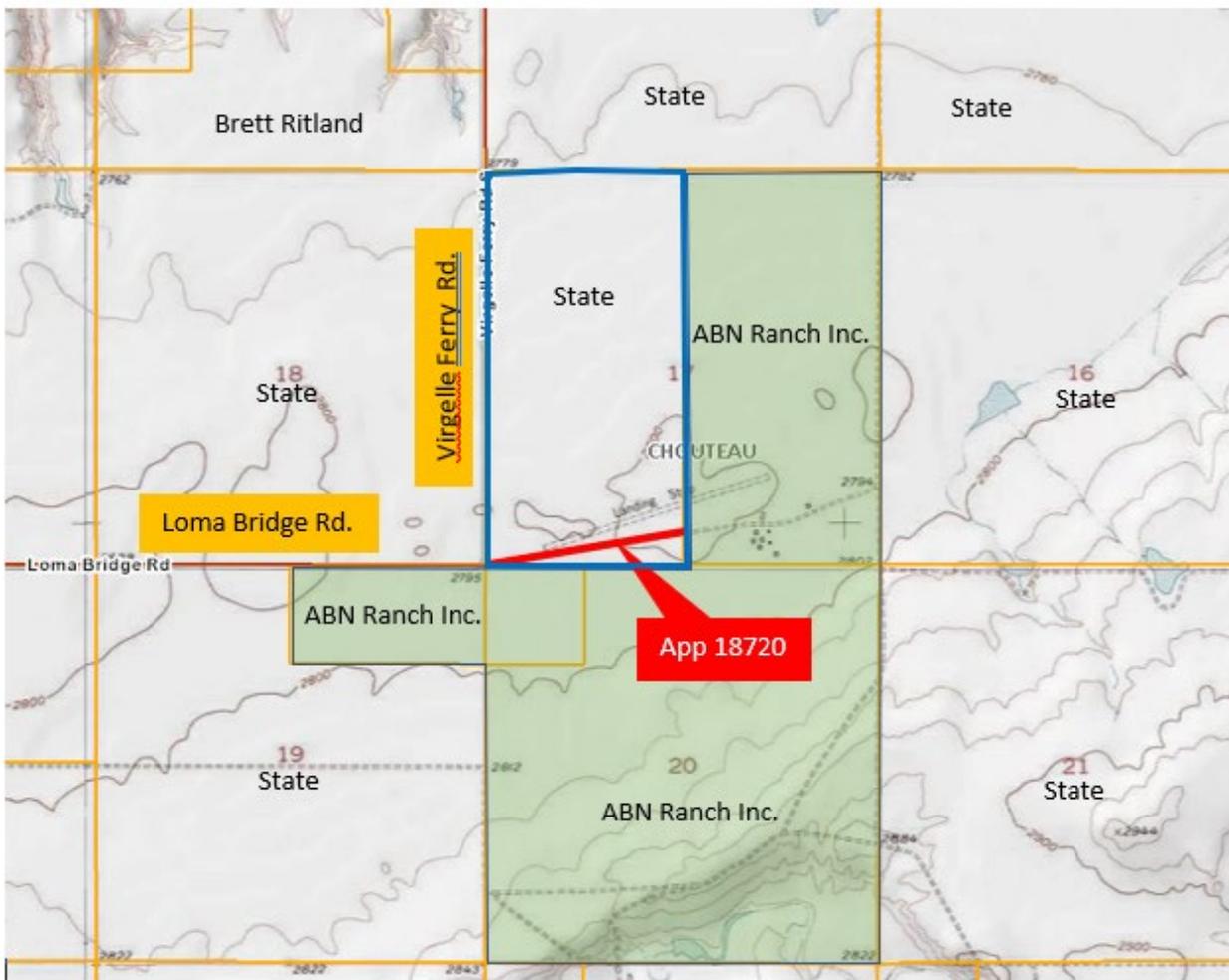
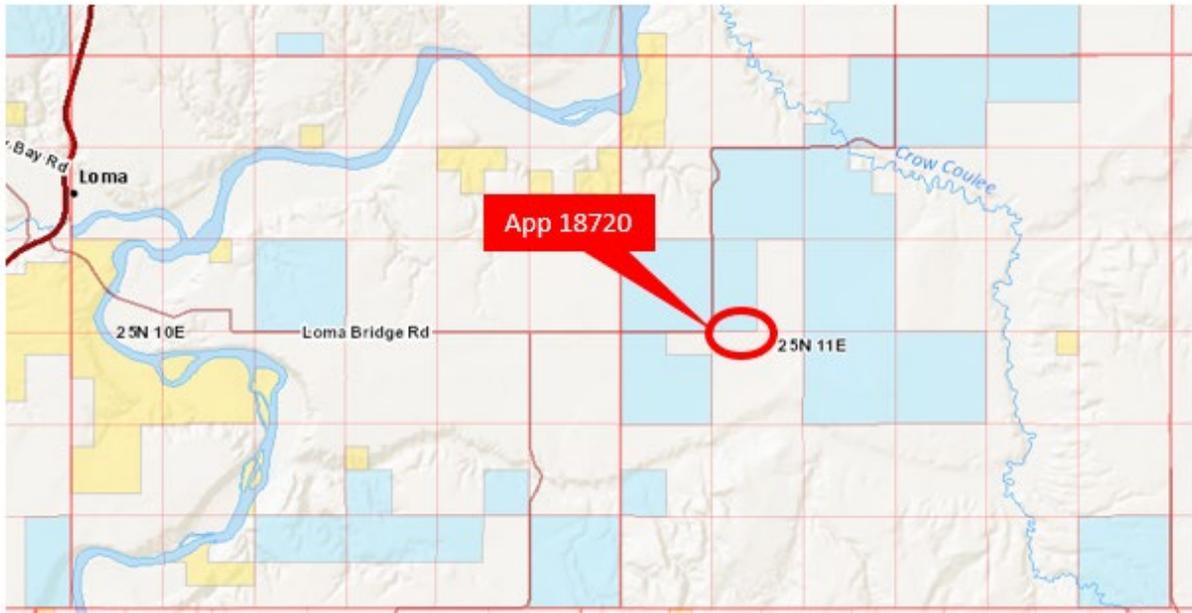
ABN Ranch Inc. has made application for the use of an existing road for conducting normal farming and ranching operations. The road has been in place for years and authorization for continued use is being requested pursuant to §77-1-130, MCA, which allows for recognition of such historic access. The private property to be accessed is described as:

- E2, Sec. 17, Twp. 25N, Rge. 11E

DNRC Recommendation

The director recommends approval of this historic easement request

R/W Application 18720



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Triangle Telephone Cooperative Association, Inc.
 PO Box 1220
 Havre, MT 59501

Application No.: 18721
 R/W Purpose: a buried telecommunications cable
 Lessee Agreement: ok
 Acreage: 1.21
 Compensation: \$424.00
 Legal Description: 20-foot strip through the N2NW4, Sec. 15, Twp. 35N, Rge. 28E,
 Phillips County
 Trust Beneficiary: Common Schools

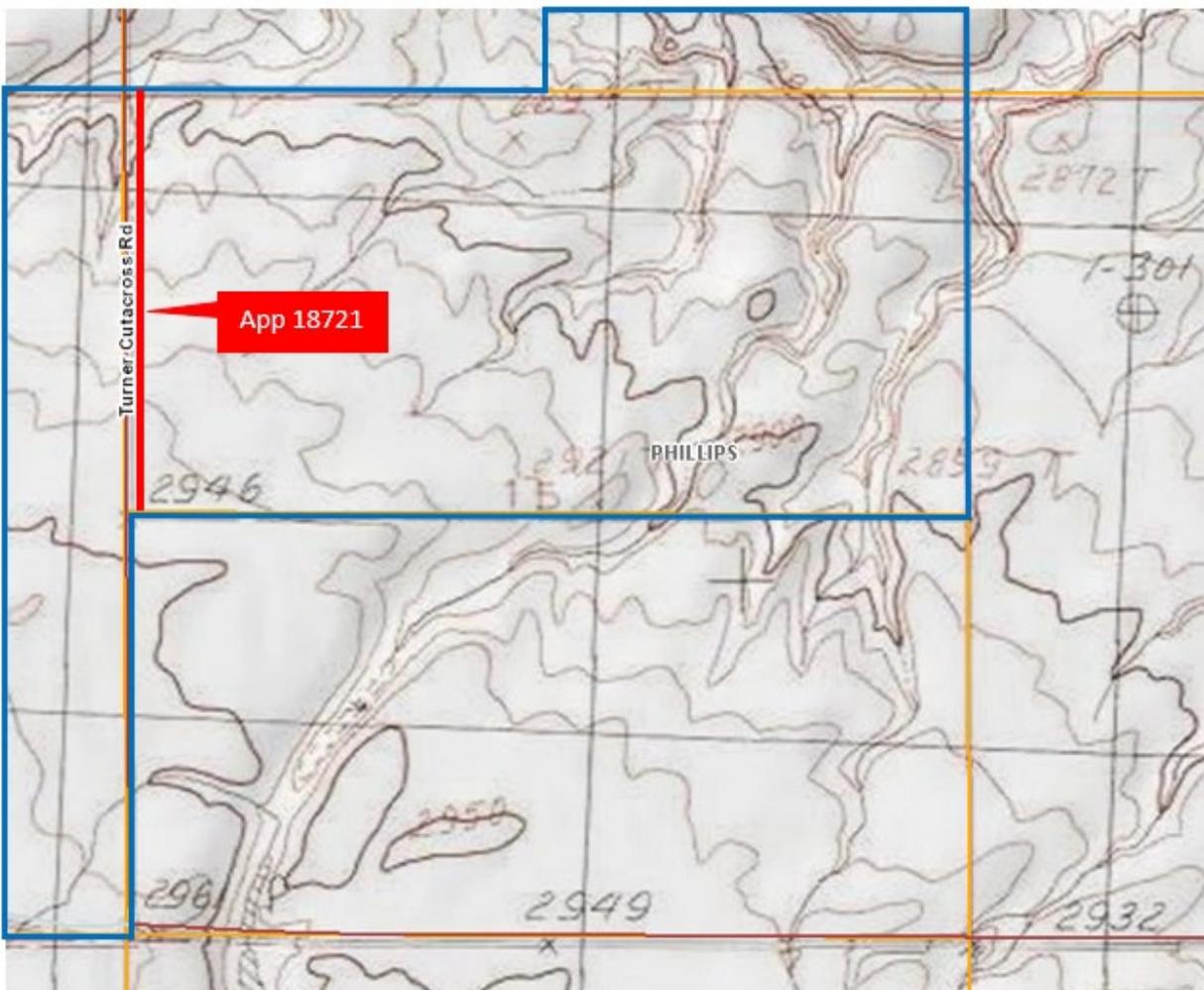
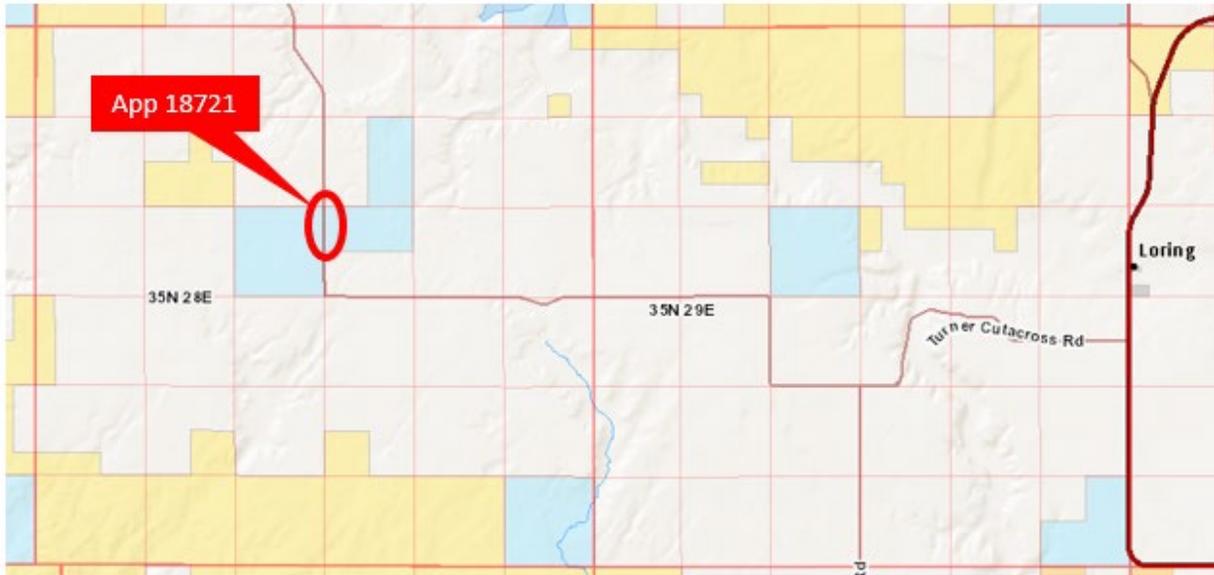
Item Summary

Triangle Telephone is proposing to install new buried telecommunications facilities to upgrade current services to the Turner exchange service area. The proposed route is the most direct between terminus locations and will also provide future network capabilities. The corridor lies primarily along existing roadways for ease of construction and maintenance.

DNRC Recommendation

The director recommends approval of Triangle Telephone's utility request.

R/W Application 18721



APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Mid-Rivers Telephone Cooperative
 PO Box 280
 Circle, MT 59215

Application No.: 18722
 R/W Purpose: a buried fiber optic cable
 Lessee Agreement: ok
 Acreage: 1.29
 Compensation: \$581.00
 Legal Description: 16-foot strip through the W2SW4, SE4SW4,
 SW4SE4, Sec. 36, Twp. 14N, Rge. 47E, Prairie County
 Trust Beneficiary: Common Schools

Item Summary

Mid-Rivers Telephone Cooperative is proposing to install a new fiber optic cable in the Terry and Prairie County exchange area to provide an upgrade in service to rural customers. The proposed route is located along existing roads and previously disturbed ground, therefore minimal impacts are expected.

DNRC Recommendation

The director recommends approval of this easement request for Mid-Rivers Telephone.

APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Mid-Rivers Telephone Cooperative
PO Box 280
Circle, MT 59215

Application No.: 18723
R/W Purpose: a buried fiber optic cable
Lessee Agreement: ok
Acreage: 0.63
Compensation: \$284.00
Legal Description: 16-foot strip through the W2SW4, Sec. 36, Twp. 14N, Rge. 48E,
Prairie County
Trust Beneficiary: Common Schools

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Mid-Rivers Telephone Cooperative
PO Box 280
Circle, MT 59215

Application No.: 18724
R/W Purpose: a buried fiber optic cable
Lessee Agreement: ok
Acreage: 1.28
Compensation: \$576.00
Legal Description: 16-foot strip through Gov. Lots 2 & 3, NE4SW4, Sec. 30,
Twp. 14N, Rge. 51E, Prairie County
Trust Beneficiary: Common Schools

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Mid-Rivers Telephone Cooperative
PO Box 280
Circle, MT 59215

Application No.: 18725
R/W Purpose: a buried fiber optic cable
Lessee Agreement: ok
Acreage: 1.34
Compensation: \$603.00
Legal Description: 16-foot strip through the N2NW4, NW4NE4, Sec. 16, Twp. 13N,
Rge. 48E, Prairie County
Trust Beneficiary: Common Schools

Item Summary

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Mid-Rivers Telephone Cooperative
PO Box 280
Circle, MT 59215

Application No.: 18726
R/W Purpose: a buried fiber optic cable
Lessee Agreement: ok
Acreage: 1.06
Compensation: \$477.00
Legal Description: two 16-foot strips of land through NW4SW4 and SE4NW4,
SW4NE4, NW4SE4,
Sec. 12, Twp. 13N, Rge. 48E, Prairie County
Trust Beneficiary: Common Schools

Item Summary

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Mid-Rivers Telephone Cooperative
PO Box 280
Circle, MT 59215

Application No.: 18727
R/W Purpose: a buried fiber optic cable
Lessee Agreement: ok
Acreage: 1.99
Compensation: \$895.00
Legal Description: 16-foot strip through the N2NW4, NW4NE4, S2NE4, Sec. 16,
Twp. 13N, Rge. 50E, Prairie County
Trust Beneficiary: Common Schools

Item Summary

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APPLICANTS AND RIGHTS OF WAY INFORMATION

Applicant: Mid-Rivers Telephone Cooperative
 PO Box 280
 Circle, MT 59215

Application No.: 18728
 R/W Purpose: a buried fiber optic cable
 Lessee Agreement: ok
 Acreage: 1.94
 Compensation: \$873.00
 Legal Description: 16-foot strip through Gov. Lots 1, 2, 3, & 4, Sec. 36, Twp. 13N,
 Rge. 51E, Prairie County
 Trust Beneficiary: Common Schools

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R/W Application 18722, 18723, 18724, 18725, 18726, 18727, 18728

