

**REGULAR MEETING OF THE BOARD OF LAND COMMISSIONERS**  
**AGENDA**  
**NOVEMBER 17, 2025, AT 9:00 A.M.**  
**STATE CAPITOL, ROOM 303**  
**HELENA, MT**

**ADMINISTRATIVE ITEMS**

Approval of the November Land Board Agenda  
Approval of the October Land Board Meeting Minutes

**ACTION ITEMS**

**1125-1 Fish, Wildlife & Parks: Habitat Conservation Leases APPROVED 4-0**

*Location: Phillips and Madison Counties*  
*Benefits: N/A (non-trust land)*

**1125-2 Timber Sales APPROVED 4-0**

**A. Dog Rock**

*Location: Flathead County*  
*Benefits: Common Schools, Capitol Buildings, MSU 2<sup>nd</sup>, and Pine Hills*

**B. Elk Trail Limited Access**

*Location: Silver Bow County*  
*Benefits: Common Schools*

**1125-3 Cabin and Homesite: Final Approval for Sale APPROVED 4-0**

*Location: Valley County*  
*Benefits: Common Schools*

**1125-4 A. Easements APPROVED 4-0**

*Location: Gallatin, Hill, Madison, Missoula, and Ravalli Counties*  
*Benefits: Common Schools, MSU-Eastern/UM-Western, and MSU Morrill*

**B. Amended Easement Exchange Agreement**

*Location: Gallatin, Hill, Madison, Missoula, and Ravalli Counties*  
*Benefits: Common Schools, MSU-Eastern/UM-Western, and MSU Morrill*

**~~1125-5 Commercial Lease Agreement: Moraine Parcel (Withdrawn)~~**

*Location: Flathead County*  
*Benefits: Common Schools*

**1125-6 Biennial Cabin Site Lease Rate Review APPROVED 4-0**

*Location: Beaverhead, Blaine, Broadwater, Cascade, Chouteau, Custer, Daniels, Fallon, Fergus, Flathead, Gallatin, Golden Valley, Hill, Judith Basin, Lake, Lewis & Clark, Lincoln, Madison, Mineral, Missoula, Musselshell, Phillips, Pondera, Powder River, Powell, Prairie, Richland, Rosebud, Sanders, Sheridan, Stillwater, Toole, Valley, Wheatland, Wibaux, and Yellowstone Counties*  
*Benefits: Common Schools, Deaf & Blind School, MSU 2<sup>nd</sup>, Montana Tech, Pine Hills, Capitol Buildings, Veterans Home, and MSU Eastern/UM Western*

**1125-7 Approval to File Objections on Water Rights (Executive Session) APPROVED 5-0**

*Location: Madison, Stillwater, and Custer Counties*  
*Benefits: Common Schools*

**PUBLIC COMMENT**

# 1125-1

FISH, WILDLIFE & PARKS:  
HABITAT CONSERVATION LEASES

**Land Board Agenda Item  
November 17, 2025**

**1125-1 Fish, Wildlife & Parks: Habitat Conservation Leases**

**Location:** Phillips and Madison Counties

**Trust Beneficiaries:** N/A (non-trust land) Trust

**Revenue:** N/A (non-trust land)

**Item Summary:**

Fish Wildlife and Parks (FWP) proposes to enroll two private properties, totaling 6,492 acres, into the prairie Habitat Conservation Lease Program (HCLP) for a total of \$1,274,921. These leases will help ensure high-priority rangeland habitats, including sagebrush grassland, mixed grasslands, riparian/floodplain, wetland-grassland complexes, and intermountain grasslands are conserved while supporting traditional agricultural activities and providing public access opportunities.

**Background:** A habitat conservation lease (HCL) is a voluntary, incentive-based agreement with private landowners that helps ensure high-priority prairie habitats are conserved while traditional agricultural activities, primarily livestock grazing, continue. Owners commit to retaining wildlife habitats for 30 or 40-year terms. Both proposed HCL's have selected 40-year terms. Prairie species expected to benefit from these agreements include sage-grouse, migratory grassland birds that have experienced long-term population declines, pronghorn, mule deer, elk, and many other species of wildlife. The leases also provide for public hunting and other wildlife-related recreation.

**Valuation:** For the region in which an HCL is located FWP will pay 15% of average fee title value for a 30-year lease. A landowner who opts for a 40-year lease will receive 20% of fee title value plus a 5% bonus (5% of 20%). Average fee title values are based on the valuation of State Trust Land by the DNRC. See Figure 2; Table 2.

**Public Involvement Process & Results:** In 2022 FWP released a programmatic environmental assessment (EA) for an HCL program. On August 12, 2022, following a public participation process, FWP published its decision to approve the programmatic EA and proceed with the program. FWP subsequently published an invitation for applications but received only six. On April 10, 2023, FWP issued a Supplemental Programmatic EA which proposed increasing compensation for HCL's and adding a penalty-free buy out provision for participants who wish to enter a permanent conservation easement. For each individual HCL, public notice was posted on FWP's website and emailed to FWP's regional distribution lists. Notice was also mailed to owners of neighboring properties. Public comment for each proposed HCL was taken for 30 days and public meetings were held in relevant areas. Comments were also received prior to and at the Fish, Wildlife and Parks Commission meeting on October 9, 2025. The Commission unanimously approved both Habitat Conservation Leases at the October 9, 2025 meeting.

**Recommendation:** FWP recommends the Land Board approve both proposed 40-year Habitat Conservation Leases.

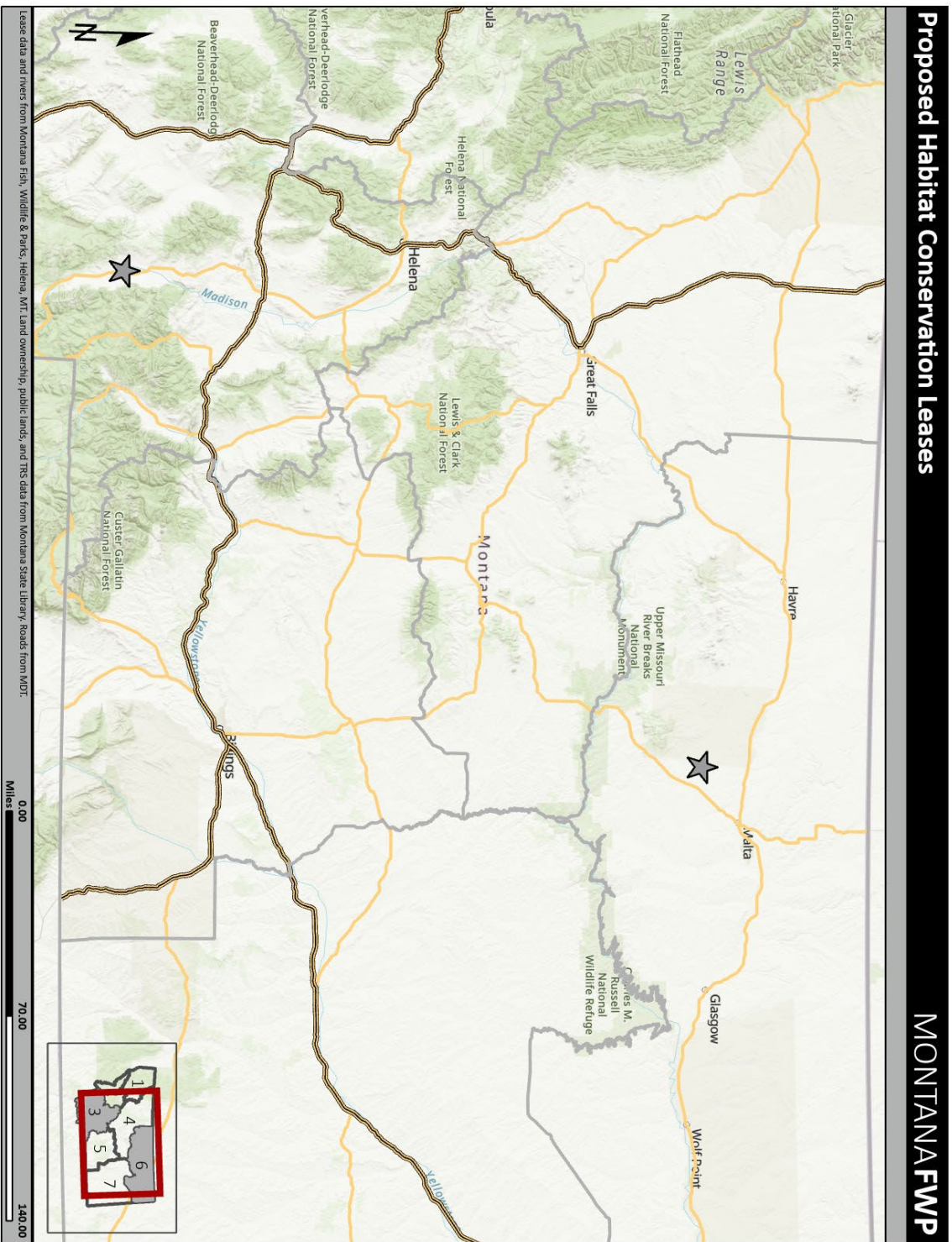


Figure 1: Location of proposed 40-year habitat conservation leases.



Table 1. Payment rates using FWP's payment formula based on a percentage of average fee title values using DNRC appraisal data involving State trust lands, as updated 2023.

Proposed Habitat Conservation Lease Habitat and Payment											
Details								MONTANAFWP			
Habitat Conservation Lease	Term	Valuation Area	Rangeland Acres	Hay Land Acres	Crop Land Acres	Major River Floodplain/Riparian Acres	Total Acres	Approximate Payment	Reduced Payment	Minimum Recreation Days	Minimum Hunter Days
Granger Ranches LP	40 yrs	Western	3528	0	0	0	3528	\$1,076,040.00	\$980,270.00	104	35
Smith/Overpass Ranch	40 yrs	Eastern	2802	162	0	0	2964	\$346,932.60	\$294,651.14	120	40
Total							6492	\$1,422,972.60	\$1,274,921.14	224	75

1) Terms of the lease require that 75% of acres enrolled must be priority habitat. Hay land, seeded areas that are annually or more frequently harvested, and cropland, land that is annually or more frequently seeded or operates in a crop/fallow, can be enrolled but receives a payment of 70% and 50% respectively, of the per acre value, and does not count priority habitat.

2) Both proposed leases are enrolled in agreements with existing protections, payments were reduced to address overlapping conservation values.

- Granger – is under a pre-existing Montana Land Reliance (MLR) open lands easement on a portion of the proposed lease. FWP worked with MLR and they support the enrollment of the overlapping acres in an HCL recognizing the additional habitat protections. Additional benefits include increased habitat protections and opening public access in an area with limited opportunity.
- Smith/Overpass Ranch – is currently enrolled in a term FWP grassland lease. Enrolling in the new HCL program will increase the term, enhance public access and provide additional habitat protections not included in the original lease agreement.

The justification and reduced payment amounts have been approved internally by FWP Director Christy Clark and by Montana Fish and Wildlife Commission.

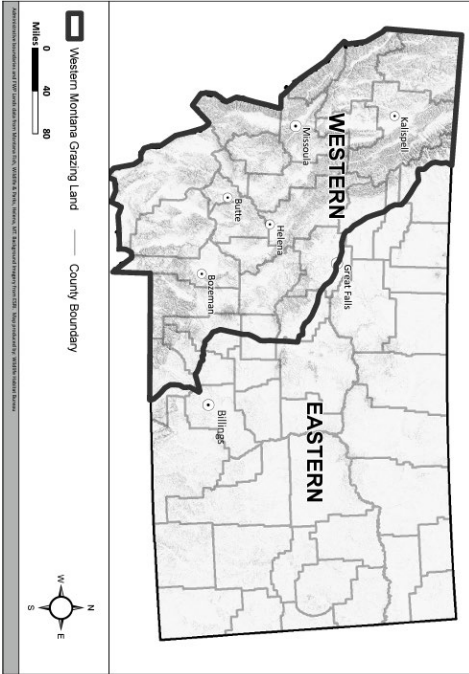


Figure 2. Delineation of western and eastern Montana for the purposes of assigning habitat conservation lease values.

Table 2: 2023 habitat conservation lease values based on 15% of fee value for 30-year lease and 20% of fee value plus a 5% bonus for the 40-year lease.

Conservation Lease Habitat Payments Based on Fee Values			MONTANAFWP
Area and Habitat	30 Year Lease Payment/Acre	40 Year Lease Payment/Acre	
Eastern Montana Rangeland	\$85	\$119	
Eastern Montana Floodplain/Riparian	\$349	\$489	
Western Montana Rangeland	\$218	\$305	
Western Montana Floodplain/Riparian	\$729	\$1,021	

# 1125-2

TIMBER SALES

A. Dog Rock

B. Elk Trail Limited Access

**Land Board Agenda Item  
November 17, 2025**

**1125-2A Timber Sale: Dog Rock**

**Location:** Flathead County

**Trust Beneficiaries:** Common Schools, Capitol Buildings, MSU 2<sup>nd</sup>, and Pine Hills

**Trust Revenue:** \$396,437 (estimated, minimum)

**Item Summary:**

**Location:** The Dog Rock Timber Sale is located approximately 8 miles north of Olney, Montana.

**Size and Scope:** The sale includes 21 harvest units (*481 acres*) of ground-based logging.

**Volume:** The estimated harvest volume is 22,982 tons (*3.5 MMBF*) of sawlogs.

**Estimated Return:** The minimum bid is \$17.25 per ton, which would generate approximately \$396,437 for the Common Schools (74%), Capitol Buildings (25%), MSU 2<sup>nd</sup> (0.98%), and Pine Hills (0.02%) Trusts and approximately \$93,047 in Forest Improvement fees.

**Prescription:** This sale would utilize commercial thinning, shelterwood, seed tree, sanitation and clear-cut harvest prescriptions designed to enhance the growth and vigor of residual stands, establish new stands of desirable species and address ongoing insect and disease outbreaks.

**Road Construction/Maintenance:** The Department of Natural Resources and Conservation (DNRC) is proposing one mile of road reconstruction and 20.1 miles of road maintenance.

**Access:** Access is obtained through state-owned roads.

**Public Comments:** One comment was received from Lincoln Electric Cooperative (LEC) expressing concern over hazard trees in LEC's right-of-way corridor. DNRC informed LEC that hazard trees will be evaluated and removed along the corridor, where appropriate.

**DNRC Recommendation:**

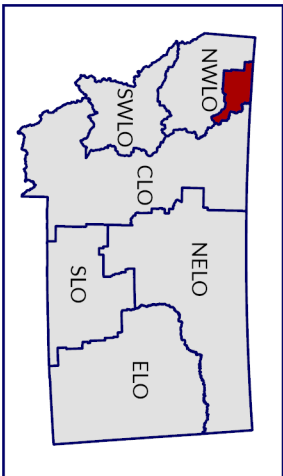
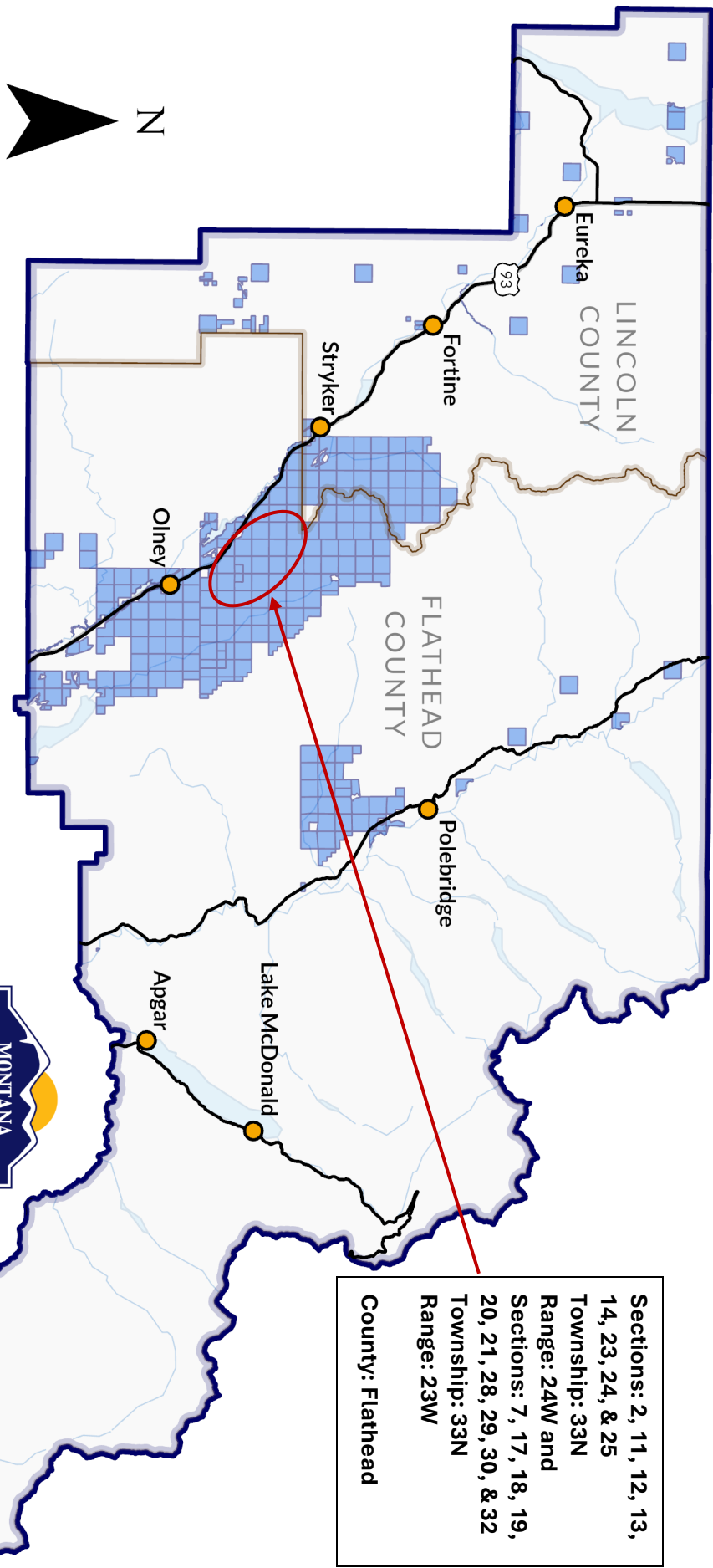
The DNRC recommends that the Land Board direct DNRC to sell the Dog Rock Timber Sale.

# State Trust Land Vicinity Map

## Stillwater Unit

*Dog Rock Timber Sale*

Sections: 2, 11, 12, 13,  
14, 23, 24, & 25  
Township: 33N  
Range: 24W and  
Sections: 7, 17, 18, 19,  
20, 21, 28, 29, 30, & 32  
Township: 33N  
Range: 23W  
County: Flathead



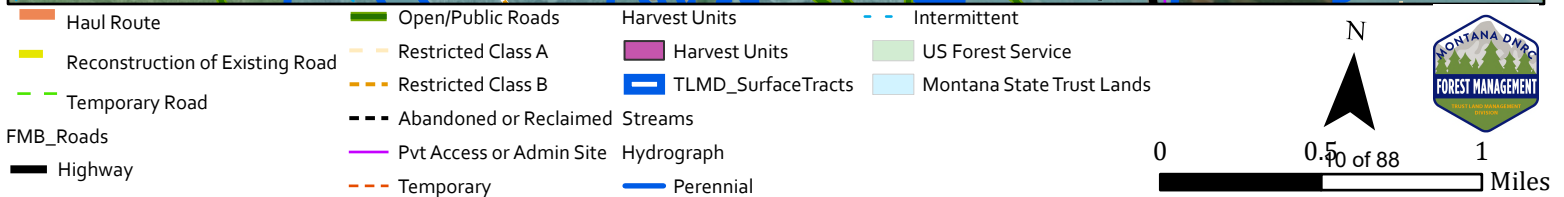
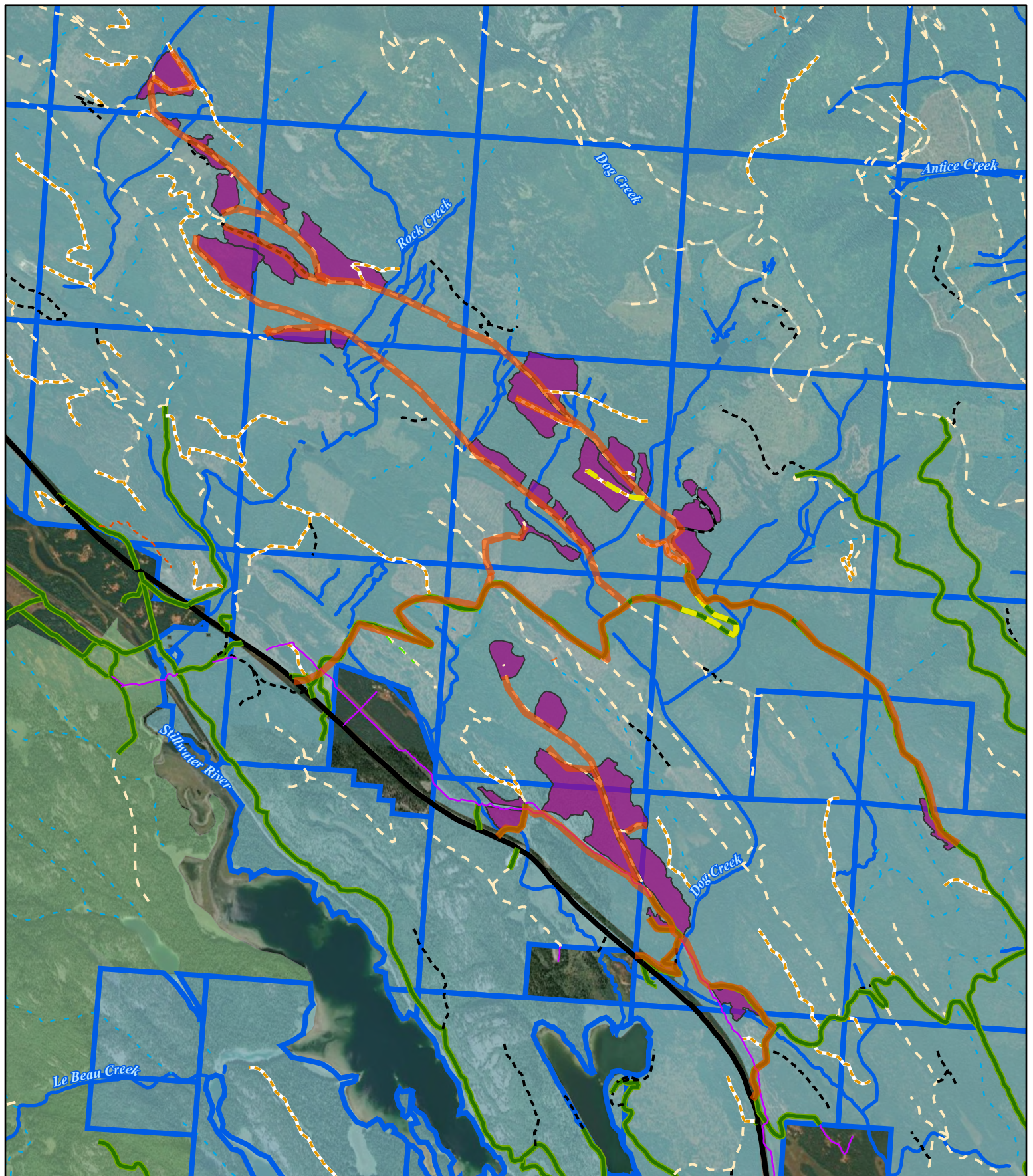
- Towns
- County Lines
- Major Roads
- Rivers & Lakes
- State Trust Land



Produced by Montana Department of Natural Resources and Conservation — 2025  
NAD 1983 State Plane



# Dog Rock Timber Sale Haul Route and Harvest Units





**Land Board Agenda Item  
November 17, 2025**

**1125-2B Timber Sale: Elk Trail Limited Access**

**Location:** Silver Bow County

**Trust Beneficiaries:** Common Schools

**Trust Revenue:** \$83,537 (estimated, minimum)

**Item Summary:**

**Location:** The Limited Access Elk Trail Timber Sale is located approximately six miles southwest of Butte, Montana.

**Size and Scope:** The sale includes two harvest units (*384 acres*) of tractor logging.

**Volume:** The estimated harvest volume is 11,506 tons (*1.5 MMBF*) of sawlogs.

**Estimated Return:** The minimum bid is \$7.26 per ton, which would generate approximately \$83,537 for Common Schools and approximately \$31,559 in Forest Improvement fees.

**Prescription:** This sale would utilize a selection harvest prescription designed to reduce insect and disease issues and to promote forest health.

**Road Construction/Maintenance:** The Department of Natural Resources and Conservation (DNRC) is proposing 8.69 miles of road maintenance.

**Access:** Access is obtained through state-owned roads and a temporary road use permit between a local landowner and Sun Mountain Lumber, Inc.

**Public Comments:** Three public comments were received. A local resident expressed support for the project and requested roads to be sprayed for weeds. The Montana Department of Fish, Wildlife and Parks (FWP) suggested that project operations occur outside of elk calving season and that the project promotes aspen regeneration. DNRC staff worked with FWP to include appropriate mitigations. A neighboring landowner expressed concern about new road construction and public access following project completion. DNRC assured the landowner that the new road would not be open to motorized public use.

**DNRC Recommendation:**

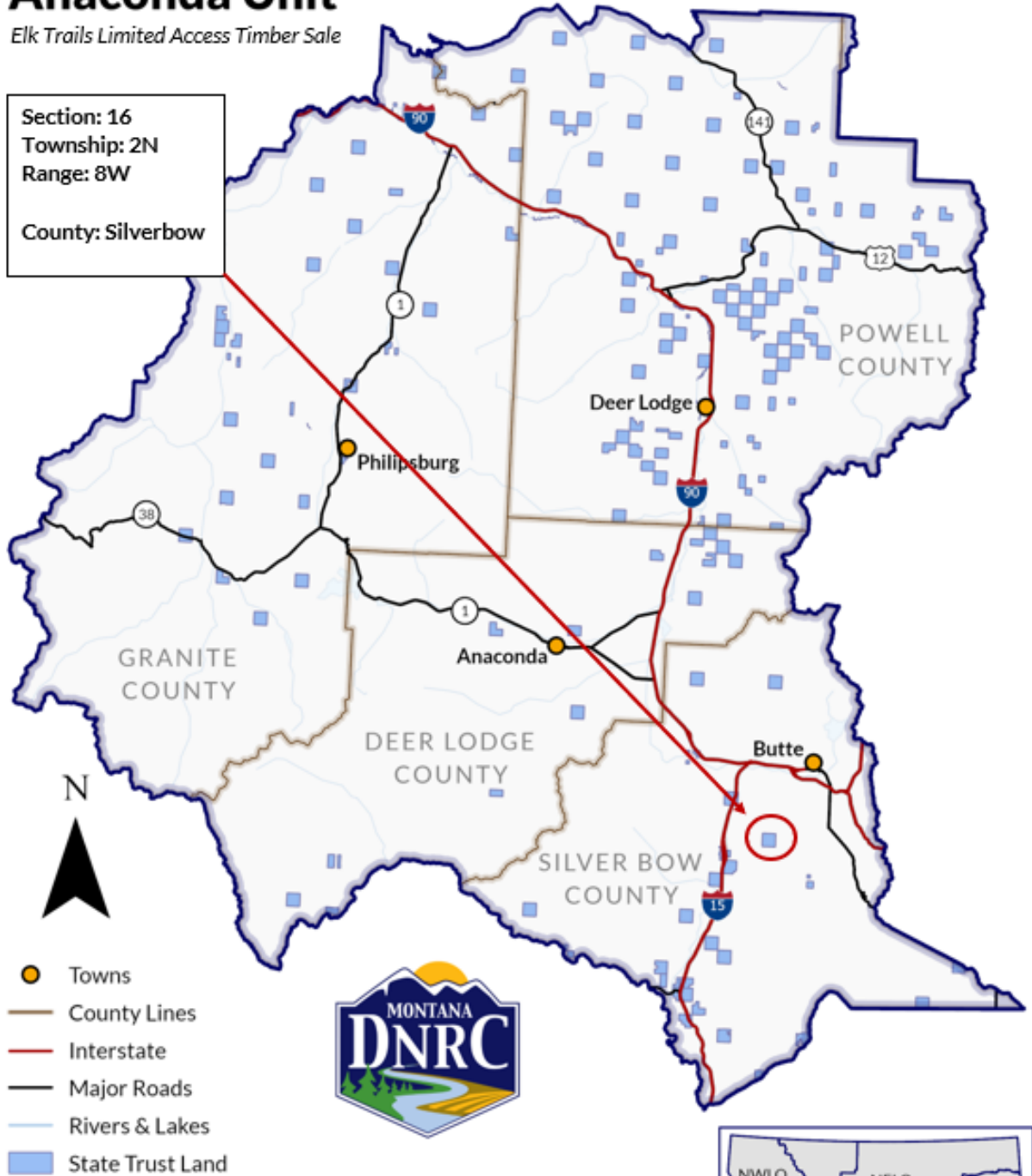
The DNRC recommends that the Land Board direct DNRC to sell the Elk Trail Limited Access Timber Sale.

# State Trust Land Vicinity Map

## Anaconda Unit

*Elk Trails Limited Access Timber Sale*

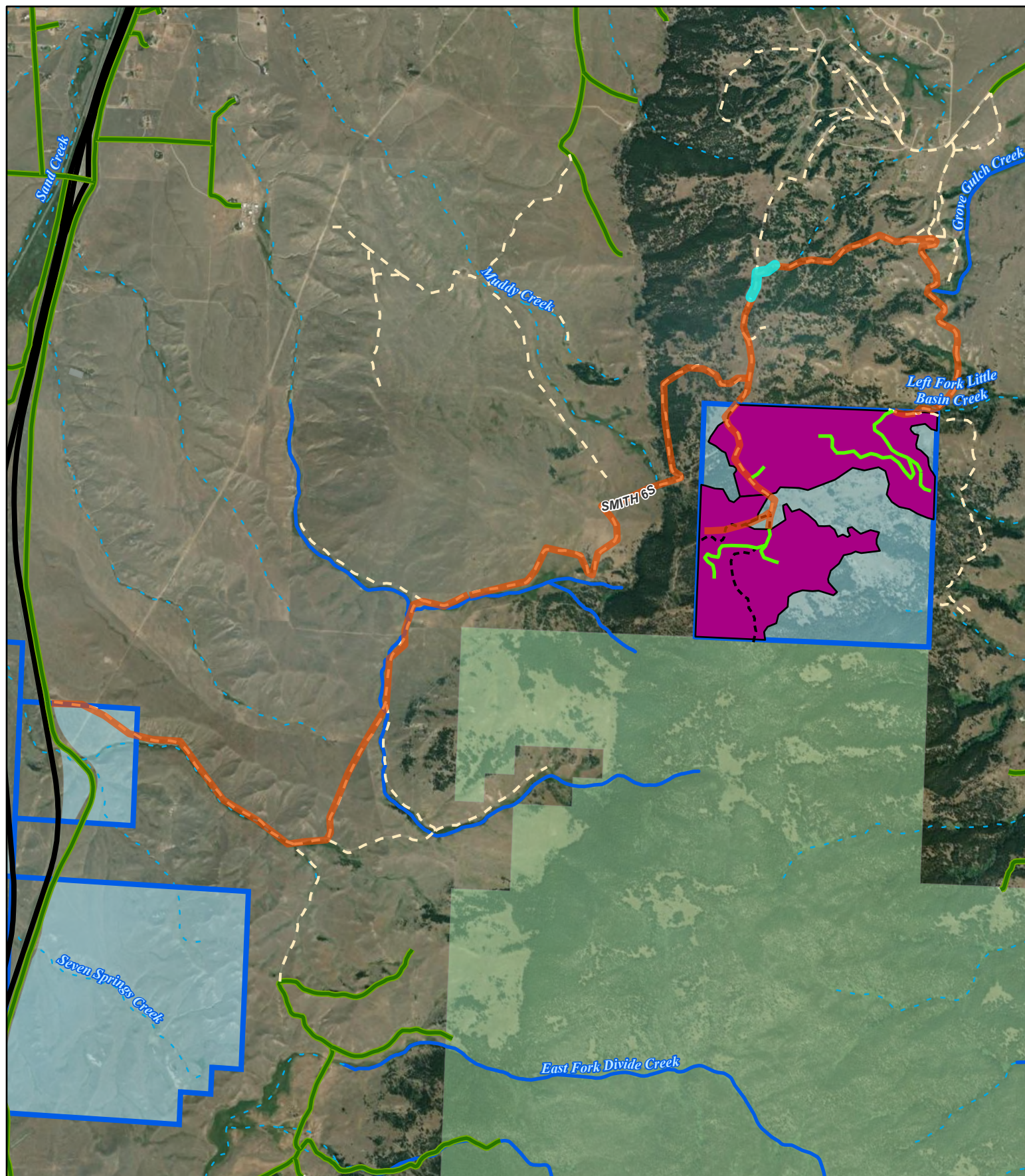
Section: 16  
Township: 2N  
Range: 8W  
  
County: Silverbow



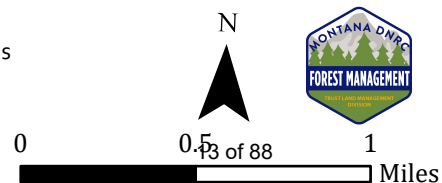
Produced by Montana Department of Natural Resources and Conservation – 2025  
NAD 1983 State Plane



# Elk Trail Limited Access Timber Sale Haul Route and Harvest Units



- |                        |                    |                    |                           |
|------------------------|--------------------|--------------------|---------------------------|
| Haul Route             | Open/Public Roads  | TLMD_SurfaceTracts | US Forest Service         |
| New Road               | Restricted Class A | Streams            | Montana State Trust Lands |
| Highway                | Restricted Class B | Hydrograph         | Local Government          |
| Abandoned or Reclaimed | Perennial          | Intermittent       |                           |
| Harvest Units          |                    |                    |                           |



# 1125-3

CABIN AND HOMESITES:  
FINAL APPROVAL FOR SALE

**Land Board Agenda Item  
November 17, 2025**

**1125-3 Cabin and Homesites: Final Approval for Sale**

**Location: Valley County**

**Trust Beneficiaries: Common Schools**

**Trust Revenue: \$55,000**

**Item Summary:**

The Department of Natural Resources and Conservation (DNRC) is requesting final approval for sale of one (1) home site nominated for sale in Valley County. This sale was nominated by the lessee in conjunction with the 2024-2025 Cabin and Home Site Sales Program.

Sale No.	Acres	Legal Description	Nominator	Trust
2074	12.3±	Tract 1, Valley County COS 493 T30N-R40E, Section 20	Brent, Marvin, Fay Ann, & Leith Shipp and Julie McGinnis	Common Schools

**Background:**

Preliminary Land Board approval was granted in December of 2024 (Approved 4-0) for this site to be included as part of the 2024-2025 Cabin and Home Site Sales Program. The Land Board set the minimum bid for this home site at the appraised land value and the maximum value of compensation for the improvements in July of 2025 (Approved 5-0).

**Cultural/Paleontological Resources:**

Home sites typically contain numerous privately owned structures and the ground surfaces within most home sites have been extensively disturbed over the course of many years of occupation and development.

For State Antiquities Act compliance, a Class I (literature review) level review was conducted by the DNRC staff archaeologist for the area of potential effect (APE). This entailed inspection of project maps, DNRC's sites/site leads database, land use records, General Land Office Survey Plats, and control cards. The Class I search results revealed that no cultural or paleontological resources have been identified in the APE of each homesite boundary. It should be noted that previous Class III level inventories have been conducted in or around many of the tracts proposed for sale. These sales will have no effect to state-owned heritage properties, and no additional archaeological investigative work will be conducted.

**Access/Recreational Use:**

As part of the cabin site sale process, the State will convey any access that it has and can be conveyed to the purchaser of the cabin or home site property. Current cabin/home site access is limited to the lessee and does not provide access or recreational use to the general public.

State lands classified as cabin or home sites are closed to general recreational use by the public in accordance with ARM 36.25.150(1)(a). Therefore, the State is not selling land under the cabin site sale program that the public is permitted to use for recreation. Rather, the funds generated by these sales will go towards purchasing new lands that will have dedicated public access and recreational opportunities.

**Economic Analysis:**

Short term – The average rate of return on this sale parcel is 2.554%. The parcel will continue to receive this return if it remains in state ownership. The income rate of return will likely grow smaller, as average annual value appreciation is greater than the annual rent increase.

Long term – The funds from the sale of this parcel would be combined with other sale funds to purchase replacement lands through DNRC'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 3.17% on acquisitions with income generated from annual lease payments. However, the rates of return on land acquired more recently have been higher at 3.42% for lands acquired within the last ten years.

**Appraised Values of Land and Improvements:**

The Appraisal was prepared by Montana General Certified Appraiser Ernest F. Goettlich V of Northern Acres Appraisal Services, LLC, in Havre, Montana.

Sale No.	Appraised Land Value	Appraised Improvements Value	Final Sale Price
2074	\$55,000	\$375,000	\$55,000

**Sale Price:**

This home site sold at public auction on October 30, 2025. There was one qualified bidder for this sale. The site sold for the final sale price listed above.

**DNRC Recommendation:**

The DNRC recommends the Land Board grant final approval for the sale of this home site at the value shown above.



# Glasgow Remote, Valley County

2547 ft

Sale 2074

24

## Legend

### Sale Status

2024-2025 Sale

Active

### Sold Lots

Sale Year

2006 - 2019

2020 - 2021

2022 - 2023

2024

### Lease Lots

Lease Status

Active

Terminated

Never Been Leased



0 0.07 0.15 0.3 Miles



Trust Lands Cabin Site Sales Map  
Created by REMB Staff April 2024

# 1125-4

## EASEMENTS

A. Easements

B. Amended Easement

**Land Board Agenda Item  
November 17, 2025**

**1125-4A Easements**

**Location: Gallatin, Hill, Madison, Missoula, and Ravalli Counties**

**Trust Beneficiaries: Common Schools, MSU Morrill, and MSU-Eastern/UM-Western**

**Trust Revenue: Common Schools \$29,214, MSU Morrill \$2,640, MSU-Eastern/UM-Western \$1,595**

**Item Table of Contents:**

<b>Applicant</b>	<b>Right-of-Way Purpose</b>	<b>Term</b>	<b>Page(s)</b>
Grizzly Broadband LLC	Fiber Optic Cable	Permanent	TBD
Missoula Electric Cooperative	Electrical Distribution Line	Permanent	TBD
BFW Land Co.	Private Access Easement	Permanent	TBD
Northwestern Energy	Electrical Distribution Line	Permanent	TBD

## **APPLICANTS AND RIGHTS OF WAY INFORMATION**

Applicant:	Grizzly Broadband LLC 222 North 2nd Street Hamilton, MT 59840
Application No.:	19840
R/W Purpose:	a buried fiber optic line
Lessee Agreement:	Needed
Acreage:	0.46
Compensation:	\$2,760.00
Legal Description:	10-foot strip in NE4NE4 and a 10-foot strip through SE4NE4, Sec. 25, Twp. 8N, Rge. 20W, Ravalli County
Trust Beneficiary:	Common Schools

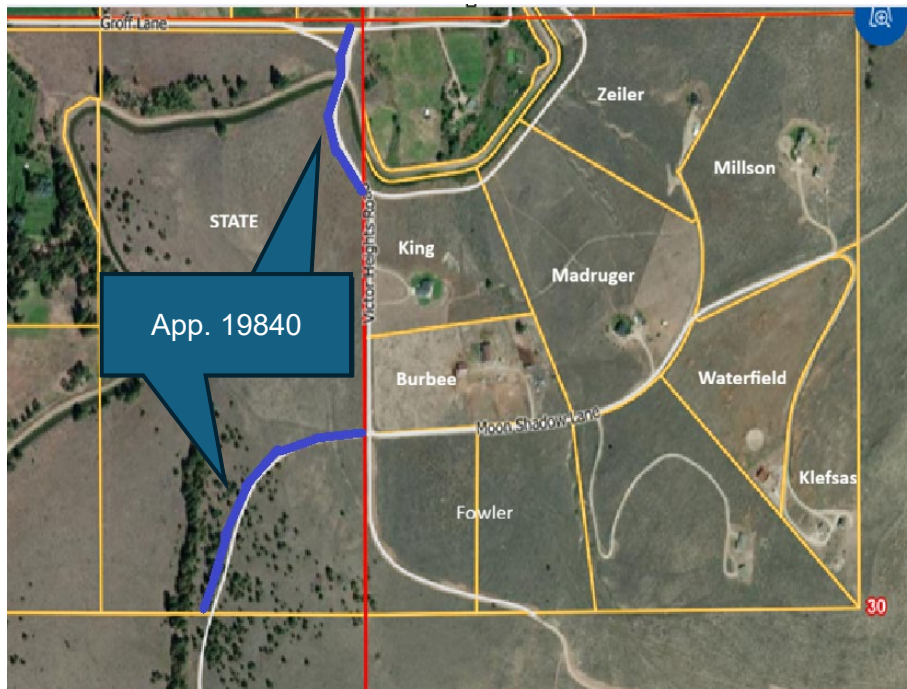
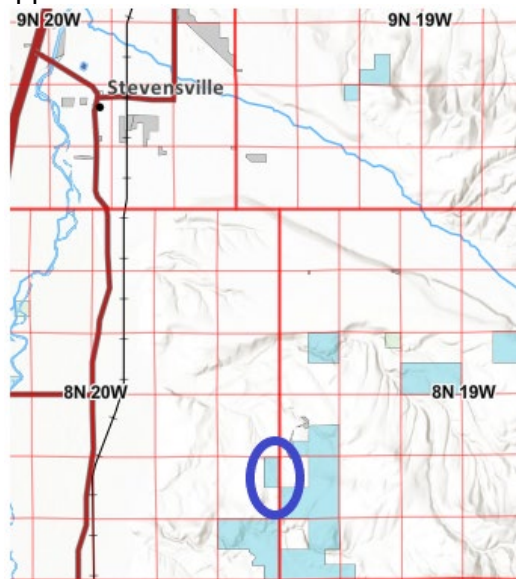
### **Item Summary:**

Grizzly Broadband, LLC is requesting an easement to install a buried fiber optic telecommunications cable within the Bitterroot Valley around the Corvallis, Stevensville, Florence and Victor communities. The line will provide reliable telephone and broadband services to homes and businesses in Ravalli county. The proposed route was chosen in order to follow the existing roadway. Other routes were considered and eliminated for topographical, environmental, and economic reasons.

### **DNRC Recommendation:**

The DNRC recommends approval of the application of Grizzly Broadband LLC.

# Application #19840



## **APPLICANTS AND RIGHTS OF WAY INFORMATION**

Applicant:	Grizzly Broadband LLC 222 North 2nd Street Hamilton, MT 59840
Application No.:	19841
R/W Purpose:	a buried fiber optic line
Lessee Agreement:	Needed
Acreage:	0.66
Compensation:	\$3,960.00
Legal Description:	10-foot strip through NW4NE4 and a 10-foot strip through SE4NE4, Sec. 16, Twp. 10N, Rge. 19W, Ravalli County
Trust Beneficiary:	Common Schools

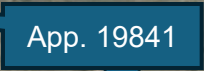
### **Item Summary:**

Continuation of Grizzly Broadband, LLC applications.

### **DNRC Recommendation:**

The DNRC recommends approval of the application of Grizzly Broadband LLC.





## **APPLICANTS AND RIGHTS OF WAY INFORMATION**

Applicant: Grizzly Broadband LLC  
222 North 2nd Street  
Hamilton, MT 59840

Application No.: 19842  
R/W Purpose: a buried fiber optic line  
Lessee Agreement: ok  
Acreage: 0.19  
Compensation: \$1,140.00  
Legal Description: 10-foot strip through NE4NE4, Sec. 18, Twp. 8N, Rge. 19W,  
Ravalli County

Trust Beneficiary: MSU Morrill

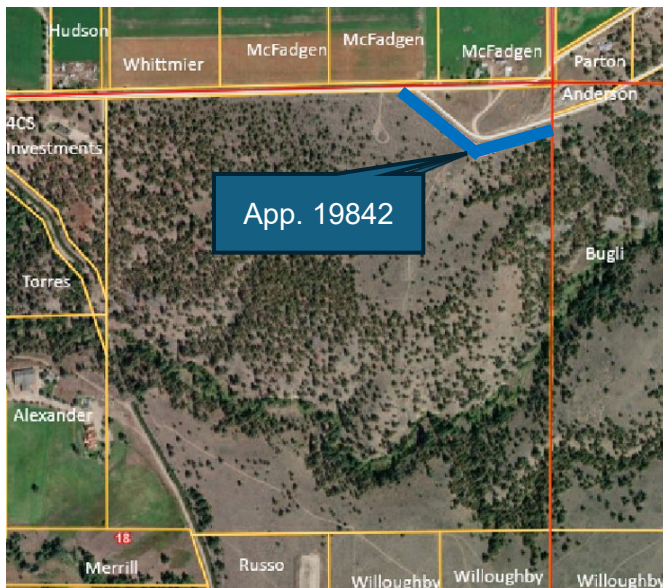
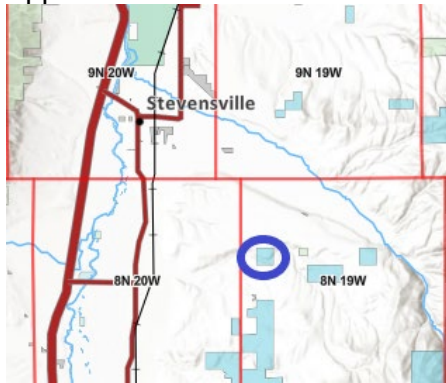
### **Item Summary:**

Continuation of Grizzly Broadband, LLC applications.

### **DNRC Recommendation:**

The DNRC recommends approval of the application of Grizzly Broadband LLC.

# Application #19842



## **APPLICANTS AND RIGHTS OF WAY INFORMATION**

Applicant:	Grizzly Broadband LLC 222 North 2nd Street Hamilton, MT 59840
Application No.:	19843
R/W Purpose:	a buried fiber optic line
Lessee Agreement:	Needed
Acreage:	0.52
Compensation:	\$3,120.00
Legal Description:	10-foot strip through NW4SE4, Sec. 19, Twp. 8N, Rge. 19W, Ravalli County
Trust Beneficiary:	Common Schools

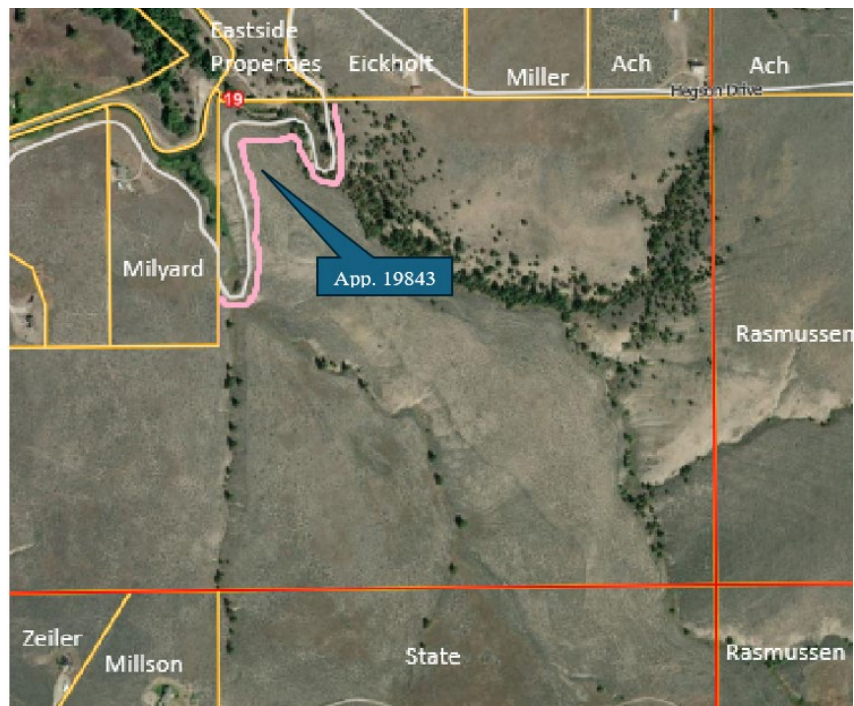
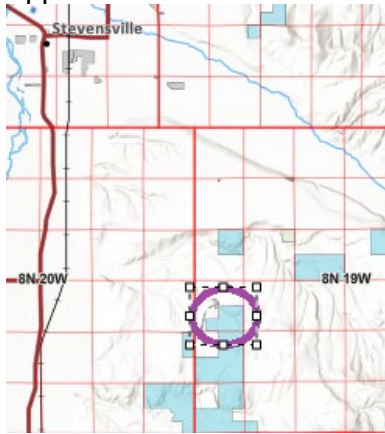
### **Item Summary:**

Continuation of Grizzly Broadband, LLC applications.

### **DNRC Recommendation:**

The DNRC recommends approval of the application of Grizzly Broadband LLC.

# Application #19843



## **APPLICANTS AND RIGHTS OF WAY INFORMATION**

Applicant:	Grizzly Broadband LLC 222 North 2nd Street Hamilton, MT 59840
Application No.:	19844
R/W Purpose:	a buried fiber optic line
Lessee Agreement:	Needed
Acreage:	0.52
Compensation:	\$3,780.00
Legal Description:	10-foot strip through NE4SE4, Sec. 21 and SW4NW4, NW4SW4, Sec. 22, Twp. 10N, Rge. 19W, Ravalli County
Trust Beneficiary:	MSU Morrill and Common Schools

### **Item Summary:**

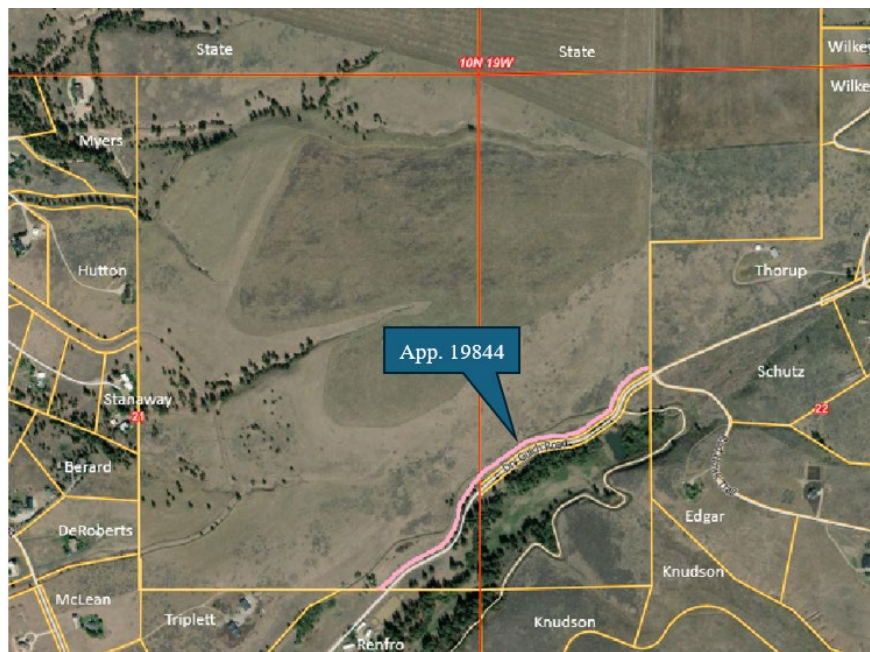
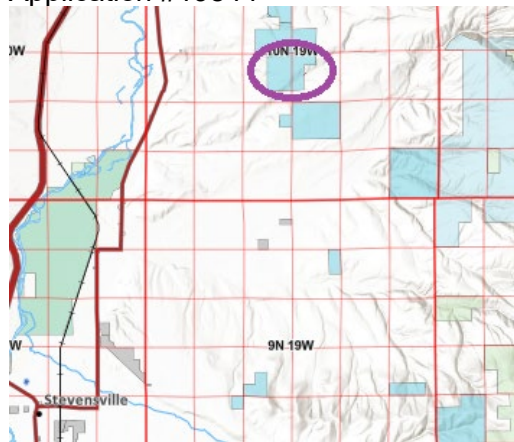
Continuation of Grizzly Broadband, LLC applications.

### **DNRC Recommendation:**

The DNRC recommends approval of the application of Grizzly Broadband LLC.



# Application #19844



## **APPLICANTS AND RIGHTS OF WAY INFORMATION**

Applicant:	Missoula Electric Cooperative 1700 West Broadway Missoula, MT 59808
Application No.:	19868
R/W Purpose:	a buried 15kV electric distribution line
Lessee Agreement:	N/A
Acreage:	0.20
Compensation:	\$200.00
Legal Description:	20-foot strip through SE4SE4, Sec. 26, Twp. 12N, Rge. 16W, Missoula County
Trust Beneficiary:	Common Schools

### **Item Summary:**

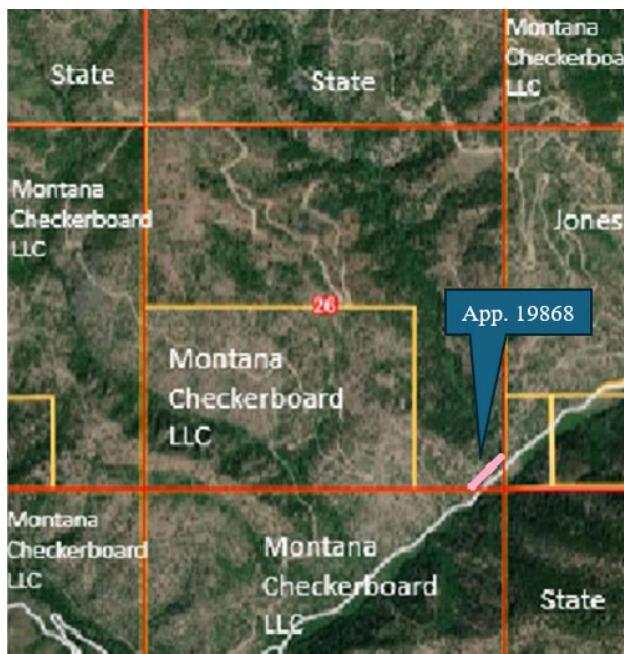
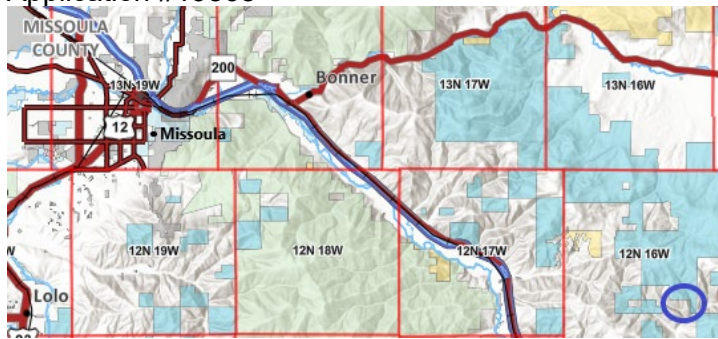
Missoula Electric Cooperative has requested an easement for an existing buried 15kV electric distribution line. The existing line was authorized under an easement granted by BLM in 1975 for a term of 30 years. The affected property was acquired by the State of Montana under the in-lieu selection process in 1983. Missoula Cooperative contacted the State to obtain a historic easement for the existing line as the term easement issued by BLM has now expired.

### **DNRC Recommendation:**

The DNRC recommends approval of the application of Missoula Electric Cooperative.



## Application #19868



## **APPLICANTS AND RIGHTS OF WAY INFORMATION**

Applicant:	BFW Land Co. Box 233 Rudyard, MT 59540
Application No.:	19870
R/W Purpose:	a private access road to conduct normal farming and ranching operations
Lessee Agreement:	N/A
Acreage:	1.80
Compensation:	\$2,209.00
Legal Description:	20-foot strip through E2SE4, E2NE4, Sec. 9, Twp. 37N, Rge. 9E, Hill County
Trust Beneficiary:	Common Schools

### **Item Summary:**

BFW Land Co. is requesting a historic easement for a private access road for the purpose of conducting normal farming and ranching operations. This application is made pursuant to amendments of §77-2-101, MCA for recognition of historic uses across State Trust Land. The State land is legally accesible by a public county road and BFW Land Co. has acquired an easement across the intervening landowner between the State Land and its property.

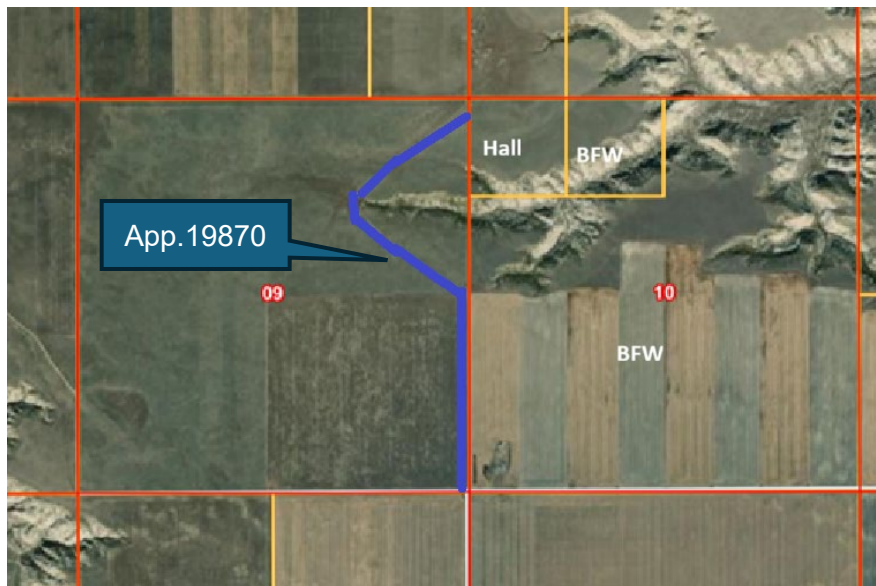
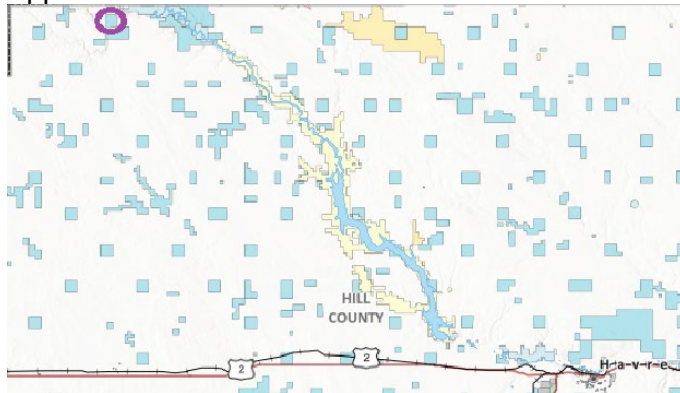
BFW Land Co. private land to be accessed is described as follows:

- NE4NW4, Section 10, Township 37 North, Range 9 East

### **DNRC Recommendation:**

The DNRC recommends approval of the application of BFW Land Co.

Application #19870



## **APPLICANTS AND RIGHTS OF WAY INFORMATION**

Applicant:	Northwestern Energy 11 East Park Street Butte, MT 59701
Application No.:	19872
R/W Purpose:	a buried 7,200/12,470V electrical distribution line
Lessee Agreement:	ok
Acreage:	2.67
Compensation:	\$14,685.00
Legal Description:	30-foot strip through Gov. Lots 2 & 3, Sec. 36, Twp. 2S, Rge. 1E, Madison County
Trust Beneficiary:	Common Schools

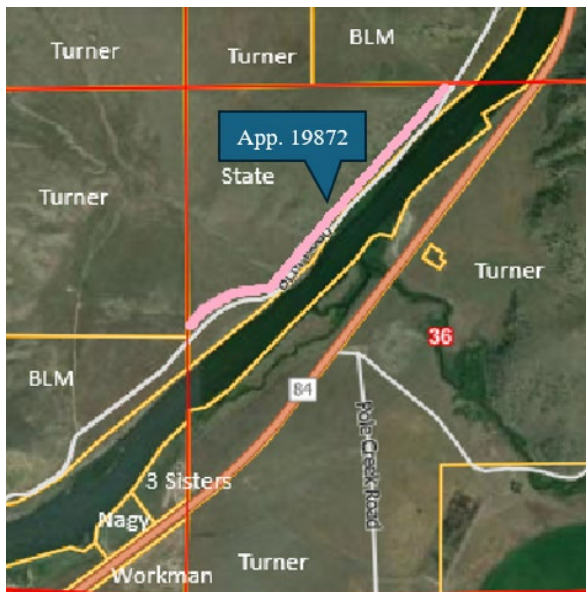
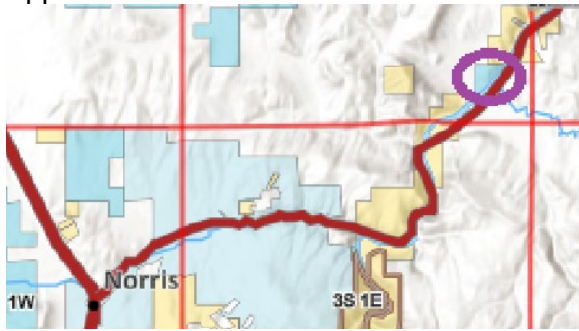
### **Item Summary:**

NorthWestern Energy has requested for a buried 7,200/12,470V electrical distribution line that will supply power to a local customer. Other routes explored involved crossing adjacent private land, however the landowner was not willing to provide an easement for the utility placement. Due to the terrain, the most viable and least impactful corridor was following the existing public road through State Land.

### **DNRC Recommendation:**

The DNRC recommends approval of the application of Northwestern Energy.

Application #19872



## **APPLICANTS AND RIGHTS OF WAY INFORMATION**

Applicant:	Northwestern Energy 11 East Park Street Butte, MT 59701
Application No.:	19873
R/W Purpose:	a buried electrical distribution line
Lessee Agreement:	ok
Acreage:	0.29
Compensation:	\$1,595.00
Legal Description:	30-foot strip through Gov. Lots 5 & 11, Sec. 18, Twp. 2S, Rge. 2E, Gallatin County
Trust Beneficiary:	MSU-Eastern/UM-Western

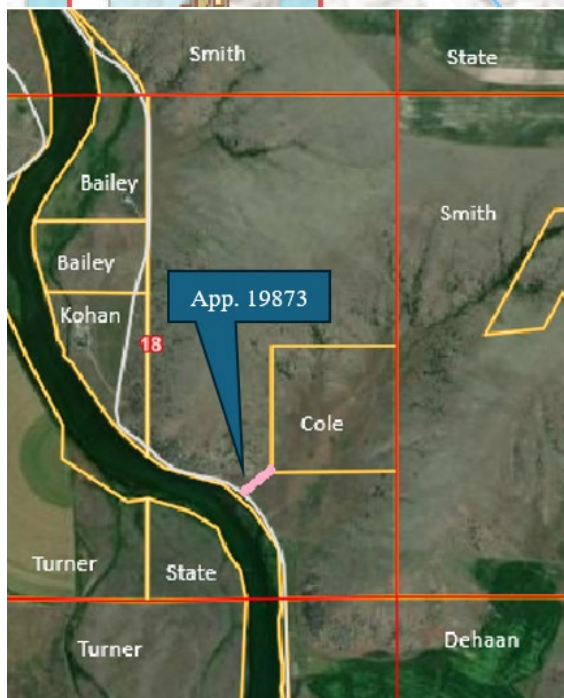
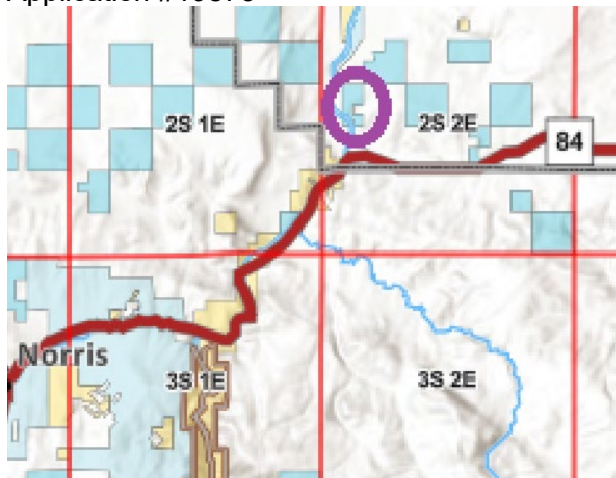
### **Item Summary:**

NorthWestern Energy has requested an easement for an existing buried 7,200/12,470V electric distribution line that will supply electrical power to a customer in Gallatin County. State Land surrounds the customers property on three sides. The corridor for the utility service will follow an existing private driveway easement that was previously issued to the customer. Alternative routes would require navigating difficult terrain through private property including steep hills and valleys.

### **DNRC Recommendation:**

The DNRC recommends approval of the application of Northwestern Energy.

Application #19873



**Land Board Agenda Item  
November 17, 2025**

**1125-4B Amended Easement Exchange Agreement**

**Location: Flathead County**

**Trust Beneficiaries: Montana Tech**

**Trust Revenue: \$10,240**

**Item Summary:**

In September 2022, the Land Board approved the Forrey Creek Easement Exchange with Flathead Ridge Ranch (5-0). During the environmental review, the Department of Natural Resources and Conservation (DNRC) scoped and analyzed alternative routes for shared use. The 2022 approval allowed use of an existing road on State Trust Lands and authorized construction of a new road, which has been completed. The existing road crossed a privately owned 80-acre inholding with an easement granted by the landowner decades earlier. This selected alternative was approved by the Board and easements were exchanged between the State and Flathead Ridge Ranch accordingly.

It was later discovered that the easement across the private inholding was restricted to timber management, but Flathead Ridge Ranch needs expanded access for residential use and utilities. After further discussion with the DNRC, it was determined that building a new road on State Trust Land around the property inholding would benefit both the DNRC and Flathead Ridge Ranch. This additional road construction will provide access to the northwest part of Section 8. Flathead Ridge Ranch will cover all construction costs, saving the State future expenses for timber-sale road work.

The proposed amendment grants Flathead Ridge Ranch a 60-foot-wide road easement for all lawful purposes, including utilities, around the private inholding. Based on new land value calculations, Flathead Ridge Ranch will pay \$10,240 for the amendment. The grant of easement to the State of Montana from Flathead Ridge Ranch under the original exchange remains unchanged.

**DNRC Recommendation:**

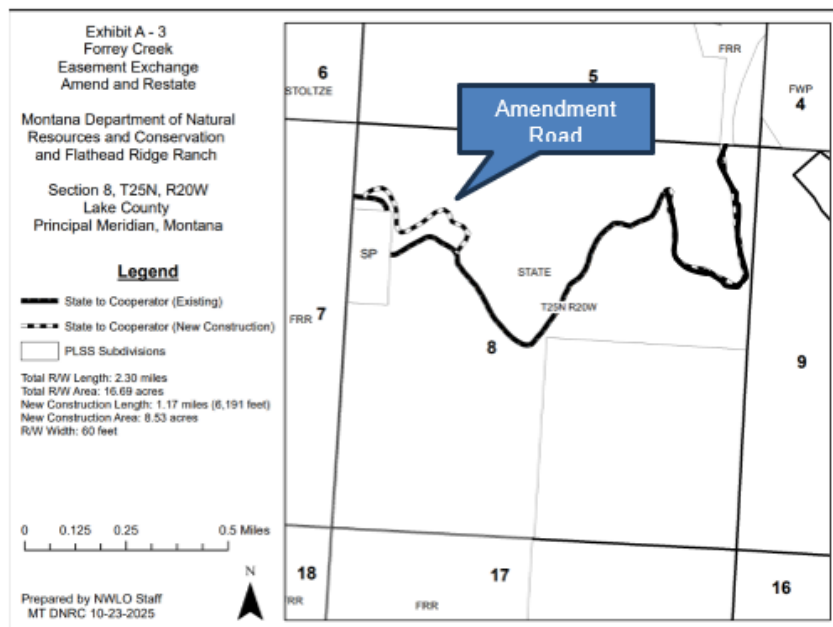
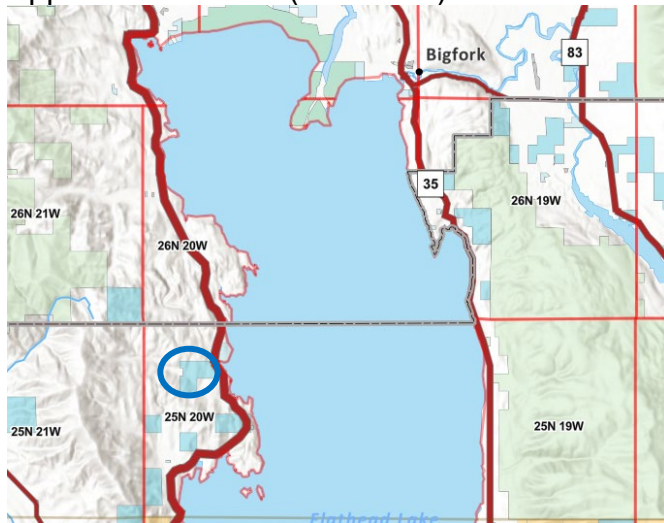
The DNRC recommends approval of the amended easement request for Flathead Ridge Ranch.



Applicant: Flathead Ridge Ranch, LLC  
1500 Solana Blvd.  
Building 4, Suite 4500  
Westlake, TX 76262

Application No.: 19041 (Amended)  
Purpose: private access road for all lawful purposes, including buried utilities  
Lessee Agreement: N/A (Unleased)  
Acreage: 16.69 total (3.24 new acres)  
Legal Description: 60-foot strip through NW4, Sec. 8, Twp. 25N, Rge. 20W,  
Flathead County (addition to existing easement grant)

#### Application #19401 (Amended)



# 1125-5

COMMERCIAL LEASE:  
MORaine PARCEL

**Land Board Agenda Item  
November 17, 2025**

**1125-5 Commercial Lease: Moraine Parcel**

**Location: Flathead County**

**Trust Beneficiaries: Common Schools**

**Trust Revenue: \$145,600**

**Item Summary:**

The Department of Natural Resources and Conservation (DNRC) is requesting approval to issue a long-term commercial lease for development of 25 +/- acres in the City of Kalispell. The property is known as the Moraine Parcel and consists of a portion of the SW1/4 of Section 36, Township 29 North, Range 22 West, in Flathead County.

A Request for Proposals (RFP) for commercial development was released on March 25, 2025, and closed on June 24, 2025. One proposal was received and reviewed by DNRC staff. Based on scoring criteria provided within the RFP, Lariat LLC was selected.

**Proposal:**

- Lariat LLC proposes to lease and develop the Moraine Parcel, 25 acres of state trust land located within the Spring Prairie Planned Unit Development (PUD) in Kalispell.
- The project will provide a 396-unit apartment community consisting of eleven 36-plex buildings.
- The proposal contains voluntary affordability targets with rents projected at 10-15% below market rate, with a focus on workforce housing.
- Lariat LLC has coordinated with both the City of Kalispell, regarding zoning and utilities, and Bonneville Power Administration, regarding the overhead power line easement within the parcel. The project is “shovel ready” and development entitlements will begin immediately upon option to lease execution.
- The subsequent Commercial Lease term is 30 years, with renewal rights up to 99 years.

**Revenue:**

Lease Area	Land Value for Lease Area	Bid for Lease Fee	Bid for Option Fee
25 +/- Acres	\$2,800,000	\$145,600 (5.2% of Land Value)	\$50,000 1 year Option

- Option to Lease Period: One year Option Fee of **\$50,000**. (1.75% of land value)
- Commercial Lease: Annual fee of **\$145,600**, with 3% increase compounded annually.
- Lease Term: Initial term of 30 years, with renewals up to 99 years.
- Market Adjustment: Annual lease fee is reviewed every 15 years using an updated appraisal.

**Base Rent Schedule through First 15 Years:**

Lease Year	Calendar Period	<i>Adjustment Period Escalator</i>	Adjusted Base Rent
1	1 <sup>st</sup> 12 calendar months	0	\$145,600.00
2	March 1 – February 28	3%	\$149,968.00
3	March 1 – February 28	3%	\$154,467.04
4	March 1 – February 28	3%	\$159,101.05
5	March 1 – February 28	3%	\$163,874.08
6	March 1 – February 28	3%	\$168,790.30
7	March 1 – February 28	3%	\$173,854.01
8	March 1 – February 28	3%	\$179,069.63
9	March 1 – February 28	3%	\$184,441.72
10	March 1 – February 28	3%	\$189,975.97
11	March 1 – February 28	3%	\$195,678.25
12	March 1 – February 28	3%	\$201,554.60
13	March 1 – February 28	3%	\$207,611.24
14	March 1 – February 28	3%	\$213,854.58
15	March 1 – February 28	3%	\$220,291.22

**Annual Option Rent:**

Year one option rent: 25 acres under Option x 1.75% land value; \$50,000 for all acres.

**Property Details:**

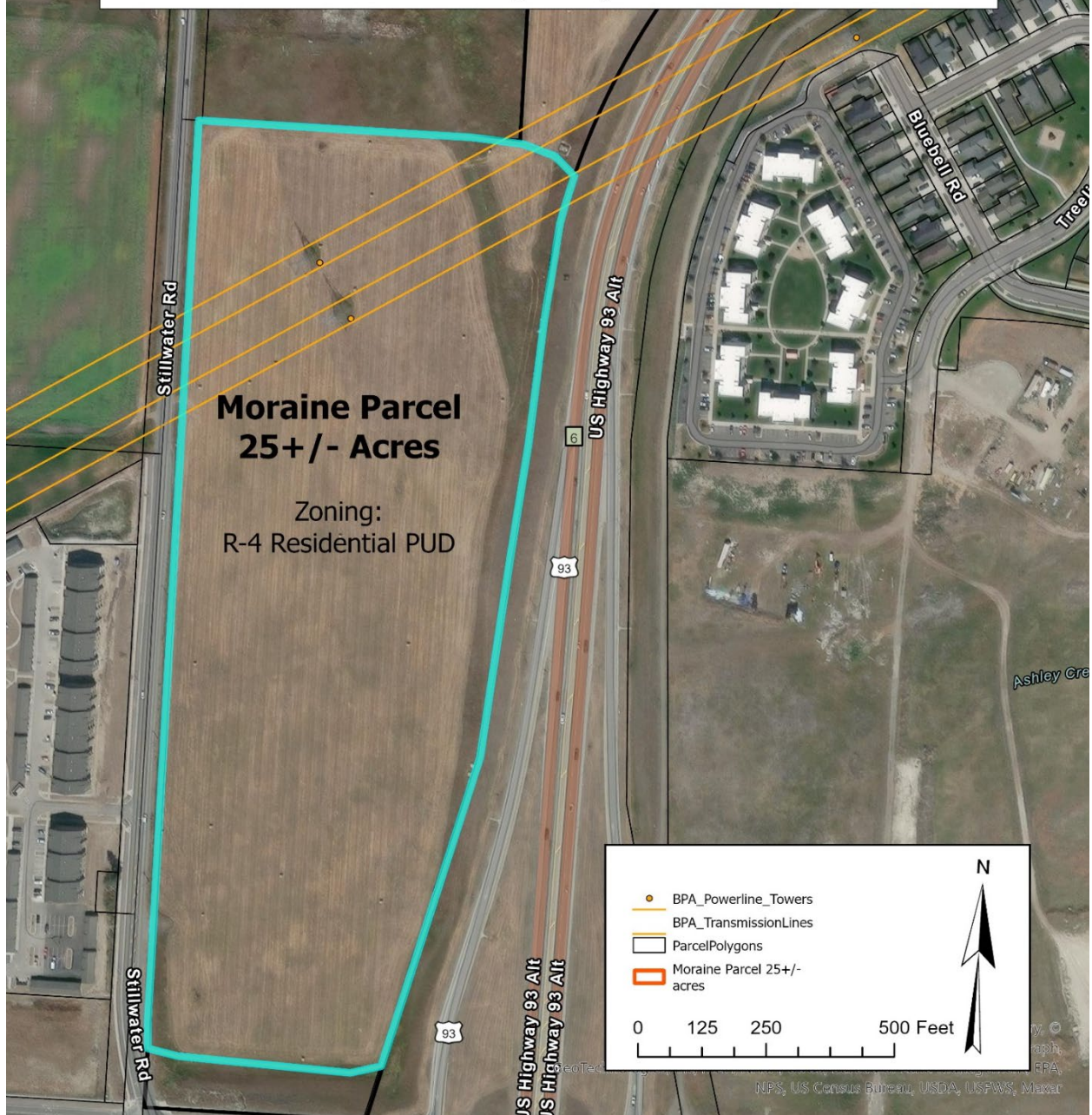
- The Moraine Parcel is within the Spring Prairie PUD located on state trust land in Kalispell. The parcel is located southwest of the Spring Prairie Center, a large commercial shopping development in north Kalispell.
- The property is located in an area experiencing a high level of growth with multiple parcels transitioning from large agriculture and low-density residential use to higher density and mixed-use development. The City of Kalispell recently completed the Westside Sewer Interceptor project that expanded city services to the area.
- The parcel is currently zoned Spring Prairie PUD/R-4 Residential. Use and development of Section 36 is guided by an adopted neighborhood plan that has been integrated into the Kalispell Growth Policy.

**DNRC Recommendation:**

The DNRC recommends that the Land Board approve the issuance of a commercial lease agreement for the Moraine Parcel.

# Moraine Parcel

## Portion of SW1/4 of Section 36, Township 29 North, Range 22 West Kalispell, MT





MONTANA DEPARTMENT OF NATURAL  
RESOURCES & CONSERVATION

**OPTION TO LEASE AGREEMENT #305XXX**

This Option to Lease Agreement, is entered into this [REDACTED] Day of [REDACTED], 2025, by and between the Montana Department of Natural Resources and Conservation, whose address is P.O. Box 201601, Helena, MT 59620 (hereinafter referred to as the “Department”) and

Lariat LLC, whose address is P.O. Box 2760, Bigfork, MT 59911 (hereinafter referred to as the “Optionee”).

**GRANT OF OPTION:** In consideration of an annual payment (“Option Fee”), the Department grants to the Optionee an exclusive option to lease premises described in Exhibit A, (“Premises”) attached hereto upon those terms and conditions as in the form, terms, and conditions of that lease agreement attached hereto as Exhibit B, (“Lease”) and incorporated herein as if fully set forth.

**The Option Fee shall be: \$50,000**

**TERM:** This Option shall remain in effect from the Effective Date until 12 noon Mountain Time on the [REDACTED] Day of [REDACTED], 2026, at which time it will expire and terminate automatically. Subject to the contingency provided herein, Optionee may exercise this Option to Lease and execute a Lease at any time during the Term. If the Option to Lease is exercised prior to the expiration of the Term, rent paid for the unused portion of the Term will be applied to the first-year rental payment of the lease agreement.

The Optionee may terminate this Option to Lease at any time prior to the expiration of the forgoing Term. The Optionee will provide the Department with a written notice of early termination at least thirty

(30) days prior to the intended date of early termination. Upon the Department's receipt of such notice of termination, this Option shall terminate and the Optionee shall be released from all obligations under this Option other than those obligations that expressly survive such termination. Under early termination, Optionee shall not be entitled to any refund of any prepaid payments for the Grant of Option.

**ASSIGNMENT:** Optionee shall not assign its interest under this Option, in whole or as to any part, without Optionor's prior written consent.

**PAYMENT OF SPECIAL ASSESSMENTS AND TAXES:** Optionee will pay all special assessments (i.e. SIDs, RIDs, etc.) and other like impositions levied, assessed, or attributable to the lease premises described in Exhibit “A” during the Term. The Optionee will pay before delinquent, directly to the taxing authority, all Taxes that may accrue during or are attributable to



any part of the Option term, including privilege taxes, also known as beneficial use taxes, per MCA 15-24-1203.

**MANNER OF EXERCISE OF OPTION:** The Optionee may exercise the option granted in the preceding paragraph at any time before the expiration of the option period by giving written notice of exercise of the option to the Department, at the address of the Department set out above. The notice of exercise of the option must specify the date upon which the lease is to commence, and such date must be within the term of the option.

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

**DUE DILIGENCE AUTHORIZED:** All due diligence activities will be coordinated through the Department’s Due Diligence Contacts, and Department consideration as described below will not be unreasonable withheld, conditioned, or delayed. Due Diligence Contacts are:

Kari Nielsen, NWLO Area Land Use Planner  
655 Timberwolf Pkwy, Ste 1  
Kalispell, MT 59901  
[kari.nielsen@mt.gov](mailto:kari.nielsen@mt.gov)

Dave Poukish; Kalispell Unit Manager  
655 Timberwolf Parkway, Ste. 2  
Kalispell, MT 59901  
phone: 406-751-2263  
[dpoukish@mt.gov](mailto:dpoukish@mt.gov)

Through the Option Term, Optionee is permitted to access the Land for the limited purpose of conducting due diligence activities in support of project regulatory approval, in accordance with the following:

**PERMITTED ACTIVITIES:** Data collection, survey, geotechnical sampling and environmental research in support of project design, review and land use regulatory approval.

The Optionee shall obtain prior written approval, not to be unreasonably withheld, from Department for the locations of all geotechnical borings. The boring sites shall be reclaimed pursuant to the Reclamation section listed below.

Optionee shall provide copies of data collection, survey, geotechnical sampling and environmental use reports to the Department, c/o the Kalispell Unit Office, 655 Timberwolf Pkwy, Ste 2, Kalispell, MT 59901.

Subdivision Review (Preliminary Plat approval). Optionee shall submit proposed preliminary subdivision plats, applications, and related documents and drawings to due diligence contacts for review and approval prior to submission to jurisdictional authority, allowing a reasonable time for landowner review and response. Any documents requiring landowner signatures shall be submitted to the Due Diligences Contacts for processing. All expenses of such application and permitting process shall be the sole responsibility of the Optionee. If Optionee fails to execute this Option, all plat-related documents shall be deemed available to the Department to use as needed in future platting activities for the premises.

Any costs or delays incurred in relation to Due Diligence activities is the sole responsibility of the Optionee.

During the Option Term the Optionee will conduct its activities on the Land in a neat and orderly manner and will allow no waste or debris of Optionee to accumulate thereon.

**ACCESS TIMING RESTRICTIONS:** Optionee must notify Department via Due Diligence Contacts prior to accessing the Land during the Option Term. Department reserves the right to restrict or preclude any activity to the extent necessary for environmental concerns, safety, or other land management reasons, provided that Department shall make a good faith effort to ensure that Optionee's due diligence activities are reasonably accommodated during the Option Term.

**EXISTING RIGHTS:** Optionee enters into this Option subject to any leases or other rights existing on the Effective Date, and any easements, agriculture, grazing or mineral rights that that may be conveyed after the Effective Date but prior to Optionee exercising their Option and executing a lease (Future Lease). Should the Department enter into any Future Lease, the Department shall furnish Optionee with a copy. Any Future Lease shall not interfere or compete with Optionee's Permitted Activities.

**WEEDS:** Optionee shall be responsible for controlling all noxious weeds on the Land that were introduced by Optionee's activities thereon.

**RECLAMATION:** Optionee shall take all reasonable precautions to prevent or minimize damage to natural (i.e., vegetation, soil, water, wildlife), and cultural resources on the Land. Optionee shall reclaim any disturbed areas in the Land to the condition such Land was in prior to Optionee's due diligence activities. When any action requires disturbance, all soil materials shall be salvaged, safeguarded from loss due to wind or water erosion or machinery activity, and shall be replaced on all disturbed areas.

**LIABILITIES:** Optionee hereby assumes all responsibility for all claims, damages, and lawsuits that may result from any and all damages, injury or death to persons and/or property that occur upon or about the Land that is caused by or arising out of Optionee's use of the Land. The Optionee further agrees that they will be responsible for any damage caused by Optionee when entering, crossing or leaving state-owned subject land. Montana Department of Natural Resources and Conservation will be named as an additional insured in the policy(ies) providing such liability insurance, which will include cross liability and severability of interest clauses.

**ENVIRONMENTAL REVIEW CONTINGENCY:** All terms of this Option to Lease are contingent upon an environmental review conducted in compliance with the Montana Environmental Policy Act (MEPA), and associated decision document signed by Department. Department will have the sole right to determine whether MEPA compliance shall consist of the completion of an Environmental Assessment (EA) or Environmental Impact Statement (EIS). The Department shall ultimately be responsible for signing a Record of Decision (ROD) or other appropriate decision document. Optionee and Department agree that the final decision for the MEPA may require modifications to the attached lease document to ensure compliance with the MEPA decision. The Department reserves the right to terminate this Option to Lease based on the outcome of a MEPA analysis, if required.

Date: \_\_\_\_\_

STATE OF MONTANA, MONTANA DEPARTMENT  
OF NATURAL RESOURCES AND CONSERVATION

By: \_\_\_\_\_  
Nick Aschenwald  
Area Manager  
Northwestern Land Office

#### ACKNOWLEDGMENT

STATE OF MONTANA  
County of Lewis and Clark

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

\_\_\_\_\_  
(Notary Signature)

[SEAL]

---

Date: \_\_\_\_\_

OPTIONEE

By: \_\_\_\_\_

David Weber

Lariat LLC

Member

**ACKNOWLEDGMENT**

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_, \_\_\_\_\_, by  
\_\_\_\_\_, as \_\_\_\_\_ of Optionee,  
\_\_\_\_\_.

\_\_\_\_\_  
(Notary Signature)

[SEAL]



**LARIAT LLC  
MORAINE PARCEL  
KALISPELL, MONTANA**

**LEASE NO. 305XXXX**

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## COMMERCIAL LEASE

THIS COMMERCIAL LEASE (this “Lease”) is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, (the “Commencement Date”), by and between the **Montana State Board of Land Commissioners**, whose address is P.O. BOX 201601 Helena, MT 59620-1601 (hereinafter referred to as “Lessor”), and \_\_\_\_\_, a Montana company whose address is \_\_\_\_\_ (hereinafter referred to as the “Lessee”).

### 1. LEASE TERMS AND PROPERTY DESCRIPTION

Lease Number	Commencement Date	Term of Lease	Expiration Date
305XXXX	XXXX	30 Years	XXXX

Land Located in Flathead County

Description	Sec.	Twp.	Rge.	Acres
That portion of the SW1/4 depicted on Exhibit “A” attached hereto, to be more specifically identified and described upon final plat approval by the City of Kalispell	36	29 North	22 West	25+/-

### 2. BASE RENT SCHEDULE

Lease Year	Calendar Period	Adjustment Period Escalator	Adjusted Base Rent
1	1 <sup>st</sup> 12 calendar months	0	\$145,600.00
Supplemental Billing period	# months to reach Feb 28	0	\$ XX,XXX
2	March 1 – February 28	3%	\$ 149,968.00
3	March 1 – February 28	3%	\$ 154,467.04
4	March 1 – February 28	3%	\$ 159,101.05
5	March 1 – February 28	3%	\$ 163,874.08
6	March 1 – February 28	3%	\$ 168,790.30
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9	March 1 – February 28	3%	\$ 184,441.72
10	March 1 – February 28	3%	\$ 189,975.97
11	March 1 – February 28	3%	\$ 195,678.25
12	March 1 – February 28	3%	\$ 201,554.60

13	March 1 – February 28	3%	\$ 207,611.24
14	March 1 – February 28	3%	\$ 213,854.58
15	March 1 – February 28	3%	\$ 220,291.22

### 3. **PURPOSE.**

The purpose of this lease is for uses consistent with the R-4 Mixed Residential POD of the Spring Prairie Planned Unit Development on file with the City of Kalispell Planning Office.

### 4. **DEFINITIONS.**

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

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

“Adjustment Period Escalator” is 3% compounded annually and applied to the prior year’s Base Rent as demonstrated in the Base Rent Schedule. The Adjustment Period Escalator will not be applied to Base Rent for the First Lease Year and the first year that any Market Adjustment is applied (i.e. Year 16, 31, 46, 61...etc...).

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

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

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

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

“Default Rate” shall mean 1% compounded monthly.

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

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

“Environmental Laws” means any existing and future Laws relating to, or imposing liability or standards of conduct concerning the protection of human health, the environment or natural resources, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling,

Releases or threatened Releases of Hazardous Substances, including, without limitation, The Comprehensive Environmental Cleanup and Responsibility Act, 75-10-701, et seq., MCA; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601, et seq.; the Clean Air Act, 42 U.S.C. § 7401, et seq.; and the Safe Drinking Water Act, 42 U.S.C. § 300(f), et seq.

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

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

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

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

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

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

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

“Lease Rate Percentage” means 5.2%, as bid in the proposal response. The Lease Rate Percentage is applied to the Land Value to determine the initial Base Rent for the First Lease Year and for the first year after a Market Adjustment. This percentage may not be less than the rate provided in 77-1-905, MCA, and may be modified accordingly as part of a scheduled Market Adjustment.

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

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

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

“Lessee’s Address” means:

Lariat LLC  
P.O. Box 2760  
Bigfork, MT 59911

“Lessor’s Address” means:

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

With a copy to:

Montana Department of Natural Resources and Conservation  
Attn: Kalispell Unit  
655 Timberwolf Parkway, Ste. 2  
Kalispell, MT 59901

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

“Premises” means the Land and all Improvements.

“Qualified 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 and includes with such notice a copy of any Leasehold Mortgage by virtue of which it became a Leasehold Mortgagee.

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

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

“Security Deposit” means a dollar amount equal to \$49,000.

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

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

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



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

“Supplemental Billing Period” means the period of time after the initial full lease year to February 28 of the following year to get on the Department’s normal lease year of March 1 – February 28<sup>th</sup>.

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

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

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

## **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 – Preliminary Site Plan, to be replaced with Final Plat upon City of Kalispell Approval**

**Exhibit B – Market Adjustment Schedule and Provisions**

## **6. LEASE TERM.**

### **6.1 Lease.**

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

### **6.2 Renewal Option.**

If all Rent due under this lease has been paid when due and Lessee is not in default, after opportunity to cure, of any terms of this Lease, Lessee may renew the Lease for an additional 30-year Term and subsequent 30- year Term followed by one 9-year Term, not to exceed 99 years from the commencement date, per Mont. Code Ann. § 77-1-904(1). The Base Rent will be adjusted at renewal according to the process outlined in **Exhibit B**.

### **6.3 Lessor and Lessee Covenants.**

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

### **6.4 Condition of Premises.**

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

## **7. RENT.**

### **7.1 Base Rent.**

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

### **7.2 Terms of Payment.**

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

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

### **7.3 Late Charge.**

Lessee hereby acknowledges that late payment by Lessee to Lessor of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Accordingly, if Lessor does not receive the full amount of any Rent postmarked on or before the due date, Lessee shall pay a late charge to Lessor. The late charge will be an amount equal to 10% of any overdue Rent for Lessor's cost of collecting and handling such late payment due as additional Rent. If payment of the Rent and late charge are not made in full within 30 days of the due date, the outstanding balance of the unpaid Rent and the late fee shall accrue interest at the Default Rate. Interest on all delinquent amounts shall be calculated from the original due date to the date of payment. Lessor retains sole discretion to apply payments received to past due Rent, including any late charge(s) and interest, before applying a payment to current Rent. The parties hereby agree that such late charge represents a fair and reasonable estimate of the cost that Lessor will incur by reason of the late payment by Lessee.

### **7.4 Lien for Unpaid Rent.**

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

### **7.5 Additional Rent.**

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

## **8. IMPROVEMENTS AND ALTERATIONS.**

### **8.1 Improvements and Alterations.**

Lessee shall not construct, install, alter, or demolish and remove, any Utilities or Improvements without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. Lessee is responsible for obtaining all necessary licenses or permits required by any governmental authority to implement the improvement and/or alteration. Lessee is also responsible for conforming to all land use regulations, design, and construction standards of the appropriate jurisdictional authority. Prior to Lessee's submission of subdivision plats to the jurisdictional authority, and allowing for a reasonable turnaround time. Lessee will submit same to Lessor for review and approval. All expenses of securing permits for as

well as constructing, installing, altering, or demolishing any Improvements shall be the sole responsibility of Lessee. Lessee shall at all times comply with all Laws, including any applicable city and state building codes and fire codes. Lessee shall promptly provide the local lease manager at the Kalispell Unit with copies of all project-related applications submitted and licenses/permits secured, as well as pertinent public meeting agendas and staff reports. Lessor will have the right to post notices of non-responsibility or similar notices on the Premises in order to protect the Land against any liens resulting from such work. Upon completion of the initial Improvements for the Premises Lessee shall deliver to Lessor an engineer's certificate for the Premises and, if available, an electronic "as-built" survey of the Premises in both AutoCAD and .pdf format.

## **8.2 Title to Improvements.**

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

## **9. USE AND ENVIRONMENTAL COMPLIANCE.**

### **9.1 Use and Compliance.**

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

### **9.2 Compliance with Title 77 MCA.**

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

### **9.3 Weed Management.**

The Lessee shall be responsible for controlling any noxious weeds on the Lease Premises. The Lessee shall comply with the Montana County Noxious Weed Management Act and any applicable local regulations. The Kalispell Unit may, at its discretion, review/approve the Lessee's methods of weed control.

#### **9.4 Excess Native Materials.**

If site development results in excess native materials (topsoil, fill dirt, boulders, etc.) Lessee must coordinate with Lessor any plans for storage onsite or permanent disposition off-site. Lessor and Lessee agree that any onsite storage and stockpiling shall be temporary in nature. If Lessee seeks to profit from the sale of excess native materials taken from the site, Lessor and Lessee shall negotiate in good faith any appropriate compensation to the trust beneficiary before any sale commences.

#### **9.5 Environmental Matters.**

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

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

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

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

At its sole expense, Lessee will conduct any investigation, study, sampling or testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Substances from the Premises, which are on the Premises as a result of Lessee's activities under the Lease, which must be so removed or cleaned up in accordance with the requirements of any applicable Environmental Laws, to the reasonable satisfaction of a professional environmental consultant selected by Lessor, and in accordance with all such requirements and with orders and directives of all governmental authorities.

#### **9.6 Lessee Indemnity for Environmental Compliance.**

Lessee agrees to defend (with attorneys reasonably satisfactory to Lessor), protect, indemnify and hold harmless Lessor from and against any and all liabilities, obligations (including removal and remedial actions), losses, damages penalties, actions, judgments, suits, claims, costs, expenses and disbursements

(including reasonable attorneys' and consultants' fees and disbursements) of any kind or nature whatsoever that may at any time be incurred by, imposed on or asserted against Lessor directly or indirectly based on, or arising or resulting, in whole or in part, from: (i) the actual or alleged presence of Hazardous Substances on the Premises Released by Lessee or anyone acting by, through or under Lessee in any quantity or manner which violates Environmental Law, or the removal, handling, transportation, disposal or storage of such Hazardous Substances by Lessee or anyone acting by, through or under Lessee; or (ii) any Environmental Claim with respect to Lessee or the Premises resulting from a Release by Lessee or anyone acting by, through or under Lessee regardless of when such indemnified matters arise.

#### **9.7 Survival of Indemnification.**

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

### **10. UTILITIES AND REPAIRS.**

#### **10.1 Installation and Repairs.**

Lessee will install any water, sewer, storm water, electric, communication lines, natural gas lines, roads, sidewalks, and/or any other infrastructure as required for the development of the leased land, subject to the provisions in section 8.1. Lessee will maintain, repair, replace and keep the Premises in reasonably good condition and repair.

#### **10.2 Utilities.**

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

#### **10.3 Sidewalks.**

(a) Maintenance. Lessee agrees to assume full responsibility for maintenance of the bike and pedestrian paths within the project, whether or not any portion of those sidewalks or bike paths were constructed, reconstructed, or repaired in connection with the project. Maintenance shall include all things ordinarily associated with sidewalk and bike and pedestrian path maintenance (including but not limited to, grinding or milling down sidewalk displacements, surface patching, crack sealing, replacing small portions of damaged sidewalk, sweeping, cleaning, washing, the removal of snow, debris and other obstructions or impediments to safe pedestrian travel, and any and all other normally accepted maintenance practices). Lessee will inspect the sidewalks/paths at regular and reasonable intervals, determined solely by Lessee to be adequate, to determine what, if any, maintenance needs to be performed. Lessee shall enforce its contract provisions to recover all costs associated with its maintenance activities from sublessors who lease property adjacent to the sidewalks/paths and/or who receive the benefit of the maintenance performed. Lessee agrees to accomplish maintenance in the future and will not, in the event of later claims or litigation, allege that it was in any way the Lessor's responsibility to maintain them. Lessee will maintain or cause the maintenance of these sidewalks/paths for the life of these sidewalks/paths.

(b) Indemnification. Lessee will protect, indemnify, defend and save harmless Lessor (including its elected officials, employees, agents, and contractors) against and from all claims, liabilities, demands, causes of action, judgments (with any costs and attorney's fees that might be awarded), and losses to them arising in favor of or asserted by any person or entity (including Lessee itself) on account of personal injury, death or damage to property which in any way, in whole or in part, results from, arises out of, involves or is connected to the use of these sidewalks/paths or Lessee's performance or failure to perform future sidewalk/path maintenance (including, but not limited to, its performance or failure to perform regular and reasonable inspections of the sidewalks/paths). Lessee agrees that this indemnification will be fully binding on Lessee, whether it is insured for such claims or not, even if its insurance carrier refuses to be bound by

the indemnification or otherwise fails or declines for any reason whatsoever to defend and indemnify Lessor. Lessee's duty to defend Lessor includes payment or reimbursement of all attorney's fees and costs Lessor incurs, with legal counsel employed or hired by Lessor to be reimbursed at prevailing hourly market rates.

## **11. TAXES.**

### **11.1 Payment of Taxes.**

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

### **11.2 Special Assessments.**

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

### **11.3 Notice and Acknowledgment of Assessments.**

Pursuant to MCA 77-1-911, the lessee shall furnish to the department an officially certified description of all state trust land included within the boundaries of a city or county improvement district and a description and listing of the amount of assessments and charges of every character made against the leasehold interest of the lessee and the leasehold interest of the state, as soon as the assessments or charges are levied. Lessee hereby covenants and warrants to timely pay all charges so assessed. If any such assessment is not paid when due, the nonpayment shall constitute a breach of this lease.

## **12. INSURANCE.**

### **12.1 Acquisition of Insurance Policies.**

Lessee shall, at its sole cost and expense, procure and maintain, or cause to be procured and maintained during the entire Term, the insurance described in this Section 12 issued by an insurance company(ies) licensed to do business in the State of Montana that are reasonably satisfactory to Lessor.

### **12.2 Types of Required Insurance.**

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

a) Liability Insurance. Comprehensive or commercial general liability insurance covering claims arising out of the ownership, operation, maintenance, condition or use of the Premises, for personal and bodily injury and death, and damage to others' property, with limits of not less than **\$1,000,000** for any one accident or occurrence and **\$2,000,000** per aggregate. Pursuant to ARM 36.25.107, Lessor may require insurance limits be modified to meet minimums set forth in Montana statute, Administrative Rule, Policy, or Department of Administration, Risk Management and Tort Defense Guidance, at intervals, according to the Market Adjustment Schedule and at lease renewal. Lessee may obtain some portion of this required coverage in the form of an excess liability policy. Lessor will be named as an additional insured in the policy(ies) providing such liability insurance, which will include cross liability and severability of interests clauses.

b) Umbrella Policy. Upon completion of buildings ready for residential occupancy, and prior to commencement of residential occupancy, Lessee shall, at its sole cost and expense, obtain and maintain in full force and effect a commercial umbrella liability insurance policy with limits of not less than \$2,000,000



per occurrence and in the aggregate. Such policy shall provide coverage in excess of and in addition to Lessee's underlying general liability and any other insurance policies required hereunder.

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

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

### **12.3 Terms of Insurance.**

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

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

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

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

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

### **13. DAMAGE OR DESTRUCTION.**

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

## **14. CONDEMNATION.**

### **14.1 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.

### **14.2 Termination Option on Substantial Taking.**

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

### **14.3 Continuation of Lease.**

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

### **14.4 Awards for Permanent Taking.**

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

### **14.5 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.

## **15. ASSIGNMENT, SUBLETTING AND FINANCING**

### **15.1 Assignment.**

Lessee shall not assign its interest under this Lease, in whole or in part, without Lessor's prior written consent. Such consent shall be determined in Lessor's sole and absolute discretion. Lessor's consent will not be required for any transfer of Lessee's interest under this Lease to a Foreclosure Transferee. Lessor will recognize any Foreclosure Transferee as a substitute Lessee under this Lease and will honor all rights and interest of such substitute Lessee as if the substitute Lessee was the initial Lessee under this Lease and such Foreclosure Transferee shall be bound by the terms and conditions of this Lease. Additionally, if the Foreclosure Transferee is a Qualified 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. If Lessee assigns its rights in this Lease, as permitted pursuant to this Section, and the assignee assumes, in writing, Lessee's obligations hereunder which arise on or after the

date of such assignment, then Lessee shall be relieved of all liabilities hereunder accruing from and after the date of such assignment, but this Lease shall otherwise remain in full force and effect.

### **15.2 Subletting.**

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

### **15.3 Financing.**

a) Lessee's Right to Encumber. Throughout the Term, Lessee may from time to time and without 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 Premises or to secure Lessee's obligations under development, reimbursement or other agreements with governmental or quasi-governmental entities, utility companies or other third parties concerning matters such as sales or property tax abatement or rebate programs, public improvements or utilities.

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

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

### **15.4 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.

## **16. DISPUTE RESOLUTION.**

### **16.1 Issues Subject to Administrative Hearing.**

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

### **16.2 Administrative Hearing Procedure.**

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

## **17. LEASE EXPIRATION.**

### **17.1 Condition at End of Lease.**

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

### **17.2 Holding Over.**

If the Premises are not surrendered on the Expiration Date, Lessee shall immediately indemnify Lessor against loss or liability resulting from the delay by Lessee in so surrendering the Premises, including, without limitation, any claims made by any succeeding Lessee founded on such delay. Should the Lessee remain in possession of the Premises after the Expiration Date or termination without a written agreement providing for the same, Lessee will, at Lessor's option be deemed to be a Lessee from month to month, at a monthly Base Rent, payable in advance, equal to 150% of monthly Base Rent payable during the last full "Lease Year" prior to the Expiration Date or termination of this Lease, and Lessee will be bound by all of the other terms, covenants and agreements of this Lease as the same may apply to a month-to-month tenancy.

## **18. LIENS AND ESTOPPEL CERTIFICATES.**

### **18.1 Liens.**

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

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

## **19. DEFAULTS BY LESSEE AND 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 30 days after written notice from Lessor to Lessee of such failure.

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

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

d) Fraud or Misrepresentation. Lessee's fraud or misrepresentation, or concealment of material facts relating to its issue, which if known would have prevented its issue in the form or to the party issued.

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

## **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, 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 Remedies.**

a) 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, provided that, prior to making any such payment or taking any such action, Lessor notifies Lessee in writing of Lessor's intention to do so and affords Lessee at least 10 days in which to make such payment or take such action. Lessee will pay Lessor, upon written demand, all advances, costs and expenses of Lessor in connection with making any such payment or taking any such action, together with interest at the Default Rate, from the date of payment of any such advances, costs and expenses by Lessor.

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

c) Repossession and Reletting. In the event of a Default by Lessee, Lessor may reenter and take possession of all or any part of the Premises, without additional demand or notice, and repossess the same and expel Lessee and any party claiming by, through or under Lessee, and remove the effects of both, without being liable for prosecution for such action or being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of Rent or right to bring any proceeding for breach of covenants or conditions. No such reentry or taking possession of the Premises by Lessor will be construed as an election by Lessor to terminate this Lease unless a notice of termination is given to Lessee. No notice from Lessor or notice given under a forcible entry and detainer statute or similar Laws will constitute an election by Lessor to terminate this Lease unless such notice specifically so states. Lessor reserves the right, following any reentry or reletting, to exercise its right to terminate this Lease by giving Lessee such notice, in which event the Lease will terminate as specified in such notice. After recovering possession of the Premises, Lessor will use reasonable efforts to relet the Premises on commercially reasonable terms and conditions. Lessor may make such repairs, alterations or improvements as Lessor considers appropriate to accomplish such reletting, and Lessee will reimburse Lessor upon demand for all reasonable costs and expenses, which Lessor may incur in connection with such reletting. Lessor may collect and receive the rents for such reletting but Lessor will in no way be responsible or liable for any inability to relet the Premises or to collect any rent due upon such reletting. Regardless of Lessor's recovery of possession of the Premises, so long as this Lease is not terminated Lessee will continue to pay on the dates specified in this Lease, the Base Rent and other Rent which would be payable if such repossession had not occurred, less a credit for any payments actually received by Lessor through any reletting of the Premises.

d) Receiver. To properly effectuate the recovery of damages and other sums owing from Lessee to Lessor hereunder following a Default by Lessee, Lessor, in conjunction with any dispossession proceeding commenced pursuant to this Lease may seek an appointment of a receiver by a court of competent



jurisdiction to the extent provided for in and compliance with the requirements of Title 25, Chapter 14, Part 2 of the Montana Code Annotated and Rule 66 of the Montana Rules of Civil Procedure, as they may be amended. In no event will Lessor be obligated to post a bond in connection with the appointment of a receiver.

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

## **20. DEFAULTS BY LESSOR AND LESSEE'S REMEDIES.**

### **20.1 Defaults by Lessor.**

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

### **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 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 **\$49,000** Security Deposit, to be held by Lessor without interest. Lessor shall not be required to segregate the Deposit from other funds of Lessor. In the event Lessor assigns or transfers Lessor's interest in this Lease, Lessor shall transfer the Security Deposit to Lessor's successor-in-interest, whereupon Lessor shall be automatically deemed released from all liability in connection with the Security Deposit.

### **21.1 Security Deposit upon the Expiration Date.**

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



### **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 by reason of Lessee's early termination. If the Security Deposit is insufficient to satisfy the damages, reclamation charges and unpaid Rent, Lessor may collect the deficiency from Lessee.

### **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. MISCELLANEOUS**

### **22.1 Notices.**

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

### **22.2 Binding Effect.**

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

### **22.3 Modifications.**

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

### **22.4 Enforcement Expenses.**

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

### **22.5 No Waiver.**

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

**22.6 Captions.**

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

**22.7 Severability.**

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

**22.8 Waiver of Jury Trial.**

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

**22.9 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.

**22.10 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.

**22.11 Reservation of Oil, Gas, and Minerals.**

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

**22.12 Reservation of Rights-Of-Way.**

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

**22.13 Right of Inspection.**

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

**22.14 Reasonableness.**

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

**22.15 Governing Law; Venue and Jurisdiction.**

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

**22.16 Time of Essence.**

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

**22.17 Broker.**

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

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

**LESSEE, Lariat LLC:**

By: \_\_\_\_\_

David Weber, Member

STATE OF \_\_\_\_\_ )  
 ) ss:  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_ by David Weber as authorized signatory of Lariat LLC.

Witness my hand and official seal.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

**LESSOR, STATE OF MONTANA, DNRC:**

By: \_\_\_\_\_

NAME OF DNRC SIGNATORY

TITLE

LAND OFFICE OR DIVISION

STATE OF MONTANA )  
 ) ss:  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_ by NAME OF DNRC SIGNATORY, TITLE LAND OFFICE OR DIVISION, State of Montana,  
DNRC.

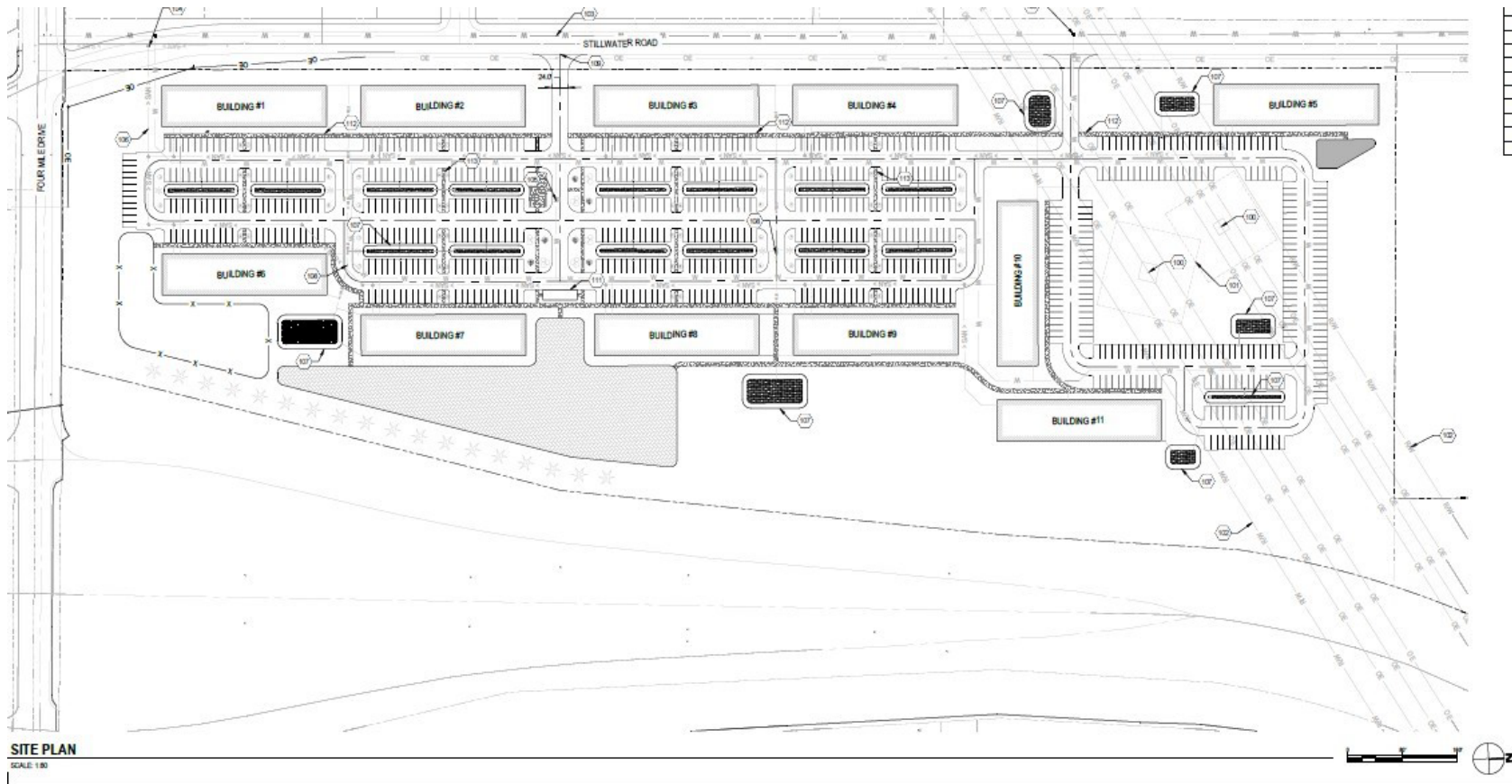
Witness my hand and official seal.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

## EXHIBIT A

**Preliminary Site Plan** (to be replaced with Final Plat upon City of Kalispell Approval)



**EXHIBIT B**  
**MARKET ADJUSTMENT**  
**SCHEDULE AND PROVISIONS**

**MARKET ADJUSTMENT PROVISIONS**

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

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

**SELECTION OF APPRAISERS**

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

**DETERMINATION OF BASE RENT**

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

Lessor Appraisal = \$6.50 per square foot

Lessee Appraisal = \$6.10 per square foot

Land Value= \$6.30 per square foot

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

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

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

The Land Value determined in accordance with the foregoing provisions shall be binding and conclusive on the parties. Base Rent for the land, as adjusted by the Market Adjustment, shall be amount obtained by multiplying the Land Value by a percentage determined in accordance with 77-1-905, MCA, or the rate bid in the lease proposal, whichever is higher.

#### **QUALIFICATIONS OF APPRAISERS; REPLACEMENT**

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

#### **SCOPE OF WORK**

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

#### **BRIEFING SESSION**

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

#### **PAYMENT**

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

MARKET ADJUSTMENT SCHEDULE (to be determined based on proposed and accepted lease terms)

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





# 1125-6

## CABIN SITE LEASE RATE REVIEW

**Land Board Agenda Item  
November 17, 2025**

**1125-6 Cabin Site Lease Rate Review**

**Location:** Beaverhead, Blaine, Broadwater, Cascade, Chouteau, Custer, Daniels, Fallon, Fergus, Flathead, Gallatin, Golden Valley, Hill, Judith Basin, Lake, Lewis & Clark, Lincoln, Madison, Mineral, Missoula, Musselshell, Phillips, Pondera, Powder River, Powell, Prairie, Richland, Rosebud, Sanders, Sheridan, Stillwater, Toole, Valley, Wheatland, Wibaux, and Yellowstone Counties

**Trust Beneficiaries:** Common Schools, Deaf & Blind School, MSU 2nd, MT Tech, Pine Hills, Capitol Buildings, Veterans Home, and MSU Eastern/UM Western

**Trust Revenue:** N/A

**Item Summary:**

Every two years, the Department of Natural Resources and Conservation (DNRC) must present to the Land Board an economist's review of cabin and home site lease rates from all new competitive bids and renewals conducted during the reporting period. This lease rate review requirement was established in September 2015 through a settlement agreement to a civil suit (Montrust III) and subsequent Administrative Rule (ARM 36.25.1014). This is the fifth biennial report presented to the Land Board. Accordingly, the Biennial Cabin Site Lease Rate Review includes data from all cabin site lease bids and renewals within the two-year period between October 2023 and October 2025. Upon review of the biennial report the Land Board may consider whether to revise procedures and/or rental rates for cabin and home site leases.

**Current Lease Rates:**

All rates are applied to the Department of Revenue (DOR) value for the leased land.

**Bidding:**

Cabin site leases on unleased lots are issued through a competitive bidding process, and the bid amount is the first year's lease fee. Initial bidding for any individual lot starts at 6.5% for the first 60 days. If no bids are received the rate may be reduced to 5% for an additional 60 days. For lots located in neighborhoods with vacancy rates over 30%, the bid rate may be reduced further if unsuccessful at 6.5% and 5%. Bid rates may never be reduced to below 3.5% or \$800.

**Renewals:**

Administrative Rule (ARM 36.25.1011) provides for cabin site leases to be renewed with preference right and issued upon expiration without competitive bidding. All renewals are offered at 5%, or \$800, whichever is higher.

**DNRC Recommendation:**

The DNRC recommends continuing to hold minimum bids for vacant sites at 6.5% for a newly vacated lot, followed by a drop to 5% in following rounds of bidding until a new lease is signed. The DNRC also recommends continuing to offer vacant lots in high-vacancy neighborhoods for 4% minimum bid, if no lease is secured at 6.5% or 5%.



# Forestry & Trust Lands

## Cabin Site Lease Rate Review 2025

### Background

The settlement agreement reached in 2015 between MonTrust and the Board of Regents, and the DNRC and MT State Leaseholders Association stipulated that the results of implementing the settlement would be reviewed and considered by the Land Board every two years. In June of 2016, the Department finalized new Administrative Rules (ARM 36.25.1001-36.25.1021) for cabin site leasing implementing the terms of the settlement. All new bidding shall start at 6.5% of the Department of Revenue (DOR) value for the land, and after 60 days, the minimum bid may be reduced to 5%. Additionally, the ARM allows for the minimum bid rate to be further reduced after 60 days of bidding at 5%, for neighborhoods with high vacancy rates (30% or higher).

Table 1. Summary of Bids on Vacant Cabin Sites

Bidding Period	Minimum Bid Rate	Lots Posted	Bids Received	Average Bid Rate	Portion of Posted Lots Receiving Bids	Lots with More Than 1 Bid
Jun-Aug 2016	6.50%	76	6	7%	7.9%	0
Aug-Oct 2016	5.00%	63	2	5.15%	3.2%	0
Dec-Jan 2017	5% or 4.5%	58	5	5.60%	8.6%	0
Mar-May 2017	5% or 4.5%	62	4	4.78%	6.5%	0
Jun-Jul 2017	5% or 4.0%	65	12	4.60%	13.8%	3
Sep-Nov 2017	5% or 4.0%	38	6	4.46%	15.8%	1
Feb-Apr 2018	5% or 4.0%	43	5	4.25%	11.6%	0
July-Aug 2018	5% or 4.0%	37	3	4.36%	8.1%	0
Jan-Mar 2019	5% or 4.0%	32	3	5.99%	9.4%	0
Oct-Dec 2019	5% or 4.0%	34	2	4.00%	5.9%	0
Apr-Jun 2020	5% or 4.0%	34	5	4.52%	14.7%	1
Sept-Nov 2020	5% or 4.0%	28	7	4.64%	21.4%	1
Mar-May 2021	5% or 4.0%	25	23	5.84%	52.0%	8
Oct-Dec 2021	6.5%, 5% or 4.0%	14	11	6.35%	57.0%	2
Feb-Apr 2023	5% or 4.0%	10	4	4.75%	30.0%	1
Aug-Oct 2023	5% or 4.0%	8	1	5.00%	12.5%	0
Mar-May 2024	6.5%, 5% or 4.0%	15	6	6.03%	26%	1
July-Sep 2024	6.5%, 5% or 4.0%	6	3	15.11%	50%	0
May-July 2025	5% or 4.0%	12	8	6.06%	33%	1
<b>Average over 19 Bidding rounds:</b>		<b>35</b>	<b>6</b>	<b>5.67%</b>	<b>18%</b>	<b>Total of 19</b>
~bid rates lower than 5% only set for neighborhoods with >30% vacancy. Lots with no previous bidding cycles set at 6.5%						

## **Implementation**

Upon adoption of the ARM to implement the settlement, DNRC made vacant cabin sites available for bid. The first round of bidding set minimum annual lease rates at 6.5% of the 2014 appraised lot values and opened in June 2016. In all subsequent bid rounds, lots which had not previously been put out for bidding were first offered at a minimum bid rate of 6.5% of the most recent Department of Revenue lot value. Lots which were not successfully bid and leased at the 6.5% minimum bid have been offered at reduced minimum bids set at 5% of the lot value.

In the following rounds of bidding, the minimum bid rate was set at 5% for most sites, however minimum bid rates for sites in high-vacancy neighborhoods (more than 30% of lots vacant) continued at 4%. The rates and results are summarized in Table 1, and more detail is shown in Exhibit A. These bidding cycles spanned roughly nine years, encompassing 116 bids received.

## **Program Vacancy and Competitive Bidding Results**

From October 2023 through October 2025, eight new leases were signed through the bidding process. The eight new leases produced in these three rounds of bidding, out of an average of 11 advertised sites, suggest an annual absorption rate of approximately 36%. Over the same time frame, three existing leases were terminated for non-payment or other reasons.

Active cabin site leases are billed according to four distinct lease types and fee calculation methods. At renewal or the start of a new lease, a financial review occurs after which contracts use the new lease template. The average lease rate across all active leases in 2025, when comparing 2025 contract rent with the DOR appraised values, is 4.0%. Details are shown in Exhibit B, where the newest lease contract is referred to as “Compound Increase.” Two older rent calculation methods are still in effect for older lease contracts, referred to as Alternative 3b and Appraisal methods. The Appraisal method updates the annual contract rent to 5% of the new DOR lot value following every new valuation cycle, which is currently a two-year cycle. Alternative 3b, otherwise known as Alt 3b, created a base rent originating with the 2002 DOR valuation and has an annual rent escalation of between 3.25% and 6.5%. Both of these contract types are being phased out as annual lease expirations allow lessees to sign the newest contract template. There are also twelve leases paying the fixed minimum annual amount of \$800 until the time of renewal, at which time the new lot value may push their calculated rent above \$800 per year.

Table 2. Neighborhood Bidding Summary

Neighborhood	2017 Report			2019 Report			2021 Report			2023 Report			2025 Report		
	Average Bid Received	Average Bid Amount	Count of Bids	Average Bid Received	Average Bid Amount	Count of Bids	Average Bid Received	Average Bid Amount	Count of Bids	Average Bid Received	Average Bid Amount	Count of Bids	Average Bid Received	Average Bid Amount	Count of Bids
Beaver Lake	5.0%	\$8,255	6							5.4%	\$9,810	2	5.27%	\$12,045	5
Central Remote	8.0%	\$12,501	1												
Clearwater River Eastside													9.12%	\$7,878	2
Copper Creek													36.34%	\$15,000	1
E. Flathead Lake – Blue Bay	5.4%	\$2,667	3	5.0%	\$2,467	7	5.2%	\$3,268	7	6.6%	\$4,233	4			
Echo Lake	4.4%	\$11,701	5	5.0%	\$14,730	3	5.7%	\$18,285	7	5.0%	\$14,600	1	8.34%	\$32,479	1
Kalispell Remote	5.1%	\$6,000	1	5.0%	\$7,150	1									
Lincoln Flats	6.2%	\$2,601	2												
McGregor Lake	5.2%	\$15,050	1	4.0%	\$8,471	2	5.2%	\$12,290	18				5.88%	\$20,360	7
Morrell Flats										8.6%	\$2,706	3			
Olney	6.8%	\$2,000	1												
Plains Remote							7.1%	\$2,177	2						
Rogers Lake	5.2%	\$6,410	6	4.1%	\$6,260	4	4.2%	\$7,260	3	4.3%	\$7,615	6	4.01%	\$10,677	3
Stillwater/Libby Remote	6.1%	\$2,235	3												
<b>Grand Total</b>	<b>5.4%</b>	<b>\$6,964</b>	<b>29</b>	<b>4.6%</b>	<b>\$6,505</b>	<b>17</b>	<b>5.3%</b>	<b>\$10,763</b>	<b>37</b>	<b>5.9%</b>	<b>\$6,560</b>	<b>16</b>	<b>7.5%</b>	<b>\$15,685</b>	<b>19</b>

The cumulative results of new competitive bidding since the new leasing rules were established are consistent with the ideal market lease rates identified in past studies of the market for residential lease sites. The most recent study of Montana cabin sites found the true full market lease rate should fall between 4.9% and 8.6% (Bioeconomics 2015.)

Data from non-family transfers of improvements on active leases since the 2015 rate analysis (Bioeconomics, Cabin Site Lease Rate Valuation Analysis: 2015 Addendum to 2011 Report, 2015) were analyzed in previous bidding reports using the same model as the 2015 Bioeconomics report. A wide range of differences are found, with some selling under value and some gaining a profit (Leasehold Value) over the assessed value. The Leasehold Value is used in calculating what a full market lease rate would be. From 2015 – 2017 this implicit lease rate averaged 5.75% and from October 2017 - September 2023 the average implied market lease rate trended upward from 3.62% to over 11% as shown in Table 3 below. Fifteen non-family lease transfers occurred over the current report period of October 2023 – October 2025. The private parties involved did not share improvements sale details with DNRC for most of those lease transfers. The lack of viable valuation data for lease improvements did not provide enough information to replicate the calculation of implicit market lease rates in this biennial report.

Table 3. Implicit Market Lease Rate: Nonfamily lease transfers, October 2017 – October 2023

Year	Average Implied Market Lease Rate	Non-family Transfers of Leases with Improvements
2017 October-December	3.62%	7
2018	6.23%	12
2019 to September	6.52%	15
Oct 2019 – Oct 2021	8.28%	16
Oct 2021 – Oct 2023	11.33%	5
<b>2017-2023 Average/Total</b>	<b>7.2%</b>	<b>55</b>

Table 4 shows a simple comparison of statewide vacancy data from June 2016 to September 2025 and illustrates the growing count of sold lease lots as well as the reduction in vacant lease lots.

Table 4. Total Working Cabin Site Inventory and Sales/Vacancy Rate

	Active	Vacant	Working Inventory	Sold	Vacancy Rate
June 2016	654	106	760	39	13.95%
September 2017	614	98	712	71	13.76%
September 2019	534	83	617	162	13.45%
September 2021	499	64	563	204	11.4%
September 2023	445	52	497	285	10.46%
September 2025	429	45	481	299	9.36%

The effective vacancy rate has hovered near 10% for the last four years with a slow downward trend. Charts 1 and 2 illustrate that the higher vacancy rate over 13% had not resulted in falling revenues through 2018. The continued sale of active lease lots finally reduced leased inventory to the point that annual revenues trended downward from 2019 through 2023, however lease revenues in 2024 and 2025 have finally shown growth.

Chart 1. Cabin Site Inventory and Vacancy

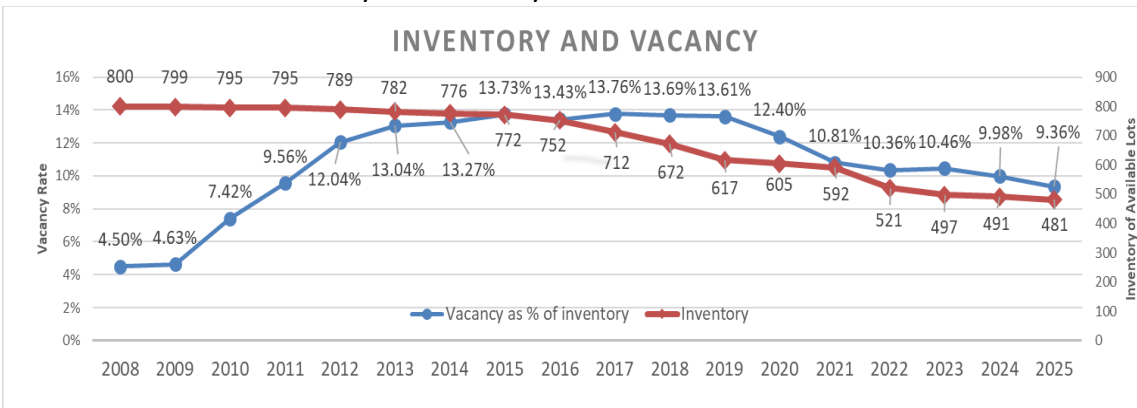
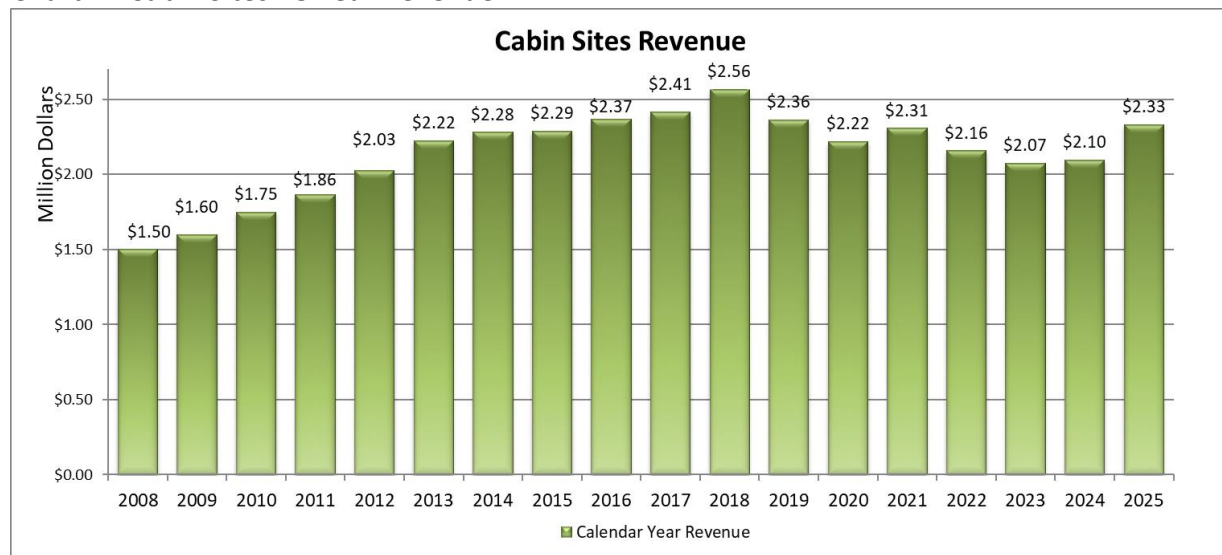




Chart 2. Cabin Sites 18 Year Revenue



During the years prior to the settlement in 2015, competitive bidding occurred with a minimum bid of 5% and relatively few new leases were signed. Litigation led to negotiated rulemaking and a revised bidding process was implemented in 2016. Results from calendar year 2016 through October 2025 are provided in Table 5. While no lots were bid in 2022, six leases were signed in 2022 as a result of the bidding that closed in December 2021. Bidding activity for cabin sites on state land has fluctuated, with the 2025 data through October indicating a stable market at a slowing pace.

Table 5. Competitive Bidding 2016-2025

Bidding Period	Average Bid Received	Competitively Bid Leases Signed
2016	6.22%	8
2017	4.59%	18
2018	4.29%	7
2019	5.19%	3
2020	4.59%	9
2021	6.01%	11
2022	N/A	6
2023	4.80%	2
2024	8.54%	5
2025	6.06%	3
<b>Total over Calendar Years 2016-2025:</b>		<b>72</b>

## Conclusion and Recommendation

The results of competitive bids received (average 7.5% for October 2023 – October 2025, and average 5.66% for the life of the bidding program from 2016 to October 2025) and of sales of improvements through non-family lease transfers (mean implicit market rate of 7.18% over seven years, trending upward in recent years) are indicative of a market for cabin site leasing which can continue to support a 5% or higher lease rate. High vacancy (greater than 30%) neighborhoods persist and there are still vacant sites which have received no bids through several rounds of bidding.

DNRC recommends continuing to hold minimum bids for vacant sites at 6.5% for a newly vacated lot, followed by a drop to 5% in following rounds of bidding until a new lease is signed. DNRC also recommends continuing to offer vacant lots in high-vacancy neighborhoods for 4% minimum bid, if no lease is secured at 6.5% or 5% bid rates.

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## Qualifications

This report was produced by DNRC's Trust Lands Economist, Brett Holzer (MS Applied Economics, Montana State University 2005.) Mr. Holzer has worked in the Real Estate Management Bureau of the Forestry and Trust Lands Division since 2008.

## References

Bioeconomics, I. (2011). *Cabin Site Lease Rate Valuation Analysis*.

Bioeconomics, I. (2015). *Cabin Site Lease Rate Valuation Analysis: 2015 Addendum to 2011 Report*.

**Exhibit A: Results of Competitive Bidding for Cabin Sites**

4%-5%- 6.5% MINIMUM BID RATES based on neighborhood vacancy						
Bidding: Closed May 2024						
Lease Number	Neighborhood	Land Value	Minimum Bid and Rate	Actual Bid Rate	Bid Amount	Improvements
3052258	Rogers Lake - Lot 27	\$276,480	4%; \$11,059.20	4.01%	\$11,100	Yes -- Trust
3052657	Beaver Lake - Lot 14	\$228,400	5%; \$11,420	5.52%	\$12,618	None
			5%; \$11,420	5.44%	\$12,420	
			5%; \$11,420	5.30%	\$12,100	
			5%; \$11,420	5.09%	\$11,620	
			5%; \$11,420	5.02%	\$11,469	
3062990	Clearwater River Eastside - Lot 33	\$88,316	6.5%; \$5,740.54	8.55%	\$7,555	None
3063199	Clearwater River Eastside - Lot 54	\$84,706	6.5%; \$5,505.89	9.68%	\$8,200	None
Average Bid Rate: 6.08%						

4%-5%- 6.5% MINIMUM BID RATES based on neighborhood vacancy						
Bidding: Closed September 2024						
Lease Number	Neighborhood	Land Value	Minimum Bid and Rate	Actual Bid Rate	Bid Amount	Improvements
3050276	McGregor Lake - Lot 10	\$531,600	5%; \$26,580	5.00%	\$26,582	Yes -- Trust
3052328	Rogers Lake - Lot 17	\$246,400	4%; \$9,856	4.00%	\$9,860	Yes -- Trust
3062137	Copper Creek - Lot 1	\$41,280	6.5%; \$2,683	36.34%	\$15,000	Yes -- Private
Average Bid Rate: 15.11%						

4%-5% MINIMUM BID RATES based on neighborhood vacancy						
Bidding: Closed July 2025						
Lease Number	Neighborhood	Land Value	Minimum Bid and Rate	Actual Bid Rate	Bid Amount	Improvements
3051974	Echo Lake - Lot 4	\$389,200	5%; \$25,298	8.34%	\$32,479	None
3052835	Rogers Lake - Lot 3	\$276,800	4%; \$11,072	4.00%	\$11,072	None
3053398	McGregor Lake - Lot 11	\$336,400	5%; \$16,820	6.98%	\$23,479	Yes -- Trust
3052251	McGregor Lake - Lot 6	\$317,200	5%; \$15,860	6.31%	\$20,000	Yes -- Private
	McGregor Lake - Lot 6		5%; \$15,860	6.24%	\$19,780	
	McGregor Lake - Lot 6		5%; \$15,860	5.91%	\$18,754	
	McGregor Lake - Lot 6		5%; \$15,860	5.60%	\$17,763	
	McGregor Lake - Lot 6		5%; \$15,860	5.09%	\$16,160	
Average Bid Rate: 6.06%						

Exhibit B: Summary of DNRC Cabinsite Lot Values and 2025 Rents as a Percent of Lot Value

Land Office / Neighborhood	Billing Method								Total Average 2022 Value	Total 2025 Rent-Avg Percent of Lot Value
	Alt. 3b		Appraisal		Compound Increase		Fixed Amount			
	Average 2022 Value	2025 Rent-Avg Percent of Lot Value	Average 2022 Value	2025 Rent-Avg Percent of Lot Value	Average 2022 Value	2025 Rent-Avg Percent of Lot Value	Average 2022 Value	2025 Rent-Avg Percent of Lot Value		
Central	\$86,132	3.6%			\$246,646	2.7%			\$162,567	3.0%
Central Remote	\$86,132	3.6%			\$246,646	2.7%			\$162,567	3.0%
Eastern	\$10,944	2.6%			\$26,207	8.4%	\$4,079	19.6%	\$13,573	5.6%
Eastern Remote	\$10,944	2.6%			\$26,207	8.4%	\$4,079	19.6%	\$13,573	5.6%
Northeastern	\$29,228	3.5%	\$36,318	5.0%	\$41,083	4.6%	\$20,539	3.9%	\$33,842	4.2%
Northeast Remote	\$29,228	3.5%	\$36,318	5.0%	\$41,083	4.6%	\$20,539	3.9%	\$33,842	4.2%
Northwestern	\$271,066	4.6%	\$71,520	5.0%	\$158,897	3.9%	\$138,700	0.6%	\$166,081	4.0%
Ashley Creek					\$87,120	2.8%			\$87,120	2.8%
Beaver Lake	\$441,960	3.6%			\$278,360	4.2%			\$296,538	4.1%
E Lake Shore - Flathead	\$261,508	5.6%	\$71,520	5.0%	\$204,805	4.9%			\$203,901	5.0%
Echo Lake	\$426,448	3.9%			\$434,188	3.7%			\$432,558	3.8%
Fishtrap Creek	\$42,542	1.6%			\$47,333	3.2%			\$46,135	2.8%
Kalispell Remote	\$120,850	5.3%			\$139,372	3.0%	\$138,700	0.6%	\$136,064	3.2%
Libby Creek					\$56,250	4.7%			\$56,250	4.7%
Mcgregor Lake					\$341,782	4.4%			\$341,782	4.4%
Mudd Creek					\$39,953	4.3%			\$39,953	4.3%
Olney Region					\$65,452	3.5%			\$65,452	3.5%
Plains Remote					\$47,421	3.1%			\$47,421	3.1%
Rogers Lake	\$224,000	7.0%			\$232,622	3.7%			\$231,760	4.0%
Stillwater-Libby Remote					\$67,988	3.5%			\$67,988	3.5%
Thompson Creek					\$32,600	5.1%			\$32,600	5.1%
Southern	\$68,434	4.3%			\$41,407	4.6%	\$2,208	36.2%	\$42,893	4.7%
Southern Remote	\$68,434	4.3%			\$41,407	4.6%	\$2,208	36.2%	\$42,893	4.7%
Southwestern	\$86,774	6.6%			\$122,355	4.2%	\$28,332	2.8%	\$116,817	4.3%
Clearwater River Eastside	\$85,042	3.6%			\$85,901	4.8%			\$85,865	4.8%
Clearwater River Westside	\$83,169	4.8%			\$87,197	5.6%			\$86,190	5.4%
Copper Creek - Lincoln Area	\$42,293	8.4%			\$43,550	5.4%			\$43,340	5.9%
Elbow Lake					\$112,017	6.1%			\$112,017	6.1%
Fish Creek	\$79,671	2.1%			\$57,717	2.2%	\$50,667	1.6%	\$59,026	2.0%
Grant Creek					\$388,179	1.4%			\$388,179	1.4%
Landers Fork					\$93,036	3.2%			\$93,036	3.2%
Lincoln Flats - Lincoln Area					\$43,143	5.5%			\$43,143	5.5%
Morrell Creek West					\$30,729	7.2%	\$19,034	4.2%	\$22,932	5.5%
Morrell Flats					\$82,251	2.7%			\$82,251	2.7%
Placid Lake					\$496,550	3.5%			\$496,550	3.5%
Seeley Lake Development					\$103,579	3.7%			\$103,579	3.7%
Seeley Lake East Outlet	\$136,671	8.0%			\$120,350	4.1%			\$121,982	4.6%
Seeley Lake North					\$88,159	3.2%			\$88,159	3.2%
Seeley Lake West Outlet	\$126,773	7.3%			\$129,139	4.3%			\$128,547	5.1%
Southwest Remote					\$83,978	3.2%	\$2,259	35.4%	\$73,763	3.3%
Sperry Grade	\$92,102	7.3%			\$92,885	5.9%			\$92,671	6.3%
Grand Total	\$101,836	4.7%	\$53,919	5.0%	\$137,951	4.0%	\$31,660	2.5%	\$129,660	4.0%

# 1125-7

APPROVAL TO FILE OBJECTIONS  
ON WATER RIGHTS

**Land Board Agenda Item  
November 17, 2025**

**1125-7 Approval to File Objections on Water Rights (Executive Session)**

**Location: Madison, Stillwater, and Custer Counties**

**Trust Beneficiaries: Common Schools**

**Trust Revenue: N/A**

**Item Summary:**

In the examination of Basins 41C, 42K, and 43C, during the Montana water adjudication process, Department staff identified five statements of claim with at least one point of diversion located off State Trust Land (State Land) and at least one place of use on State Land. The State Board of Land Commissioners (SBLC) is not currently listed as an owner or co-owner on these water rights, even though it appears that a portion of each water right is appurtenant to State Land.

Written notification was provided to water right owners on August 14, 2025. A table summarizing the claims grouped by claim type, owner, land description and supplemental rights is attached.

Pursuant to MCA 2-3-203(4), the Board may go into closed session to discuss litigation strategy in relation to these statements of claim.

**DNRC Recommendation:**

The DNRC recommends the Land Board approve the Department's request and grant the authority to file these objections through the Water Court.

<b>Group</b>	<b>Water Right Number</b>	<b>Source</b>	<b>Total POUs</b>	<b>POUs on TL</b>	<b>TL Acres</b>	<b>Type</b>
1	41C 143530 00	Surface	3	1	N/A	Stock
2	41C 212012 00	Surface	5	1	12.07	Irrigation
3	42K 176179 00	Surface	2	1	N/A	Stock
4	42K 176648 00	Surface	3	1	N/A	Stock
5	43C 114690 00	Surface	3	1	7	Irrigation