

Montana State Legislature

2015 SESSION

ADDITIONAL DOCUMENTS

Business Page

[Signed by Chairman]

Roll Call

Standing Committee Reports

Tabled Bills

Fiscal Reports

Rolls Call Votes

Proxy Forms

Visitor Registrations

***Any other documents, which were submitted after the committee hearing has ended and/or was submitted late [within 48 hours], regarding information in the committee hearing.**

***Witness Statements that were not presented as exhibits.**

Montana Historical Society Archives

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Helena MT 59620-1201

2015 Legislative

E-Document Specialist Susie Hamilton

BUSINESS REPORT

**MONTANA HOUSE OF REPRESENTATIVES
64th LEGISLATURE - REGULAR SESSION**

**HOUSE JOINT APPROPRIATIONS SUBCOMMITTEE ON NATURAL RESOURCES AND
TRANSPORTATION**

Date: Monday, February 9, 2015
Place: Capitol

Time: 10:00 A.M.
Room: 317C

BILLS and RESOLUTIONS HEARD: Committee work session.

EXECUTIVE ACTION TAKEN: None

Comments:



REP. Carl Glimm, Chair



The Big Sky Country

MONTANA HOUSE OF REPRESENTATIVES

NATURAL RESOURCES AND
TRANSPORTATION SUBCOMMITTEE

ROLL CALL

DATE Feb 9, 2015

NAME	PRESENT	ABSENT/EXCUSED
REP. CARL GLIMM, CHAIRMAN	✓	
SEN. JOHN BRENDEN, VICE CHAIRMAN	✗	
REP. NANCY BALLANCE	✗	
REP. JANET ELLIS	✗	
REP. BOB MEHLHOFF	✗	
SEN. JIM KEANE	✗	
SEN. MATT ROSENDALE	✗	

7 MEMBERS



The Big Sky Country

MONTANA HOUSE OF REPRESENTATIVES

VISITORS REGISTER

NAT. RESOURCES SUBCOMMITTEE

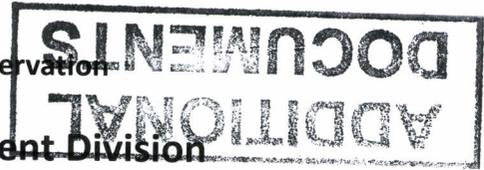
DATE 2/9/15

HEARING SUBJECT: _____

Please leave prepared testimony with secretary.
Witness Statement forms are available if you care to submit written testimony.

PLEASE PRINT PLEASE PRINT PLEASE PRINT PLEASE PRINT

Table with 5 columns: Name, Representing, Support, Oppose, Informt'l. Contains handwritten entries for Patricia Schiltz, Nicole Pallister, Chishu BunkTrun, and Jerry Chamber.



**Conservation and Resource Development Division
 FY 2015 Base Budget to Present Law Adjustment**

CP #2302301 – CARDD Operating Adjustments

	General Fund Total	Total Funds
FY 2016	\$ 80,275	\$ 125,275
FY 2017	\$ 48,132	\$ 93,132

This budget request is for \$125,275 in FY 2016 and \$93,132 in FY 2017 in general fund, state, and federal special revenue for expenses related to the increasing demand for loan and grant programs administered by the division. The financial and technical assistance resources provided to communities across the state and particularly in Eastern Montana continues to demand more of CARDD staff. The major cost drivers are consulting and professional services.

The base appropriation in FY 2015 is \$1,633,161.

CP #2302303 – CARDD Conservation District Administration

	General Fund Total	Total Funds
FY 2016	\$ 50,000	\$ 250,000
FY 2017	\$ 50,000	\$ 250,000

The budget includes \$250,000 per year in general fund and state special revenue to provide additional funding to the Administrative Grant program, assisting conservation districts with expenses associated with the operation of the district.

The base appropriation in FY2015 is \$370,000

The requests in FY 2015 from the Conservation Districts were \$766,000 for Administrative Grants

CP #2302304 - CARDD Conservation District 223 Program

	General Fund Total	Total Funds
FY 2016	\$ 0	\$ 250,000
FY 2017	\$ 0	\$ 250,000

The budget includes \$250,000 per year of state special revenue for the HB 223 (47th Legislature) program. The purpose of the Conservation District Grant 223 program is to provide conservation districts with funding to carry out locally led natural resource conservation projects and programs as authorized by law. Additional funding is needed to respond to flooding, forest fires, and the mitigation of these natural resource events.

The base appropriation in FY2015 is \$304,418

The requests in FY 2015 from the Conservation Districts were \$556,000 for projects.

**Natural Resources and Transportation Subcommittee
February 9, 2015
House Bill 2
Department of Natural Resources and Conservation**

CP #2302306 - CARDD Regional Water Administration

	General Fund Total	Total Funds
FY 2016	\$ 0	\$ 297,500
FY 2017	\$ 0	\$ 297,500

This request is for \$297,500 per year of state special revenue to pay for operating expenses of the Regional Water Board associated with development of the RWS, personal services, communication, travel and other expenses. This request matches funding from the federal U.S. Bureau of Reclamation (USBR) and will help provide the preliminary work to significantly advance the regional water systems. The Dry Prairie and North Central RWS have water plants started. The Dry Red and Central Montana systems will have the largest amount of work to be done on their preliminary development.

The base appropriation in FY 2015 is \$624,000 for the four Regional Water Systems to work with state, federal and local parties.

CP #2302307 – CARDD Loan Appropriation

	General Fund Total	Total Funds
FY 2016	\$ 0	\$ 500,000
FY 2017	\$ 0	\$ 500,000

This budget request is for \$500,000 per year in state special revenue authority for Range Land loans and other loans in the private non-point source loan program. Appropriation authority for loans is necessary to be in compliance with 17-8-101(1), MCA, and Montana Operations Manual accounting Policy 318.

The base appropriation in FY 2015 is \$5,000,000.

With the new starting point, there is an Executive Adjustment in this budget request that reduces the loan appropriation by \$2,441,910. Therefore, the net loan appropriation, if this change package was approved, would be \$3,058,090.

CP #2302308 - CARDD Drinking Water Loan Forgiveness (OTO/RST)

	General Fund Total	Total Funds
FY 2016	\$ 0	\$ 200,000
FY 2017	\$ 0	\$ 200,000

This one-time-only, restricted request restores \$200,000 per year in state special revenue to match federal authority for hardship communities in the Safe Drinking Water program. These funds enable the state to provide local assistance to borrowers in the form of loan forgiveness and are aimed at disadvantaged communities who borrowed from the program and are unable to meet loan obligations.

The base appropriation in FY 2015 is \$200,000.

It is One Time Only (OTO).

We are requesting the funding again because of the OTO status.



MONTANA DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

DIRECTOR'S OFFICE
1625 11TH AVENUE
HELENA, MT 59620-1601
(406) 444-2074
FAX (406) 444-2684

**ADDITIONAL
DOCUMENTS**

TO: Natural Resources & Transportation Subcommittee

FROM: John E. Tubbs, Director

DATE: February 6, 2015

SUBJECT: New DNRC Headquarters-Requested Documents

Per the request by the Natural Resources and Transportation Subcommittee on February 4, 2015, are the attached documents:

1. Lease #3070968 – Commercial Ground Lease
2. Lease #5733 – New DNRC Headquarter Building Lease
3. Lease #5508 – Current DNRC Headquarter Building Leases: FY 1998-FY 2016
4. Legal Notice for Ground Lease
5. Legal Notice for the Request for Proposals (RFP)
6. DOA/GSD RFP Concurrence Check-Off List
7. Environmental Assessment for Ground Lease
8. Department of Administration, General Services Division (DOA/GSD) E-mail of State Building Lease Comparables
9. Rent Expense Table: FY 1998 – FY2014
10. Rent Comparison Table

If you have any question, please feel free to contact me at the above phone number.

Attachment 1
Lease #3070968
Commercial Ground Lease

**ADDITIONAL
DOCUMENTS**

D & M Development, LLC

**COMMERCIAL LEASE
HELENA, MONTANA**

LEASE NO. 3070968

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EXHIBITS

Exhibit A Plat

Exhibit B - Rental Schedule.

COMMERCIAL LEASE

HELENA, MONTANA

THIS COMMERCIAL LEASE (this "Lease") is entered into as of the 15th day of December 2014, (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 D & M Development, LLC, a Montana corporation whose address is 3424 US Hwy 12 E, Helena, MT 59601 (hereinafter referred to as the "Lessee").

1. DEFINITIONS AND EXHIBITS.

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

"Adjusted Base Rent" is the previous year's Base Rent multiplied by the Adjustment Period Escalator.

"Adjustment Period" is a multi-year Lease period as specified in Exhibit B, Rent Schedule during which a calculated Adjustment Period Escalator is applied annually to the prior year's Base Rent.

"Adjustment Period Escalator" is the annual increase to be applied to the previous year's rent amount. For the first twenty years of this lease, the Adjustment Period Escalator is \$900, which is 2% of the Base Rent for the First Lease Year. Thereafter, the Adjustment Period Escalator will be compounded annually at 2% of the prior year's rent.

"Affiliates" means, with respect to any party, any entities or individuals that control, are controlled by, or are under common control with such party, together with its and their respective partners, members, venturers, directors, officers, shareholders, trustees, trustors, beneficiaries, agents, employees and spouses.

"Base Rent" means the amount obtained by (a) multiplying the Land Value by the Lease Area, and (b) multiplying the resulting product 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 effective first date of this lease, as written herein above.

"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% per month.

"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.

"Expiration Date" means the date the Term ends.

"First Lease Year" means the one-year period starting on the Commencement Date and ending on the first occurrence of February 28.

"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 within the lease area consisting of approximately 1 acres located within Section 29 in Township 10 North, Range 3 West, PMM, City of Helena, Lewis and Clark County, Montana, as generally depicted on Exhibit A.

"Land Value" means the full market value of the Lease Area as determined by the applicable appraisal.

"Laws" means, subject to Section 5.2, 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 Area" means the Land as shown and described on Exhibit A.

"Lease Rate Percentage" means the percent of appraised value used to determine the annual rent amount. The initial Base Rent of \$45,000 was set by applying a Lease Rate Percentage of 6.7% to the current appraised value of the parcel. Lease Rate Percentage at renewal and market adjustment periods must not be below the minimum rate set in accordance with MCA 77-1-905.

"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:

D & M Development, LLC
3424 US Hwy 12 E
Helena, MT 59601

"Lessor's Address" means:

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

"Market Adjustment" shall have the meaning and will occur as set forth in Exhibit B, Schedule 1.

"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 Initial Rent, Base Rent, Reduced Rent and all other amounts required to be paid by Lessee under this Lease.

"Security Deposit" means \$15,000 and is further defined in section 18.1.

"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" means a one-time rental for the difference in time between the end of the First Lease Year and the beginning of lease year two. The purpose for the rental period is to facilitate the transition to a standard Lease Year for billing, and contract management purposes. The supplemental billing will be in the amount of the First Lease Year rental and prorated through the first occurrence of February 28.

"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.

"Taxes" means all general ad valorem real and personal property taxes and assessments levied upon or with respect to the Premises or the personal property used in operating the Premises, and all taxes, levies and charges which may be assessed, levied or imposed in addition to, or in replacement of, all or any part of ad valorem real or personal property taxes or assessments as revenue sources, and which in whole or in part are measured or calculated by or based upon the Premises, the leasehold estate of Lessor, Lessee or the Sublessees, or the rents and other charges payable by Lessee or the Sublessees. Taxes will not include any income taxes of Lessor. Taxes shall also include any so-called "beneficial" use taxes imposed by Laws.

"Tax Year" means a 12-month period for which Taxes are assessed by the applicable taxing authority.

"Term" means the duration of this Lease, beginning on the Commencement Date and ending on the Expiration Date, unless terminated earlier or extended further as provided in this Lease.

"Title Company" means a national title company having offices in the state of Montana.

1.2 Exhibits. The Exhibits listed below are attached to and incorporated in 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 - Plat

Exhibit B - Rental Schedule.

2. LEASE TERM.

2.1 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 20 years starting on the Commencement Date.

2.2 Lessee's Renewal Option. Subject to the terms and provisions of this Section 2.2, Lessee, at its option, may renew the Term of this Lease for an additional 20 year term and subsequently additional 20 year terms, (collectively, the "**Renewal Terms**") provided, however, that the last of any such Renewal Terms must terminate no later than a date that is 99 years after the Commencement Date, per MCA 77-1-904(1). The Base Rent will be adjusted at renewal according to the process outlined in Schedule 1 of Exhibit B. To exercise each such option, Lessee must deliver notice of the exercise thereof to Lessor no later than 120 days prior to the expiration of (a) the initial Term as described in section 2.1, in the case of Lessee's option with respect to the first Renewal Term, or (b) the Term as extended by the previously exercised Renewal Term. Should Lessee fail to give said timely notice, Lessor shall give notice to Lessee that the Lease will terminate at the expiration of such Term. Lessee shall have sixty days from the date of such notice to cure and exercise its renewal option.

2.3 Lessor and Lessee Covenants. Lessor covenants 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.

2.4 Quiet Enjoyment. Lessor covenants that during the Term, Lessee will have quiet and peaceful possession of the Premises, subject only to the terms and conditions of this Lease.

2.5 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.

3. RENT.

3.1 Base Rent. Commencing on the Commencement Date, then throughout the Term, Lessee agrees to pay Lessor, without deduction or offset of any kind or prior notice or demand, according to the following provisions. Base Rent during each Lease Year will be payable annually in the amount specified, for such Lease Year, in advance, on or before the first day of March. However, if the Commencement Date is not the first day of a Lease Year or the Term ends on other than the last day of a Lease Year, Base Rent for such Lease Year will be appropriately prorated.

3.2 Terms of Payment. Per MCA 77-1-905 (1) The First Lease Year rental payment for state trust land leased for commercial purposes must be paid by cashier's check, and payment is due upon execution of the lease. Failure to pay the First Lease Year's rental at the time of lease execution must result in the cancellation of the lease and forfeiture of all money paid. The first year rent will be prorated to cover the time between the Commencement Date through the end of February. The lease Year will be March 1st – February 28th. All Rent will be paid to Lessor in lawful money of the United States of America, at Lessor's Address, without notice or demand and without right of deduction, abatement or setoff, or to such other person or at such other place as Lessor may from time to time designate by written notice to Lessee. 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 any installment of Rent is not received by the due date, then, without further notice, Lessee shall pay to Lessor an additional late charge equal to an annual interest rate of 10% on the unpaid and overdue amount. 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.

3.3 Net Lease; Additional Rent. 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 and Lessee will bear all costs and expenses relating to the Premises. Accordingly, Lessee covenants and agrees to pay, in addition to Base Rent, all costs and expenses relating to the Premises which accrue during or are allocable to the Term, including, without limitation: (a) the entire cost of designing, constructing or altering the Improvements; (b) insurance costs; (c) taxes and special assessments; (d) utility charges; and (e) maintenance and repair expenses of the lease land or lessee owned

improvements. This provision shall not be deemed to require Lessee to pay any overhead, supervisory or management costs incurred by Lessor concerning this Lease.

4. IMPROVEMENTS AND ALTERATIONS.

4.1 Lessor's Approvals Under Lease. Lessor has the right to review or approve matters relating to the development, placement, replacement or modification of the Premises by Lessee or the installation, construction, change or alteration of, addition to or removal or demolition of, any Improvements, or the use or enjoyment of the Premises, for any of which a Major Amendment is required to effectuate the change. For purposes of this Section 4.1, "Major Amendment" means an amendment of land use regulations that requires (by applicable Laws in effect as of the Commencement Date) an official vote by the City Council or, if the City Council delegates or is required to delegate by Laws its authority to a commission or other governmental or quasi-governmental authority, an amendment that would have required an official vote by the City Council as of the Commencement Date. Any approval of Lessor hereunder will not be unreasonably withheld.

4.2 Improvements and Alterations. Per MCA 77-1-906 (1) the Lessee shall be solely responsible for the expense of maintenance and operation of the enterprise, business, or venture and all improvements made and constructed in support of any commercial purpose during the term of the Lease. The foregoing sentence shall in no way impose on Lessee any obligation to maintain or operate any public utilities, roads or other infrastructure placed, installed or constructed on the Premises that are owned by a utility company or the public or that have otherwise been dedicated for public use unless the City requires otherwise. Subject to the terms and conditions of Section 4.1, Lessee, may at any time and from time to time during the Term, with the prior consent or approval from Lessor, which consent or approval shall not be unreasonably withheld (except as provided in Section 4.1), cause or permit any Buildings, structures, utilities, roadways or other Improvements to be installed or constructed on, over, under or across the Land or any part thereof and may cause or permit any Improvements now or later installed or constructed on the Land to be changed, altered, added to or removed or demolished in whole or in part. After approval from Lessor has been obtained, Lessee will provide Lessor notice of the commencement of any of the work set forth in the preceding sentence at least 10 business days before the commencement of the same. Such requirement for Lessor approval and of giving notice of commencement of work shall not be required for work conducted solely within any Building or for routine exterior maintenance or repair of any Improvement. Lessee will pay all costs and expenses arising out of the installation, construction, change or alteration of, addition to or removal or demolition of, any Improvements by Lessee and will cause all Improvements to be installed, constructed, changed, altered, added to, removed or demolished in accordance with applicable Laws. Lessor will have the right to post notices of non-responsibility or similar notices on the Premises in order to protect the Premises against any liens resulting from such work. Upon completion of the initial Improvements for the Premises or thereafter at the same time as the City may require the same, Lessee shall deliver to Lessor an engineer's certificate for the Premises and an electronic "as-built" survey of the Premises in both AutoCAD and .pdf format as soon as reasonably practicable.

4.3 Governmental Approvals and Permits. Subject to the terms and conditions of Section 4.1, Lessee will have the right to apply for and secure, in Lessor's name if necessary, such

governmental approvals, permits or other authorizations (including, without limitation, rezonings, master or final site plans, subdivision or P.U.D. plats and agreements, building permits, grading permits, sign permits and certificates of occupancy) as may be necessary or appropriate in connection with the development of the Premises or the installation, construction, change or alteration of, addition to or removal or demolition of, any Improvements, or the use or enjoyment of the Premises. Lessor will fully cooperate with Lessee's efforts to obtain such approvals, permits and other authorizations, including, without limitation, the execution by Lessor of any and all required submissions or applications within 10 days after Lessee submits the same to Lessor. Without limitation on Lessor's obligations set forth above, Lessor may agree to execute a revocable power of attorney appointing Lessee as its true and lawful attorney-in-fact to execute and deliver any such instruments and documents in Lessor's name or Lessee's name or otherwise, consistent with the terms, conditions, and restrictions set out in this Lease. The Lessor, in its sole discretion, shall decide whether such a Power of Attorney shall be issued and shall decide its term. In any event, any such Power of Attorney shall terminate upon the expiration or termination of the Term of this Lease. .

4.4 Title to Improvements. During the Term, Lessee or its designated Sublessees will be deemed to own, and will hold title to, all Improvements and will be entitled to all depreciation deductions, investment tax credits, deductions for taxes and any other tax advantages resulting from the ownership of the Improvements, subject to the Lessor's reversionary interest in the Improvements upon the expiration or termination of the Lease. Lessee, with the consent of Lessor which shall not be unreasonably withheld, shall have the right to grant liens or other security interests in the Improvements. On the expiration or earlier termination of the Term: (a) 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 Montana Code Annotated 77-1-906 (2).

4.5 Utility and Road Infrastructure. Lessee will install water, sewer, stormwater, electric, communication lines, natural gas lines (the "Utility Lines"), and roads (including sidewalks) as required by the City for the development of the Land.

5. USE AND OCCUPANCY.

5.1 Use. Subject to the requirements of Section 4.1, Lessee may make use of the Premises for any and all lawful uses and purposes that are consistent with applicable Laws. Lessee shall maintain the Premises in a clean, orderly and neat fashion, ordinary wear and tear and damage by casualty and condemnation excepted. Lessee shall keep the Premises in good repair and shall not commit waste or permit impairment or deterioration of the Premises, ordinary wear and tear and damage by casualty and condemnation excepted.

5.2 Compliance. Lessee will comply with all Laws applicable to Lessee's use and occupancy of the Premises and will keep and maintain the Premises in compliance with all applicable Laws. Lessee covenants and agrees that Lessee will not modify any document encumbering the Land that will (a) cause Lessee to be in violation of the terms of this Lease, and/or (b) materially increase the financial obligations of Lessor that exist in the documents encumbering the Land as of the date of execution of this Lease. Lessee will have the right, however, to contest or challenge by appropriate proceedings the enforceability of any Law or their

applicability to the Premises or Lessee's use or occupancy thereof provided that Lessee complies with such Law during the pendency of Lessee's contest or challenge of it, so long as Lessee diligently prosecutes the contest or challenge to completion and, in the event Lessee loses the contest or challenge, thereafter continues to abide by and conform to such Law. Lessee agrees to defend (with attorneys reasonably satisfactory to Lessor), protect, indemnify and hold harmless Lessor and its employees, agents, and representatives from and against any and all liabilities, obligations, losses, damages (excluding consequential damages and punitive 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 any of them directly or indirectly based on, or arising or resulting from Lessor joining in any contest permitted under this Section 5.2. Notwithstanding anything contained in this Lease to the contrary, Lessor and Lessee specifically acknowledge and agree that this Lease is specifically subject to the provisions of Title 77 of the Montana Code Annotated. 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.

5.3 Environmental Matters.

(a) Compliance with Environmental Laws. Lessor has made no representations to Lessee concerning the presence of Toxic or Hazardous Substances within the definition of MT Comprehensive Environmental Cleanup and Responsibility Act (CECRA) on the Land. Based upon Lessor's lack of representations, the Lessee agrees as follows:

(i) 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.

(ii) 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.

(iii) 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, Lessor may obtain the same. Lessee hereby grants to Lessor and its agents access to the Premises to undertake such assessment and Lessee shall pay Lessor the cost of such assessment, together with interest thereon at the Default Rate, due on Lessor's 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, and, Lessee hereby grants to Lessor and its agents access to the Premises to undertake such an assessment.

(iv) 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.

(b) Lessee Indemnity. 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 (excluding punitive 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 (collectively, the "Lessee Indemnified Matters"), regardless of when such Indemnified Matters arise.

(c) Survival. The remedial indemnification and reimbursement obligations under this Section 5.3 will survive the expiration or earlier termination of this Lease.

6. UTILITIES AND REPAIRS.

6.1 Utilities. Lessee will pay before delinquency 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 under applicable Laws.

6.2 Repairs. Lessee will maintain, repair, replace and keep any Improvements or landscaping on the Land in reasonably good condition and repair in accordance with all applicable Laws, including necessary repairs to the interior, exterior and structure of any Buildings, mowing of grass and care of shrubs and general landscaping; pay all costs and expenses in connection therewith; and contract for the same in Lessee's own name.

7. TAXES.

7.1 Payment of Taxes. Subject to Section 7.4, Lessee will pay before delinquency, 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.

7.2 Proration at Beginning and End of Term. If the Term begins on other than the first day of a Tax Year or if the Term expires or otherwise terminates on other than the last day of a Tax Year, Taxes for the Tax Year in which the Term begins or ends, as the case may be, will be prorated between Lessor and Lessee, based on the most recent levy and most recent assessment. Such proration will be subsequently adjusted when the actual bills become available for Taxes for the Tax Year for which Taxes were prorated. Any taxes or assessments payable in the first Lease Year prior to the Commencement Date shall be the sole responsibility of Lessor.

7.3 Special Assessments. Lessee will pay all special assessments and other like impositions levied, assessed, or attributable to the Land during the Term; provided, however, that Lessee may pay in installments any such special assessments or like impositions that may be so paid according to applicable Law and, in such event, Lessee will only be required to pay those installments of any such assessments or impositions that become due and payable during the Term.

7.4 Tax Contests. Lessee will have the right to contest any Taxes or special assessments payable by Lessee, provided Lessee (a) provides Lessor with written notice of such contest, and (b) makes timely payment of the contested Taxes or special assessments if the Lessee loses the contest. Lessee agrees to defend (with attorneys reasonably satisfactory to Lessor), protect, indemnify and hold harmless Lessor from and against any and all liabilities, obligations, losses, damages (excluding consequential damages and punitive 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 from Lessee's Tax contest.

8. WAIVERS AND INDEMNITIES; LIABILITY AND CASUALTY INSURANCE.

8.1 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 8, issued by an insurance company or companies licensed to do business in the State of Montana that are reasonably satisfactory to Lessor.

8.2 Types of Required Insurance. Lessee shall procure and maintain, and keep in force and name Lessor as an additional insured, the following during the Term:

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

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

(c) Workers' Compensation Insurance. Workers' compensation (with limits satisfying applicable Laws) covering Lessee's employees, officers, agents and representatives employed at the Premises.

8.3 Terms of Insurance. The policies required under Section 8.2 above, shall name Lessor as 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. If Lessee does not deliver the evidence required by the preceding sentence before taking possession of the Premises, then Lessee will deliver the same within 30 days after taking possession of the Premises. Thereafter, during the Term, within 30 days after the renewal date of each policy, the issuance of a new policy or on such other date as Lessor reasonably requires, Lessee will deliver a copy of the latest Proof to Lessor. Each policy of insurance will require the issuer of the insurance policy to give Lessor 30 days' advance written notice of the termination or modification of the policy. Further, all policies of insurance described in Section 8.2 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.

(d) Any deductibles in excess of \$20,000.00 must be approved to in writing by Lessor.

9. DAMAGE OR DESTRUCTION.

(a) In the event of any Substantial Damage to or destruction of the Property or any Improvements thereon from any causes whatever, Lessee shall promptly give written notice thereof to Lessor. Lessee shall promptly repair or restore the Property 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. All such repair and restoration shall be performed in accordance with the requirements of Section 4 above. Lessee's duty to repair any damage or destruction of the Property or any Improvements shall not be conditioned upon the availability of insurance proceeds. Unless this Lease is so terminated by mutual agreement, there shall be no abatement or reduction in Rent during such 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.

(b) In the event such damage or destruction occurs within the last ten (10) years of the term of this Lease, and if such damage or destruction cannot be substantially repaired within one hundred eighty (180) days, either Lessor or Lessee may elect by written notice to the other, within ninety (90) days after the date of such damage or destruction, to terminate this Lease. If neither Lessor nor Lessee elects to terminate this Lease, Lessee shall repair or restore the Property as nearly as possible to its condition immediately prior to such damage or destruction or construct thereon such other improvements as may be approved by Lessor subject to the provisions of Section 9(a) above. In the event Lessor or Lessee elects to terminate this Lease, the Term of this Lease shall terminate one hundred twenty (120) days after the date of such damage or destruction.

10. CONDEMNATION.

10.1 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.

10.2 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 effective as of the Taking Date, Lessee will surrender the Premises according to Section 13 on or before 30 days after the date of Lessee's notice of termination and all Base Rent and other Rent will be apportioned to the Taking Date, except that Lessee will also pay Lessor for the reasonable value Lessee's occupancy of the Premises, if any, from the Taking Date until the date Lessee so surrenders possession.

10.3 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 Lease Area remaining after the Taking. If a Substantial Taking occurs but Lessee does not exercise its termination option according to Section 10.2, then this Lease will remain in full force and effect according to its terms, except that effective as of the Taking Date: (a) this Lease will terminate automatically as to the portion of the Premises that is the subject of such Taking; and (b) each payment of Base Rent due for any portion of the Term after the Taking Date will be will be adjusted to reflect the reduced Lease Area remaining after the Taking.

10.4 Awards for Permanent Taking. If there is an award, compensation, damages or consideration paid or payable as a result of or in connection with any permanent Taking or condemnation of the Premises, the award will be allocated as follows: First, Lessee will be entitled to the then current value of the Improvements placed by the Lessee upon the Premises and the net present value of the Lessee's interest in the unexpired Term of the Lease (including any Renewal Terms), net of the current value of the reversionary interest in favor of Lessor. Second, Lessor will be entitled to the value of the Land comprising the Premises (giving due effect to the Rent income in favor of Lessor hereunder, as if this Lease had not been terminated) and the value of Lessor's reversionary interest in the Improvements. Third, Lessee will be entitled to loss of fixtures that Lessee is entitled to remove pursuant to the terms hereof, to the extent it is a separate measure of damages in the condemnation award. Fourth, Lessor will be entitled to any other portion of the award not allocated pursuant to the foregoing provisions.

10.5 Award for Temporary Taking. If all or any portion of the Premises shall be taken for temporary use or occupancy (a "Temporary Taking"), the foregoing provisions of paragraph 10.4 shall not apply and the Lessee shall continue to pay, the full amount of rent and, except only to the extent that Lessee may be prevented from so doing pursuant to the terms of any order of the condemning authority, 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. In the event of a Temporary Taking, Lessee shall be entitled to receive the entire amount of the condemnation award made for such taking (the "Temporary Taking Award"), unless the period of temporary use or occupancy shall extend beyond the Expiration Date in which case the Temporary Taking Award shall be apportioned between the Lessor and the Lessee as of the Expiration Date.

11. ASSIGNMENT, SUBLETTING AND FINANCING.

11.1 Assignment. Throughout the Term, Lessee may from time to time, with Lessor's prior written consent, assign in whole or in part, to a qualified Lessee, its interest under this Lease, such consent not to be unreasonably withheld. 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 11.1, 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.

11.2 Subletting. Throughout the Term, Lessee may from time to time, with Lessor's prior written consent, sublet all or portions of the Premises. No sublease shall be legal until a copy thereof has been filed with the Lessor and approved by the Director of the Montana Department of Natural Resources and Conservation, such approval not to be unreasonably withheld

11.3 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.

11.4 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.

12. DISPUTE RESOLUTION.

12.1 Issues Subject to Administrative Hearing. Any controversy which may arise between Lessor and Lessee regarding the provisions hereof, including any amount of insurance to be maintained by Lessee, the allocation of any condemnation award, the degree of damage or destruction suffered by the Premises, shall be resolved by an administrative contested case hearing before the Lessor under the Montana Administrative Procedures Act.

12.2 Expert valuation for real property value disputes. In the case of issues relating to the determination of values of real property, the Lessor and the Lessee each agree to submit testimony and evidence prepared by a real estate appraiser who has a professional designation as an "MAI" or "SREA," or a member of a similarly recognized professional organization with at least five (5) years experience with the type of real estate at issue, in the area in which the Property is located.

12.3 Administrative Hearing Procedure. All administrative hearings hereunder shall be conducted in the offices of the Lessor 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 Lessor's Director. The Lessee may, as permitted by the Lessor's administrative rules, petition for judicial review of the final administrative decision of the Lessor. 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.

13. LEASE EXPIRATION.

13.1 Condition at End of Lease. Upon vacating the Premises on the Expiration Date, Lessee shall leave the Premises in the state of repair and cleanliness required to be maintained by Lessee during the Term of this Lease and shall peaceably surrender the same to Lessor.

13.2 Lessee Shall Yield Premises. The Lessee shall upon the termination of this Lease peaceably yield up and surrender the possession of the Land to the Lessor or its agents or to subsequent Lessees or grantees for any cause.

13.3 Holding Over. 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.

14. LIENS AND ESTOPPEL CERTIFICATES.

14.1 Liens. Lessee will not allow to be recorded, filed, claimed or asserted against the Premises any mechanic's lien for supplies, machinery, tools, equipment, labor or material contracted for, by, through or under such party and furnished or used in connection with any construction, development, alteration, improvement, addition to, demolition of or repair to or maintenance of any Building or other Improvement, or any lien for delinquent taxes, judgment lien or other involuntary lien of any nature arising by, through or under such party, and if the Lessee causes or permits any such lien to be so recorded, filed, claimed or asserted, the Lessee will cause the same to be released or discharged within 90 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, including reasonable attorneys' fees, 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. The provisions of this Section 14.1 are subject in all respects to those set forth in Section 14.2 below.

14.2 Lien Contests. If Lessee has a good faith dispute as to any lien for which Lessee is responsible according to Section 14.1 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. So long as Lessee is acting in conformity with this Section 14.2, Lessor will have no right to exercise its remedies under Section 14.1.

14.3 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, if Lessor is the requesting party, by any prospective purchaser of Lessor's reversionary interest in the Premises, or if Lessee is the requesting party, by any present or prospective Leasehold Mortgagee, Sublessee or assignee of Lessee's interest under this Lease.

15. DEFAULTS BY LESSEE AND LESSOR'S REMEDIES.

15.1 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 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. Any non-payment or failure to pay debts and financial obligations can be grounds to cancel this Lease pursuant to this Section 15.1(b). Financial obligations include, taxes, insurance, environmental bonding, utilities and other expenses directly attributable to the Premises.

(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 90 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) Cancellation. Subject to the provisions of this Lease, the Lessor shall have the power and authority in its reasonable discretion to cancel a Lease for any of the following causes: (1) for fraud or misrepresentation, or for concealment of material facts relating to its issue, which if known would have prevented its issue in the form or to the party issued (as finally determined by a final judicial or administrative order); (2) for using the Land for other purposes than those authorized by this Lease and failing to remedy such unauthorized use within 30 days after written notice of such unauthorized use delivered to Lessee by Lessor. Such cancellation shall not entitle the Lessee to any refund of rentals paid or exemption from the payment of any rents, penalties or other compensation due the State. If any part of the Land or Premises is used or allowed or permitted to be used for any purpose contrary to the laws of this State, and of the United States, such unlawful use shall in the discretion of the Lessor constitute sufficient reason for the cancellation of the Lease, but only after Lessor has given Lessee written notice of the alleged unlawful use and Lessee fails to remedy or cure the unlawful use within 30 days. Lease cancellation is subject to appeal as provided in Section 12.3 above.

15.2 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.

(a) Cure by Lessor. Where there is 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, including reasonable attorney's fees, together with interest at the annual rate of 10%, from the date of payment of any such advances, costs and expenses by Lessor.

(b) Termination of Lease. Where there is 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. Where there is 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 such intention 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, including reasonable attorneys' fees, which Lessor may incur in connection with such reletting. Lessor may collect and receive the rents for such reletting but Lessor will in no way be responsible or liable for any inability to relet the Premises or to collect any rent due upon such reletting. Regardless of Lessor's recovery of possession of the Premises, so long as this Lease is not terminated Lessee will continue to pay on the dates specified in this Lease, the Base Rent and other Rent which would be payable if such repossession had not occurred, less a credit for any payments actually received by Lessor through any reletting of the Premises. However, in no event shall Lessee be responsible

for the continuing payment of Base Rent or any other charges under this Lease for a period in excess of three years after Lessor's repossession 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.

16. DEFAULTS BY LESSOR AND LESSEE'S REMEDIES.

16.1 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, 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; provided, however, that any such cure period will terminate at such time, if ever, as the subject breach or failure to comply results in an actual or constructive eviction of Lessee.

16.2 Lessee's Remedies. Time is of the essence. If any Default by Lessor occurs, Lessee will have the right, at Lessee'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 Lessee at law or in equity.

(a) Cure by Lessee. 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.

(b) Damages. Without limiting remedies available to Lessee at law, in equity or pursuant to this Lease, and regardless of whether this Lease is terminated, Lessee may commence and pursue any lawful action in a contested case proceeding before the Lessor under 2-4-101 MCA, et. seq., the Montana Administrative Procedures Act, to recover such damages as may be allowable as a result of or in connection with the Default by Lessor.

17. LESSEE'S RIGHT TO TERMINATE LEASE ON SPECIFIED CONDITIONS.

17.1 Failure to Obtain Necessary Approvals. In the event that the City does not approve the subdivision of the Land or Lessee is unable to obtain any permits or approvals necessary for the construction of the contemplated Improvements or operation of the business to be conducted on the Premises, the Lessee shall have the right, in its sole discretion, to terminate this Lease upon 10 days written notice to Lessor.

17.2 Effect of Termination. If Lessee exercises its right to terminate this Lease pursuant to this Section 17, Lessee's obligation to pay future Base Rent and all other rents and charges under the Lease shall terminate. In the event that such termination occurs, any rent or charges which have previously been paid by Lessee to Lessor shall be forfeited.

18. MISCELLANEOUS.

18.1 Security Deposit. Upon execution of this Lease, Lessee shall deposit with Lessor the Security Deposit which:

(a) shall be held by Lessor as security for the performance of Lessee's obligations under this Lease; (b) not in any way be deemed an advance rental deposit or a measure of Lessor's damages upon an Event of Default; (c) Lessor may, from time to time after an Event of Default but without obligation to do so or prejudice to or waiver of any other remedy available to Lessor, use or apply 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 Event of Default, which Application shall not, except to the extent provided by this Lease, cure or waive such Event of Default; and (d) shall, following any Application, be restored to its original amount upon request by Lessor. Unless otherwise required by Applicable Law, Lessor: (a) shall not be required to segregate the Deposit from other funds of Lessor; (b) may use the Deposit for such purposes as Lessor may determine; (c) shall not be required to pay interest on the Deposit; (d) shall return the Deposit to Lessee (or, at Lessor's sole election to the last approved assignee, if any, of Lessee's interest hereunder) within sixty (60) days following the expiration of the Term or earlier termination of this Lease (but in any event not earlier than the date of re-delivery by Lessee of possession of the Premises to Lessor) if, at such time, Lessee has performed and complied with all its obligations under this Lease; and (e) shall, in the event of an assignment or other transfer of Lessor's interest in this Lease, transfer the Deposit to Lessor's successor-in-interest, whereupon Lessor shall be automatically deemed released from all liability in connection with the Deposit.

18.2 Notices. All notices required or permitted under this Lease must be in writing and will only 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, if such courier or service obtains a written acknowledgment of receipt; or (c) 10 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 must be transmitted by one of the methods described above to the party to receive the notice at, in the case of notices to Lessor, Lessor's Addresses, in the case of notices to Lessee, Lessee's Address, and in the case of notices to a Qualified Mortgagee, the address set forth as its notice address in its most recent notice to Lessor, or, in any case, at such other address(es) as Lessor, Lessee or a Qualified Mortgagee may notify the others of according to this Section.

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

18.4 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 and this Lease may not be enlarged, modified or altered except as provided in this Lease or unless signed by the parties. If executed properly under this section, modifications of this Lease do not need independent consideration to be legally enforceable.

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

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

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

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

18.9 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.

18.10 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.

18.11 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.

18.12 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.

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

18.14 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 in Lewis and Clark County.

18.15 Time of Essence. Time is expressly declared to be of the essence of this Lease and each and every covenant of Lessee hereunder.

18.16 Broker. Lessor and Lessee represent and warrant that no broker or agent negotiated, or was instrumental in negotiating or consummating this Lease (the "Brokers"). Neither party knows of any other real estate broker or agent who is or might be entitled to a commission or compensation in connection with this Lease. Lessee and Lessor will indemnify and hold each other harmless from all damages paid or incurred by the other resulting from any claims asserted against either party by brokers or agents claiming through the other party.

18.17 Lessor May Inspect Premises. Representatives of the Lessor shall, upon 48 hours notice to the Lessee, have the right to enter upon the Land (but not any Building thereon) for the purpose of inspecting and examining the Land and the exterior of Buildings and the exterior of other Improvements. Upon five (5) business days written notice to Lessee, Lessor and its Representatives may enter the Buildings and other Improvements for the purpose of inspecting and examining same, provided, that all Representatives of Lessor must, at all times, be escorted by a representative of Lessee. Any inspection or examination of the Buildings and Improvements shall not interfere with Lessee's use of the Premises or the business conducted therein.

Having read and intending to be bound by the terms and provisions of this Lease, Lessor and Lessee have signed it as of the Commencement Date.

LESSEE, D & M Development, LLC:

By: [Signature]
Dick Anderson

And

By: [Signature]
Mark Esponda

STATE OF Montana)

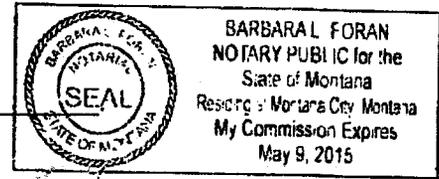
) ss:

COUNTY OF Lewis & Clark)

The foregoing instrument was acknowledged before me this 2 day of December
2014 by Dick Anderson & Mark Esponda as authorized signatory of
D & M Development, LLC.

Witness my hand and official seal.

My commission expires: 5/9/2015



[Signature]
Notary Public

LESSOR, STATE OF MONTANA, DNRC:

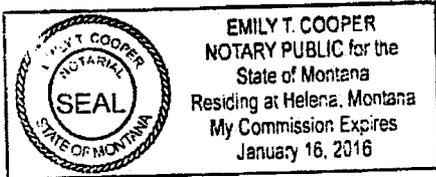
By: Hoyt R. Richards
Hoyt Richards, Area Manager
Central Land Office

STATE OF MONTANA)
) ss:
COUNTY OF Lewis & Clark)

The foregoing instrument was acknowledged before me this 15th day of Dec,
20 14 by Hoyt Richards, Area Manager Central Land Office, State of Montana, DNRC.

Witness my hand and official seal.

My commission expires: 01-16-2016



Emily T. Cooper
Notary Public

EXHIBIT A, Page 1

Plat

Lot D, Cannon CW Addition to the City of Helena

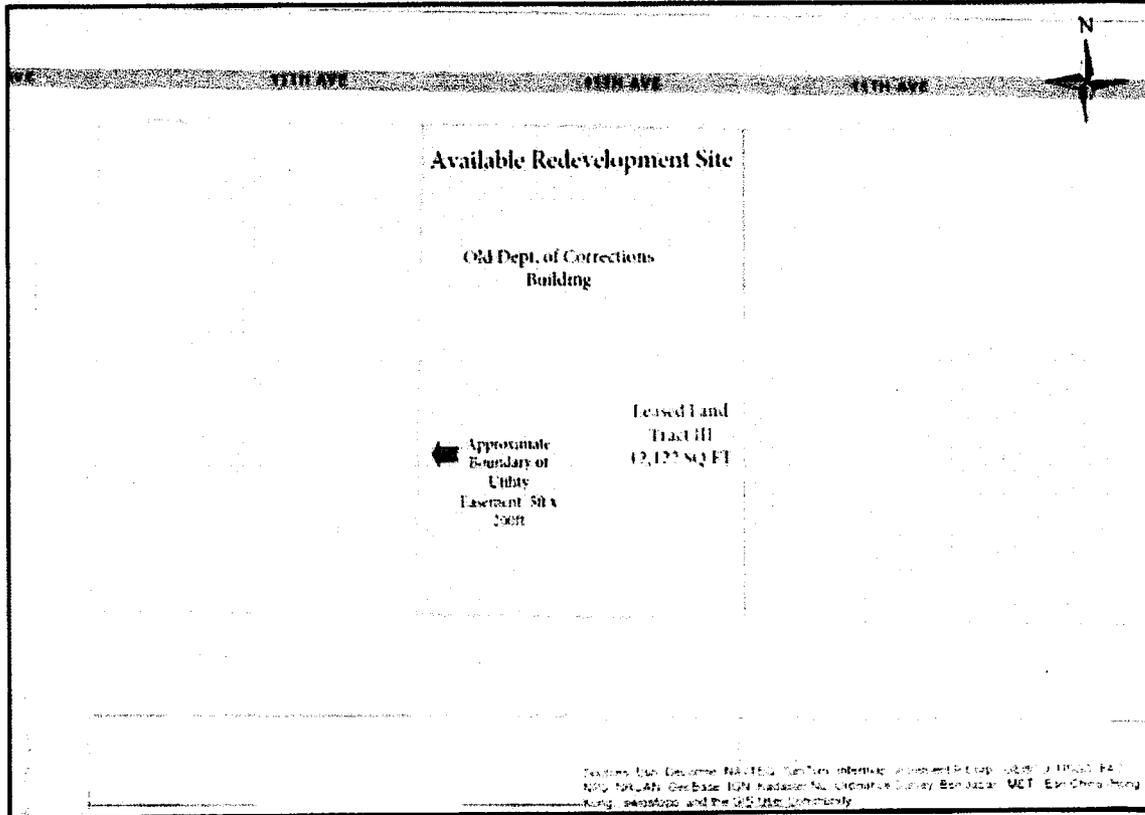


EXHIBIT B

BASE RENT EXHIBIT

The Base Rent for the first Lease Year is \$45,000.00.

Payment Table for Lease Year 1 through 20

Lease Year	Calendar Period	Adjustment Period Escalator	Adjusted Base Rent
1	December 15, 2014 - December 14, 2015	NA	\$45,000
Supplemental Billing Period	December 15, 2015 - February 28, 2016 (76 Days)	NA	\$9,370.00 (\$45,000/365*76)
2	March 1 - February 28	2% (\$900)	\$45,900
3	March 1 - February 28	\$900	\$46,800
4	March 1 - February 28	\$900	\$47,700
5	March 1 - February 28	\$900	\$48,600
6	March 1 - February 28	\$900	\$49,500
7	March 1 - February 28	\$900	\$50,400
8	March 1 - February 28	\$900	\$51,300
9	March 1 - February 28	\$900	\$52,200
10	March 1 - February 28	\$900	\$53,100
11	March 1 - February 28	\$900	\$54,000
12	March 1 - February 28	\$900	\$54,900
13	March 1 - February 28	\$900	\$55,800
14	March 1 - February 28	\$900	\$56,700
15	March 1 - February 28	\$900	\$57,600
16	March 1 - February 28	\$900	\$58,500
17	March 1 - February 28	\$900	\$59,400
18	March 1 - February 28	\$900	\$60,300
19	March 1 - February 28	\$900	\$61,200
20	March 1 - February 28	\$900	\$62,100

Lease Year 20: Annual Base Rent determined by the Market Adjustment in accordance with **Schedule 1** attached to this **Exhibit B**;

Lease Years 21 through 40 "Adjusted Rent" will be calculated by annually applying the Adjustment Period Escalator to the previous year's Base Rent to determine Adjusted Base Rent.

Lease Year 41: Annual Base Rent determined by the Market Adjustment in accordance with **Schedule 1** attached to this **Exhibit B**;

Lease Years 42 through 60 "Adjusted Rent" will be calculated by annually applying the Adjustment Period Escalator to the previous year's Base Rent to determine Adjusted Base Rent.

Lease Year 61: Annual Base Rent determined by the Market Adjustment in accordance with **Schedule 1** attached to this **Exhibit B**;

Lease Years 62 through 79 "Adjusted Rent" will be calculated by annually applying the Adjustment Period Escalator to the previous year's Base Rent to determine Adjusted Base Rent.

Lease Year 81: Annual Base Rent determined by the Market Adjustment in accordance with **Schedule 1** attached to this **Exhibit B**;

Lease Years 82 through 99 "Adjusted Rent" will be calculated by annually applying the Adjustment Period Escalator to the previous year's Base Rent to determine Adjusted Base Rent.

EXHIBIT B, SCHEDULE 1

MARKET ADJUSTMENT PROVISIONS

The Base Rent for the Premises shall be subject to Market Adjustments determined in accordance with the provisions of this Schedule 1 ("Market Adjustment"). The Market Adjustments will occur for Lease Year 21, 41, 61, and 81. The process for the Market Adjustment will commence on the date that is 90 days after the first day of Lease Years 20, 40, 60, and 80 as applicable (the "Market Date").

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

1. **Selection of Appraisers.** Within five days following the Market Date, Lessor and Lessee shall each hire an appraiser meeting the qualifications set forth in Section 3 below of this Schedule 1 and shall instruct such appraiser to prepare an appraisal of the fair market value of the Land based upon the assumptions and meeting the requirements set forth in Section 4 of this Schedule 1. 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 Appraisal and Lessee's Appraisal are collectively herein referred to as the "Party Appraisals." 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 simultaneously within 60 days following the Market Date.

2. **Determination of Base Rent.**

2.1 If the positive difference between the dollar amount of Lessor's Appraisal and the dollar amount of Lessee's Appraisal is equal to or less than 10% of the lower in dollar amount of the two Party Appraisals, then the Base Rent Factor (as hereinafter defined) shall be deemed to be the mathematical average of the two Party Appraisals. For example, in Lease Year 20, assume the following:

Lessor Appraisal = \$6.50 per square foot

Lessee Appraisal = \$6.10 per square foot

Average/Base Rent Factor = \$6.30 per square foot

New Annual Base Rent = \$6.30 x 170,240 (or applicable square footage) x 5% (or applicable Lease Rate Percentage) = \$54,885

2.2 If the positive difference between the dollar amount of Lessor's Appraisal and the dollar amount of Lessee's Appraisal is greater than 10% of the lower in dollar amount of the two Party Appraisals, then:

(a) Lessor and Lessee shall have 30 days within which to agree upon the Base Rent Factor; and

(b) If Lessor and Lessee are unable, within such 30 day period, to agree upon the Base Rent Factor, then Lessor's Appraiser and Lessee's Appraiser shall jointly select a third appraiser meeting the qualifications set forth in Section 3 of this **Schedule 1** (the "Third Appraiser") and instruct such Third Appraiser to prepare an appraisal of the fair market value of the Premises based upon the assumptions and meeting the requirements set forth in Section 4 of this **Schedule 1** (the "Third Appraisal"). The Third Appraiser shall be provided copies of all data utilized by Lessor's Appraiser and Lessee's Appraiser in preparing the Party Appraisals, as well as copies of Lessor's Appraisal and Lessee's Appraisal. The Third Appraiser shall be given 30 days within which to prepare and deliver the Third Appraisal to both Lessor and Lessee simultaneously. Each of Lessor's Appraisal, Lessee's Appraisal and the Third Appraisal are sometimes herein referred to individually as an "Appraisal" and collectively (in any combination or two or more) as the "Appraisals."

(c) In the event a Third Appraisal is required as aforesaid, the Base Rent Factor shall be deemed to be the mathematical average of the two Appraisals that are closest in dollar amount. Should the dollar amount of any one of the Appraisals happen to be exactly equal to the mathematical average of the other two Appraisals, then such dollar amount shall constitute the Base Rent Factor hereunder.

The Base Rent Factor determined in accordance with the foregoing provisions shall be binding and conclusive on the parties. "Base Rent Factor" means the per square foot fair market value of the Premises. Base Rent for the Premises, as adjusted by the Market Adjustment, shall be amount obtained by (a) multiplying the Base Rent Factor by the number of square feet of area of the Land, and (b) multiplying the resulting product by a percentage determined in accordance with 77-1-905, MCA, or the rate bid in the lease proposal, whichever is higher.

3. Qualifications of Appraisers; Replacement. Each of Lessor's Appraiser, Lessee's Appraiser and the 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 (or similar designation available on the Market Date); 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 this **Schedule 1** shall fail, refuse or become unable to act, a new appraiser meeting the foregoing requirements shall be appointed in his or her place by the party who appointed the appraiser being replaced.

4. 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.

5. 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.

**LETTER OF LIMITED PERSONAL GUARANTEE
FOR THE PAYMENT OF ANNUAL RENTAL
FOR STATE OF MONTANA COMMERCIAL LEASE 3070968
STATE OF MONTANA DNRC PROFESSIONAL BUILDING
("GUARANTEE")**

WHEREAS, Dick Anderson Construction, wishes to convey all its leasehold interest as a Lessee in State of Montana Commercial Lease No. 3070968 to D & M Development, LLC, a Montana limited liability company;

WHEREAS, paragraph 11.1 of the above-captioned State of Montana Commercial Lease requires the consent of the Lessor, State of Montana, for any assignment of the Lessee's interest, to ensure that any prospective Lessee possesses sufficient financial qualifications and experience, as set out in paragraph 11.1 of the Lease, to satisfactorily perform the Lessee's obligations under the Lease.

WHEREAS, D & M Development, LLC is a business entity recently formed for the purpose of holding the Lessee's interest in the above-described State Lease, and has no operating or financial history for the Lessor to review, to satisfy the provisions of paragraph 11.1 of the Lease.

NOW, THEREFORE, Dick Anderson, whose address is 3424 U.S. Highway 12 East, Helena, MT 59601, for the consideration of the State of Montana's approval and acceptance of D & M Development, LLC, a Montana limited liability company as the Lessee in State of Montana Commercial Lease No. 3070968, receipt of which is hereby acknowledged, hereby irrevocably guarantees, subject to the limitations below, that D & M Development, LLC, will pay all rental due to the State of Montana under Lease No. 3070968, and upon the said Lessee's failure to do so, Dick Anderson, as Guarantor, will pay any un-paid rental due upon the above-described State Lease, but the Guarantor's liability hereunder shall be limited to no more than One Hundred Thousand Dollars and NO/100 Dollars (\$100,000.00).

The Guarantor understands that he may apply to the Lessor to be released from this irrevocable personal guarantee where: D & M Development, LLC has held and successfully operated the above-described State Lease for a period of two years; the Lessee has submitted the operating and financial documentation of Lessee set out in paragraph 11.1 of the Lease; and the Lessor consents to the release of this personal guarantee, such consent not to be unreasonably withheld, conditioned, or delayed. Lessor shall respond to any such application for release within thirty (30) days after submission of Guarantor's request consistent with the provisions of paragraph 11.1 of the Lease. The parties agree that this Guarantee shall be limited to the expressed terms hereof and shall not impose any burden or obligation on Guarantor which is not expressly set forth herein.

The Guarantor agrees that this personal guarantee shall be governed by the laws of the State of Montana, and that should litigation become necessary to enforce any of the provisions of this personal guarantee, it shall be brought in the First Montana Judicial District Court in Lewis and Clark County, Montana.

DATED this 8 Day of December, 2014.

By: [Signature]
Dick Anderson

STATE OF MONTANA)
 : ss.
County of Lewis & Clark)

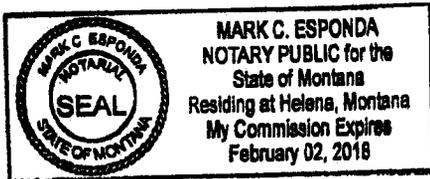
This instrument was signed and acknowledged before me on the 8 day of December, 2014, by Dick Anderson.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Notary Signature: [Signature]
Printed Name: Mark Esponda
Notary Public for the State of Montana

(NOTARIAL SEAL)

Residing at: _____
My Commission expires: _____, 20____



STATE OF MONTANA STANDARD LEASE CONTRACT
(Lease Template last revised April 8, 2013)

**ADDITIONAL
DOCUMENTS**

This lease #5733 is made by and between the State of Montana, Department of Natural Resources and Conservation, P.O. Box 201601, Helena, Montana, 59620-1601, "Lessee", and D&M Development, LLC, 3424 Highway 12 East, Helena Montana, 59601, "Lessor."

1. PURPOSE OF LEASE

The Lessee has a need to lease space in Helena, Montana, for the purpose of office space. The Lessor has space available for lease in Helena, Montana, suitable for the stated purpose.

This lease is contingent on the Contractor and the Department of Natural Resources and Conservation executing "Commercial Ground Lease #3070968" of State Lands for the ground under this premise. If the Commercial Ground Lease #3070968 is not signed, this lease is void.

2. PREMISE DESCRIPTION

The space being leased (leased premise) is approximately 39,085 square feet, and includes the right to use common areas within the leased premise. The leased premise will be constructed and located at Lot D, Cannon CW Addition to the City of Helena, 1539 11th Avenue, Helena, Montana.

The area of space being leased shall be built to suit to the approval of the Lessee as detailed in the floor plan attached to this lease in Attachment "B" Floor Plans and as further detailed in the specifications stated in the RFP dated May 9, 2014, RFP #14-2855A.

3. TERM OF LEASE

The lease term is 20 years, effective May 1, 2016 through April 30, 2036, unless earlier terminated as provided in Sections 13, 18, 19, 21 or 22 of this lease.

It is anticipated that this building will be completed and ready for occupancy on May 1, 2016. If it is not completed and ready for occupancy by then, the date of actual completion and occupancy permitting will be the effective beginning date of the lease. The parties to this lease agree to enter into an Amendment and Supplement to Lease documenting this completion date as the beginning date of the lease and a date of 20 years later as the expiration date.

4. CONSIDERATION

The amount of rent the Lessee shall pay to the Lessor is payable as follows:

<u>Term</u>	<u>Rate per</u>	<u>sq ft.</u>	<u>Monthly Cost</u>	<u>Annual Cost</u>
Year 1	\$ 24.75	39,085	\$80,612.81	\$ 967,353.75
Year 2	\$ 24.75	39,085	\$80,612.81	\$ 967,353.75
Year 3	\$ 24.75	39,085	\$80,612.81	\$ 967,353.75
Year 4	\$ 24.75	39,085	\$80,612.81	\$ 967,353.75
Year 5	\$ 24.75	39,085	\$80,612.81	\$ 967,353.75
Year 6	\$ 26.48	39,085	\$86,247.57	\$1,034,970.80
Year 7	\$ 26.48	39,085	\$86,247.57	\$1,034,970.80
Year 8	\$ 26.48	39,085	\$86,247.57	\$1,034,970.80
Year 9	\$ 26.48	39,085	\$86,247.57	\$1,034,970.80
Year 10	\$ 26.48	39,085	\$86,247.57	\$1,034,970.80
Year 11	\$ 28.21	39,085	\$91,882.32	\$1,102,587.85
Year 12	\$ 28.21	39,085	\$91,882.32	\$1,102,587.85
Year 13	\$ 28.21	39,085	\$91,882.32	\$1,102,587.85
Year 14	\$ 28.21	39,085	\$91,882.32	\$1,102,587.85
Year 15	\$ 28.21	39,085	\$91,882.32	\$1,102,587.85
Year 16	\$ 29.94	39,085	\$97,517.08	\$1,170,204.90
Year 17	\$ 29.94	39,085	\$97,517.08	\$1,170,204.90
Year 18	\$ 29.94	39,085	\$97,517.08	\$1,170,204.90
Year 19	\$ 29.94	39,085	\$97,517.08	\$1,170,204.90
Year 20	\$ 29.94	39,085	\$97,517.08	\$1,170,204.90

The Lessee shall make monthly lease payments without the need for a separate invoice from the Lessor. The lease payments are due on the first business day of the month. Lessor may request payments be made by electronic funds transfer by submitting a completed Standard Form 1199A (Direct Deposit Sign-Up Form) to the Lessee. Such an election shall remain in force until cancelled by Lessor with 30 days' advance written notice to the Lessee.

5. RENEWAL OPTION

All lease renewals are subject to prior approval by the Department of Administration as provided in Section 26.

6. UTILITIES AND SERVICES

The Lessor shall provide all utilities, including water, gas, electricity, heat, grounds maintenance, building maintenance, garbage removal, sewer use charges and weed and pest control.

The Lessor shall provide janitorial services as listed in Attachment "A," at Lessor's expense.

The Lessee shall provide its own office equipment, telecommunications equipment and

installation, and is responsible for all use charges related to the equipment/service.

7. PARKING SPACE

Lessor shall provide adequate parking spaces, including the requisite number of handicapped spaces in compliance with the Americans With Disabilities Act, as part of the leased premise at no additional charge or cost to the Lessee.

8. PARKING AREA AND SIDEWALK MAINTENANCE

Lessor shall keep the parking area and sidewalks in good repair and timely remove snow, ice, sand, gravel and debris from the parking area and sidewalks.

9. NOTICE PROTOCOL

Any notice or demand required or permitted to be given under this lease must be in writing. Written notice shall be deemed given when hand delivered, when mailed by first class mail, postage prepaid, to the addresses specified in this section, or by e-mail with confirmation of delivery.

The Lessor's address for purpose of receiving demand or notice is 3424 Highway 12 East, Helena Montana, 59601.

The Lessor's representative for purposes under this lease is Mark Esponda, telephone (406) 441-3539, e-mail address: mesponda@daconstruction.com.

The Lessee's address for the purpose of receiving demand or notice is the State of Montana, Department of Natural Resources and Conservation, P.O. Box 201601, Helena, Montana, 59620-1601.

The Lessee's representative for purposes under this lease is Kerry Davant, telephone (406) 444-4942, e-mail address: KDavant@mt.gov.

If either party changes its address or contact person, it must notify the other party in writing at the address provided in this section.

10. QUIET ENJOYMENT

The Lessee has the right to quiet and peaceful enjoyment and utilization of the leased premise for the term of this lease upon paying rent as provided and upon Lessee's adherence to performance conditions set forth in this lease.

11. ACCESS FOR MAINTENANCE/INSPECTION

Upon prior notice, the Lessee shall permit the Lessor or its agent to enter into and upon the leased premise at all reasonable times to: (a) maintain or inspect the leased premise or (b) make repairs, alterations or additions to any portion of the leased premise, including, but not limited to, the installation and maintenance of scaffolding, canopies, fences, or props as may be needed.

12. MAINTENANCE OF LEASED PREMISE

Lessor shall, at its cost and expense, keep and maintain in good working order and repair during the term of this lease or any extension thereof, the following: (a) the exterior of the leased premise including the roof; (b) the foundation; (c) all landscaping including sprinkler systems if any, mowing of the grass, weed and tree/bush control; (d) the interior, including all fixtures in the building (except those owned by the Lessee); and (e) all plumbing, heating, ventilation, air conditioning, window treatments/blinds and electrical circuits. The Lessor, at its cost and expense, shall be responsible for the replacement of light bulbs, fluorescent tubes and other lighting elements and shall do so within seven working days after notification.

The Lessee shall notify the Lessor in writing immediately of any damage or need for repair. Lessor shall make or cause to be made the necessary repairs as soon as possible after receiving notice. The Lessee shall be financially responsible only in cases of damages resulting from the Lessee's negligence or that of its employees.

Should the Lessor fail to make or begin to make necessary repairs within 30 days of notification of damages by the Lessee to the Lessor, the Lessee may then make necessary repairs at the Lessor's expense at the lowest reasonable cost.

An itemized statement of repairs made by the Lessee under this section, including verification of labor and material, may be tendered in lieu of full or partial payment of rent due for the succeeding months until the cost of the work performed is fully credited against rent due under this lease.

13. CASUALTY OR FIRE DAMAGE

If the leased premise becomes 25% or more destroyed or made uninhabitable, or if the premise is condemned by a proper authority, this lease may be terminated, without incurring liability, by the Lessee.

If the leased premise is less than 25% destroyed or made uninhabitable, the rent shall be reduced by the proportion the premise has been rendered uninhabitable or declared unsafe.

If the leased premise is not restored, or cannot be restored, and returned to proper condition for use and occupancy within 15 days of the casualty, then either the Lessor or the Lessee may

terminate this lease, without incurring liability, on 10 days' written notice to the other party.

Upon written notice of termination under this section, the Lessor shall refund any unearned rent paid by the Lessee, and the Lessee shall have no further obligation to the Lessor under this lease. Lessor shall continue to insure the premise until Lessee's personal property is removed from the premise. The Lessee shall have 30 days after termination of this lease to remove its property from the premise.

14. ALTERATIONS TO LEASED PREMISE

The Lessee shall not alter the leased premise without the Lessor's prior written consent.

Lessor shall provide, at its expense, window blinds, shades and treatments.

15. SIGNS

The Lessor shall provide and install on the exterior of the leased premise a mutually acceptable sign or signs to advertise the Lessee's presence in and on the leased premise at Lessee's expense.

16. HOLD HARMLESS AND INDEMNIFICATION CLAUSE

The Lessor agrees to protect, defend, and save the Lessee, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Lessor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Lessor and/or its agents, employees, representatives, assigns and sublessors under this lease.

17. INSURANCE SPECIFICATIONS

a. Property

At its sole cost and expense, the Lessor shall keep the building and all other improvements on the premise insured throughout the term of the agreement against the following hazards:

- Loss or damage by fire and such other risks (not including earthquake damage) in an amount sufficient to permit such insurance to be written at all times on a replacement costs basis. This may be insured against by attachment of standard form extended coverage endorsement to fire insurance policies.
- Loss or damage from leakage or sprinkler systems now or hereafter installed in any building

on the premise.

- Loss or damage by explosion of steam boilers, pressure vessels, and oil or gasoline storage tanks, or similar apparatus now or hereafter installed in a building or buildings on the premise.

b. General Liability

General Liability: the Lessor shall purchase Occurrence coverage with combined single limits of \$1 million per occurrence/\$2 million aggregate per year for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the project/location or the general aggregate limit shall be twice the required occurrence limit. This insurance must be from an insurer licensed to do business in Montana or a domiciliary state and with a Bests rating of no less than A-. The Lessor must provide 30 days written notice to the Lessee of any material change in coverage including cancellation and the Lessee reserves the right to request copies of the Lessor's insurance coverage at any time. The State, its officers, officials, employees, and volunteers are to be covered as additional insureds for liability arising out of activities performed by or on behalf of the Lessor, including the insured's general supervision of the Lessor, products and completed operations and the premise owned, leased, occupied, or used.

The Lessor's insurance coverage shall be primary insurance as respects the Lessee, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the Lessee, its officers, officials, employees, or volunteers shall be excess of the Lessor's insurance and shall not contribute with it.

18. COMPLIANCE WITH LOCAL, STATE AND FEDERAL LAWS

The Lessor shall comply with all applicable state and federal laws. This includes, but is not limited to, the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, PL 101-336, Section 504 of Rehabilitation Act of 1973 and 18-5-401, MCA et seq. concerning the Blind Enterprise Program's vending facility rules.

The Lessor shall comply with the Montana Occupational Safety and Health Act (MCA 50-71-111 et seq.) and all rules adopted thereunder. The Lessor further agrees to comply with the ordinances and laws of the City of Helena, and the State of Montana, affecting the use of the premise and to assume all legal responsibility for any charges or damages for non-observance.

The Lessor shall provide the Department of Administration, the Legislative Auditor or their authorized agents access to any records concerning this lease. A state agency may terminate a contract, without incurring liability, for the refusal of a nonstate entity to allow access to records as required in MCA 18-1-118.

The Lessor shall retain all records supporting the services rendered or goods delivered for a period of eight years after either the completion date of this lease or the conclusion of any claim, litigation or exception relating to this lease taken by the state of Montana or a third party.

The Lessor warrants that the space is ADA accessible and compliant.

19. ENVIRONMENTAL HAZARDS

The Lessor hereby represents and warrants that no leak, spill, release, discharge, emission or disposal of hazardous or toxic substances has occurred on the leased premise to date and that the soil and groundwater on or under the leased premise are free of toxic or hazardous substances as of the date that the term of this lease commences.

The Lessor represents and warrants that the leased premise shall be free of all asbestos containing materials, except undamaged vinyl asbestos floor tile in the premise or undamaged boiler or pipe insulation outside the leased premise. Radon levels in the leased premise shall not equal or exceed the Environmental Protection Agency (EPA) action level for homes or 4 Pico curies per liter (PCI/L).

If, at any time, the Lessee determines that the leased premise poses a significant environmental hazard to its employees, this lease may be terminated, without incurring liability, with a minimum of 10 days' written notice.

20. HOLDOVER TENANCY

If the Lessee holds the premise beyond the terms of this lease, in the absence of a written agreement to the contrary, it shall be deemed a month-to-month tenancy subject to all terms and conditions of this lease. This holdover tenancy may be terminated, without incurring liability, at any time by either the Lessor or the Lessee by means of a 30 days' written notice delivered prior to the beginning of the final month.

21. TERMINATION FOR LACK OF FUNDING

The Lessor acknowledges, understands, and agrees that the Lessee, as a state agency, is dependent upon state and federal appropriations for its funding. If state or federal government funds are not appropriated or otherwise made available to support continued performance of this lease in subsequent fiscal periods, the Lessee shall terminate this lease. The Lessee shall provide Lessor the date Lessee's termination shall take effect. The Lessee shall not be liable to the Lessor for any rental payment that would have been payable had the lease not been terminated under this provision. The Lessee shall be liable to the Lessor only for the rental payment, or prorated portion of that payment, owed to the Lessor under Section 4 up to the date the Lessee's termination takes effect. This is the Lessor's sole remedy. Lessee shall not be liable to the

Lessor for any other payments or damages, including but not limited to general, special or consequential damages such as lost profits.

22. DEFAULT

If either party to this lease defaults in the performance of any term or condition of this lease, the other party may give the defaulting party notice of the default. The notice shall specify the action required to correct the default and a period of time, not less than 30 days, within which to correct the default. If the default is not corrected within the time specified in the notice, the party not in default may terminate this lease without further obligation under this lease, other than obligations incurred or accrued to the date of termination, and pursue the remedies available under Montana law.

At the expiration or termination of this lease or any extension of it, the Lessee will vacate and surrender the premise to the Lessor in as good condition and repair as when it took possession, reasonable wear and tear excepted. All property and fixtures placed in the premise by the Lessee or owned by the State of Montana may be removed by the Lessee within 30 days of termination.

23. SEVERABILITY

If any term or provision of this lease is held to be illegal, void or in conflict with any Montana law, the validity of the remaining terms and conditions shall not be affected. The rights and obligations of the parties shall be construed and enforced as if this lease did not contain the particular term, condition, or provision held to be invalid.

24. VENUE AND INTERPRETATION

The Lessor and Lessee agree that this lease shall be governed and interpreted according to the laws of the State of Montana. If a lease dispute arises, the proper venue for the hearing of the case is the District Court of the First Judicial District of the State of Montana, in and for the County of Lewis and Clark.

25. SUCCESSORS

All rights and liabilities herein given to or imposed upon both parties shall extend to, be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

26. LEASE APPROVAL

This entire lease, in addition to any change, alteration, or renewal thereof, addendum, amendment, sublease or letter of understanding, is subject to prior approval by the Department of Administration.

27. ENTIRE LEASE/AMENDMENT

This lease, consisting of 15 pages, sections 1 through 29, Attachment "A" Janitorial Specifications and Attachment "B" Floor Plans, contains the entire contract between the Lessor and the Lessee. Any agreement hereafter made shall not be effective to modify this lease unless it is in writing and signed by both parties and the Department of Administration.

28. SUBLEASE

Subject to prior approval by the Department of Administration as provided in section 26, Lessee shall have the right to sublet the premise to a sublessee, with the consent of the Lessor, which consent shall not be unreasonably withheld.

29. SMOKE FREE ENVIRONMENT

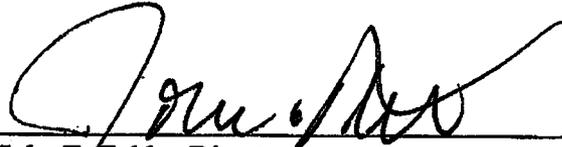
The Lessor shall make all parts of the leased premise smoke-free. "Smoke" means smoke from a lighted cigar, cigarette, or pipe or any other lighted tobacco product as defined in 50-40-103, MCA.

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IN WITNESS HEREOF, all parties have entered into and executed this Lease on the dates stated below:

PARTIES TO THE LEASE

Lessee

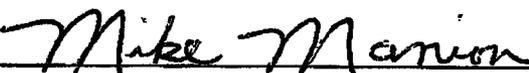
By:  November 1, 2014
Date
John E. Tubbs, Director
Department of Natural Resources & Conservation

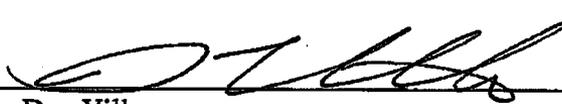
Lessor

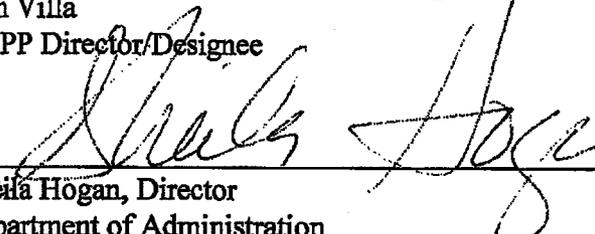
By:  12.18.14
Date
Mark Esponda, Manager D&M Holdings, LLC

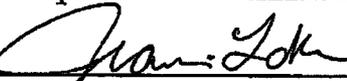
APPROVED BY:

By:  November 20, 2014
Date
Garrett M. Bacon, Leasing Officer
Department of Administration, General Services Division

By:  November 25, 2014
Date
Mike Marion, Chief Legal Counsel
Department of Administration

By:  12/15/14
Date
Dan Villa
OBPP Director/Designee

By:  12/10/14
Date
Sheila Hogan, Director
Department of Administration

By:  November 25, 2014
Date
Jeanie Lake
Department of Administration, State Procurement Bureau

ATTACHMENT "A" JANITORIAL SPECIFICATIONS

Daily Requirements (5 days per week)

- a. Clean water fountains.
- b. Empty wastebaskets and replace poly liners as often as necessary to insure a clean and sanitary atmosphere. Remove trash from buildings in secured bags. No trash may be left inside buildings after cleaning is completed.
- c. Clean all counter tops, sinks, and surfaces in break rooms and common areas.
- d. Empty trash and cigarette receptacles located outside building, as applicable.
- e. Clean and sanitize restrooms, shower floors, toilets, mirrors, lavatories, fixtures and partitions; sweep and scrub floors; replenish air freshener deodorants, soap in dispensers, hand towels, toilet seat covers, and toilet tissue, as necessary.
- f. Clean entranceway glass, display glass, partition glass and all mirrors.
- g. Close and lock office windows and doors and extinguish lights when through cleaning the area. Lights can be turned on only in areas actually being cleaned. All other lights must be turned off to conserve energy.
- h. Sweep or dust mop hard surfaced floors including interior and exterior entrance ways, damp mop daily to remove dirt and stains that cannot be removed by sweeping.
- i. Vacuum all carpeted entrance ways and hallways

Weekly Requirements

All services scheduled to be provided on an agreed upon day each week. Daytime cleaning *may* be required.

- a. Thoroughly wash all bathroom walls, partitions and shower stalls.
- b. Sweep, vacuum, and damp-mop all areas of hard surface floors, entrance areas, stairs and other hard surfaced areas. Machine polish or spray buff all hard surface areas, stairways, entranceways and all other hard surface areas.
- c. Clean ledges, window sills, stair banisters, wood trim, etc. Apply appropriate polish to wood surfaces to maintain clean and bright finish.
- d. Shampoo entrance areas weekly, including all mats, to ensure waiting areas are free of dirt, dust, stains, and spots.
- e. Clean interior glass in doors
- f. Vacuum all carpeted areas using a commercial vacuum with a power head and spot clean daily to remove all stains and spills. Entrance ways to building need extra attention to maintain clean appearance. Vacuum under all work surfaces, desks, all edges and areas under office partitions with proper tools, as needed, to maintain clean appearance throughout the building.
- g. Clean janitorial closets and janitorial storage areas and inside stairways.
- h. Spot clean smudges and kick marks from elevator cars and doors. Spot clean building interior walls, doors and all visible areas.

Monthly Requirement.

Dust tops of furniture, bookcases, desks, modular furnishings, fixtures, files, ledges, woodwork, telephones, window sills, stair banisters, radiator hoods, etc. Spot clean as necessary to maintain clean appearance. On the last Friday of each month, Contractor shall use a surface cleaner on all desks and work surfaces that are cleared of work related and personal material.

Semi-Annual Requirements

- Vacuum and clean all fabric partition walls, fabric-covered furnishings, and chairs. Methods of cleaning will be agreed upon by Contractor and the Agency.
- Shampoo clean all carpeted floors. Strip and clean; wax and buff all hard surface floors, stairs, etc. (this includes entranceways, all main halls and public areas, offices, etc.).
- High dust all areas of building. Clean light fixture covers inside and out, and light tubes. Dust and clean all air duct grills. Damp clean blinds, as appropriate.

Window Washing (May and October)

The agency shall receive prior notification of the dates and times of all window cleaning for verification and inspection of work. Outside window cleaning will not be performed during periods of inclement weather or when the outside temperature is below 45 degrees.

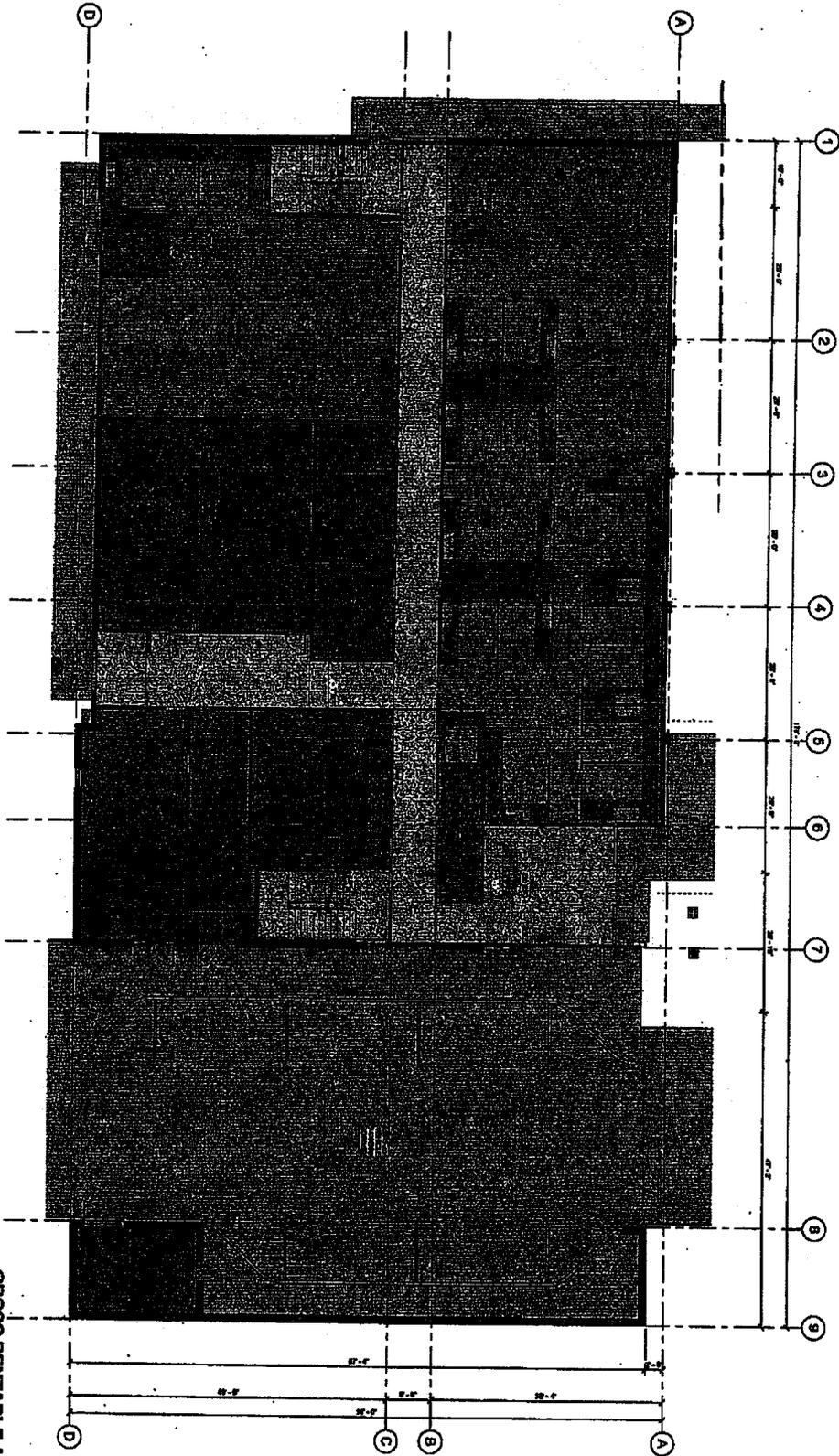
- a. Contractor shall wash all exterior glass inside and outside.
- b. Contractor is required to remove all mineral deposits, stains and streaks from glass caused by sprinkling systems, weather, or any other means. Deposits will be removed with chemical solutions and not with metal scraping devices.
- c. Cleaning of outside windows will be performed by adhering to all applicable OSHA safety standards and requirements including OSHA "fall standards."

ATTACHMENT "B" Floor Plans



DSA
Architects

DNRC BUILDING



GROSS RENTABLE AREA:
 FIRST FLOOR: 8,718 SF
 SECOND FLOOR: 14,693 SF
 THIRD FLOOR: 14,693 SF
 TOTAL: 39,095 SF

FIRST FLOOR PLAN
 10/17/2014

ATTACHMENT "B" Floor PLAN

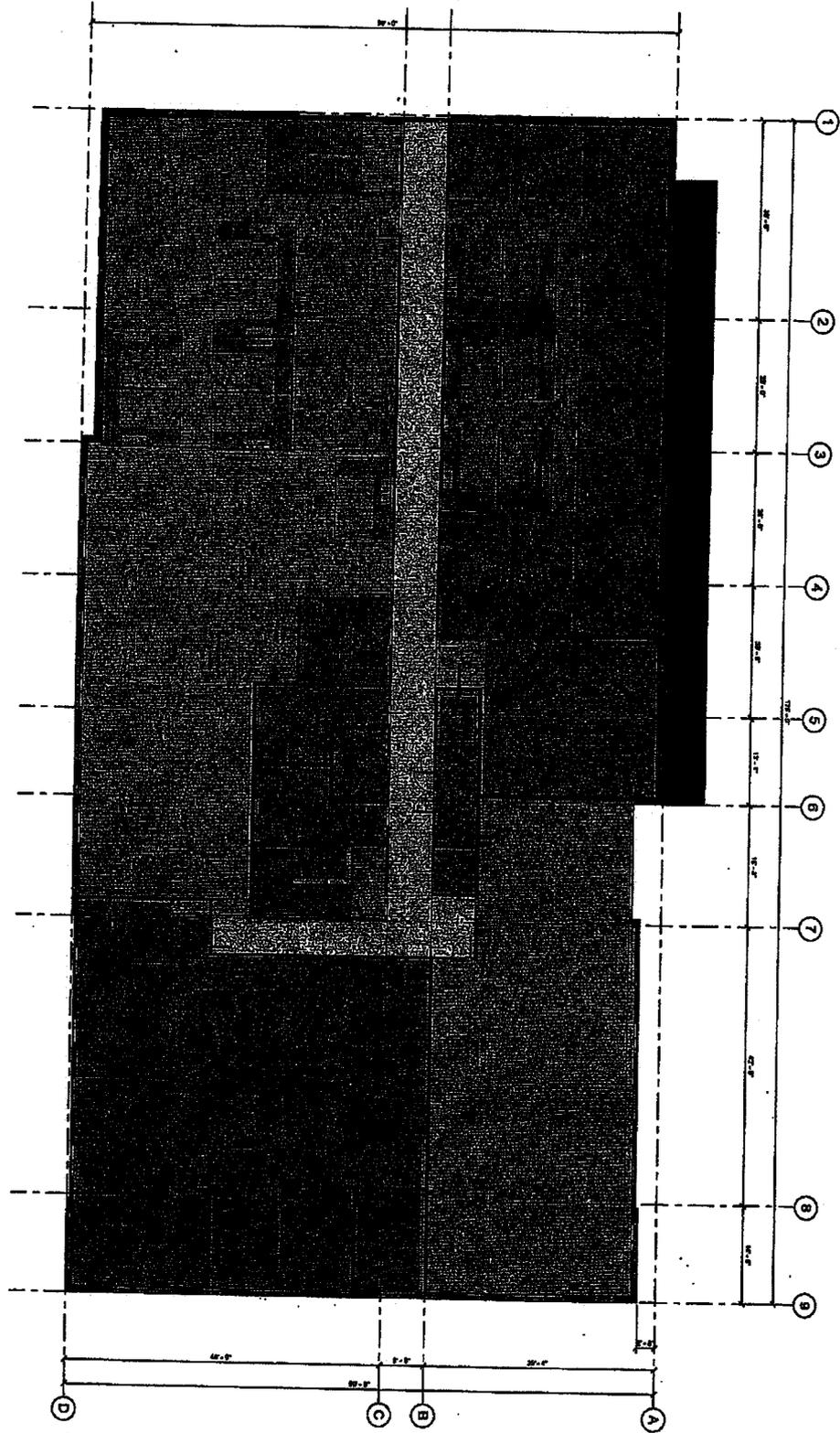


DSA
Architects

DNRC BUILDING

THIRD FLOOR PLAN

08/20/14



STATE OF MONTANA STANDARD LEASE CONTRACT
(January 1, 2010 Version)

**ADDITIONAL
DOCUMENTS**

This lease #5508-C is made by and between the Montana Department of Natural Resources & Conservation, located at PO Box 201601, Helena, Montana, 59620-1601, "Lessee" and D. M. Jensen, Inc., located at PO Box 6305, Helena Montana 59604, "Lessor."

1. PURPOSE OF LEASE

The Lessee has a need to lease space in Helena, Montana, for the purpose of a central state office building.

The Lessor has space available for lease in Helena, Montana, suitable for stated purpose.

Effective July 1, 2010, this lease replaces lease #5508-B between the Montana Department of Natural Resources and Conservation and D. M. Jensen, Inc. Effective July 1, 2010, lease #5508-B terminates with no binding effect thereafter on the parties.

2. PREMISE DESCRIPTION

The area of space being leased consists of 29,925 square feet of which 29,325 square feet is office space and 600 square feet is storage space, and includes the right to use common areas within the leased premise. The premises are located on the first & third floors at 1625 11th Avenue, Helena, Montana.

3. TERM OF LEASE

The term of this lease is six years, effective July 1, 2010 through June 30, 2016, unless earlier terminated as provided in Sections 13, 18, 19, 21 or 22 of this lease.

4. CONSIDERATION

The amount of base rent the Lessee shall pay to the Lessor during each year is as follows:

<u>YEAR</u>	<u>29325 sq ft BASE RATE</u>	<u>600 sq ft STORAGE RATE</u>	<u>ANNUAL</u>	<u>MONTHLY</u>
7-1-10 through 6-30-13	\$12.50	\$7.13	\$370,840.50	\$30,903.38
7-1-13 through 6-30-16	\$14.25	\$7.13	\$422,159.25	\$35,179.94

The Lessee shall make monthly lease payments without the need for a separate invoice from the

Lessor. The lease payments are due on the first business day of the month. Lessor may request payments be made by electronic funds transfer by submitting a completed Standard Form 1199A (Direct Deposit Sign-Up Form) to the Lessee. Such an election shall remain in force until cancelled by Lessor with ~~30 days' advance~~ written notice to the Lessee.

5. RENEWAL OPTION

The Lessee shall retain the option to renew this lease for a period of up to four additional year(s) upon its termination. Terms and Provisions shall be mutually agreed upon, and the renewal option exercised by the Lessee, no later than January 1, 2016.

All lease renewals are subject to prior approval by the Department of Administration as provided in Section 26.

6. UTILITIES AND SERVICES

The Lessee shall be responsible for paying a pro-rata share of the water, garbage removal, natural gas and electricity charges that are billed for the entire premise. It is agreed that the Lessee's pro-rata share is 66.30%. In addition, Lessee shall pay all taxes levied on the real property and the actual janitorial charges of the janitorial contractor for the office portion of the building which it occupies (29,325 sq. ft.), not to exceed \$2.00 per sq. ft. per annum. The cap on the janitorial rate shall increase at 4% per annum beginning July 1, 2011 and increase at 4% on July 1, 2012. All such utilities and janitorial charges shall be added to the monthly rental invoice and payable upon receipt by Lessee to the Lessor.

The Lessee agrees to purchase and install quality floor mats under all chairs with casters or rollers. In the event new carpet is installed by the Lessor, the Lessee shall be responsible for the cost of moving furniture to facilitate the installation of the carpet.

7. PARKING SPACE

Lessor agrees to provide adequate parking spaces, including the requisite number of handicapped spaces in compliance with the Americans With Disabilities Act, as part of the leased premise at no additional charge or cost to the Lessee. Lessee acknowledges that it currently uses some of its parking space for state motor pool parking.

8. PARKING AREA AND SIDEWALK MAINTENANCE

Lessor agrees to keep the parking area and sidewalks in good repair, and to timely remove snow, ice, sand, gravel and debris from the parking area and sidewalks.

9. NOTICE PROTOCOL

Any notice or demand required or permitted to be given under this lease must be in writing.

Written notice shall be deemed given when hand delivered, when mailed by first class mail, postage prepaid, to the addresses specified in this section or by E mail with confirmation of delivery.

The Lessor's address for purpose of receiving demand or notice is D. M. Jensen, Inc., located at PO Box 6305, Helena Montana 59604.

The Lessor's representative for purposes under this lease is David P. Jensen, telephone (406) 442-3883.

The Lessee's address for the purpose of receiving notice is Montana Department of Natural Resources and Conservation, PO Box 201601, Helena, Montana 59620-1601.

The Lessee's representative for purposes under this lease is Ann Bauchman, telephone (406) 444-6734.

If either party changes its address or contact person, it must notify the other party in writing at the address provided in this section.

10. QUIET ENJOYMENT

The Lessee has the right to quiet and peaceful enjoyment and utilization of the leased premise for the term of this lease upon paying the rents as provided and upon Lessee's adherence to performance conditions set forth by and in this lease.

11. ACCESS FOR MAINTENANCE/INSPECTION

Upon prior notice, the Lessee shall permit the Lessor or its agent to enter into and upon the premise at all reasonable times to maintain or inspect the building in which the leased premise is located or to make repairs, alterations or additions to any portion of the building, including, but not limited to, the installation and maintenance of scaffolding, canopies, fences, or props as may be needed. During the last four months of the lease, Lessor may enter the premise anytime for the purpose of showing the space to a new prospective Lessee.

12. MAINTENANCE OF PREMISE

Lessor shall, at its cost and expense, keep and maintain in good working order and repair during the term of this lease or any extension thereof, the exterior of the premise including the roof, the foundation, all landscaping including sprinkler systems if any, mowing of the grass, weed and tree/bush control; and, the interior, including all fixtures in the building (except those owned by

the Lessee), all plumbing, heating, ventilation, air conditioning, window treatments/blinds and electrical circuits. The Lessor, at its cost and expense, shall be responsible for the replacement of light bulbs, fluorescent tubes and other lighting elements and shall do so within seven working days after notification.

The Lessee shall notify the Lessor in writing immediately of any damage or need for repair. Lessor shall make or cause to be made the necessary repairs as soon as possible after receiving notice. The Lessee shall be financially responsible only in cases of damages resulting from the Lessee's negligence or that of its employees.

Should the Lessor fail to make or begin to make necessary repairs within 30 days of notification of damages by the Lessee to the Lessor, the Lessee may then make necessary repairs at the Lessor's expense at the lowest reasonable cost.

An itemized statement of repairs made by the Lessee under this section, including verification of labor and material, may be tendered in lieu of full or partial payment of rent due for the succeeding months until the cost of the work performed is fully credited against rent due under this lease.

13. CASUALTY OR FIRE DAMAGE

If the leased premise becomes 25% or more destroyed or made uninhabitable, or if the premise is condemned by a proper authority, this lease may be terminated, without incurring liability, by the Lessee.

If the premise is less than 25% destroyed or made uninhabitable, the rent shall be reduced by the proportion the premise has been rendered uninhabitable or declared unsafe.

If the premise is not restored, or cannot be restored, and returned to proper condition for use and occupancy within 30 days of the casualty, then either the Lessor or the Lessee may terminate this lease, without incurring liability, on 10 days' written notice to the other party.

Upon written notice of termination under this section, the Lessor shall refund any unearned rent paid by the Lessee, and the Lessee shall have no further obligation to the Lessor under this lease. Lessor shall continue to insure the premise until Lessee's personal property is removed from the premise. The Lessee shall have 30 days after termination of this lease to remove its property from the premise.

14. ALTERATIONS TO PREMISE

The Lessee agrees to make no alteration to the premise without the prior written consent of the Lessor.

15. SIGNS

The Lessor shall provide and install on the exterior of the premise a mutually acceptable sign or signs to advertise the Lessee's presence in and on the premise at Lessee's expense.

16. HOLD HARMLESS AND INDEMNIFICATION CLAUSE

The Lessor agrees to protect, defend, and save the Lessee, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Lessor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Lessor and/or its agents, employees, representatives, assigns, subcontractors, under this lease except for the sole negligence of the Lessee.

The Lessee agrees to protect, defend, and save the Lessor, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Lessee's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Lessee and/or its agents, employees, representatives, assigns, subcontractors, under this lease except for the sole negligence of the Lessor.

17. INSURANCE SPECIFICATIONS

a. Property

At its sole cost and expense, the Lessor shall keep the building and all other improvements on the premise insured throughout the term of the agreement against the following hazards:

- Loss or damage by fire and such other risks (not including earthquake damage) in an amount sufficient to permit such insurance to be written at all times on a replacement costs basis. This may be insured against by attachment of standard form extended coverage endorsement to fire insurance policies.
- Loss or damage from leakage or sprinkler systems now or hereafter installed in any building on the premise.
- Loss or damage by explosion of steam boilers, pressure vessels, and oil or gasoline storage tanks, or similar apparatus now or hereafter installed in a building or buildings on the

premise.

b. General Liability

General Liability: the Lessor shall purchase Occurrence coverage with combined single limits of \$1 million per occurrence/\$2 million aggregate per year for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the project/location or the general aggregate limit shall be twice the required occurrence limit. This insurance must be from an insurer licensed to do business in Montana or a domiciliary state and with a Bests rating of no less than A-. The Lessor must provide 30 days written notice to the Lessee of any material change in coverage including cancellation and that the Lessee reserves the right to request copies of the Lessor's insurance coverage at any time. The State, its officers, officials, employees, and volunteers are to be covered as additional insureds for liability arising out of activities performed by or on behalf of the Lessor, including the insured's general supervision of the Lessor, products and completed operations and the premise owned, leased, occupied, or used.

The Lessor's insurance coverage shall be primary insurance as respects the Lessee, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the Lessee, its officers, officials, employees, or volunteers shall be excess of the Lessor's insurance and shall not contribute with it.

18. COMPLIANCE WITH LOCAL, STATE AND FEDERAL LAWS

The Lessor must comply with all applicable state and federal law. This includes, but is not limited to, the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, PL 101-336 and Section 504 of Rehabilitation Act of 1973.

The Lessor agrees it shall comply with the Montana Safety Act and all rules adopted thereunder. The Lessor further agrees to comply with the ordinances and laws of the City of Helena, and the State of Montana, affecting the use of the premise and to assume all legal responsibility for any charges or damages for its failure to comply therewith.

The Lessor agrees to provide the Department of Administration, the Legislative Auditor or their authorized agents access to any records concerning compliance with the terms of this contract. A state agency may terminate a contract, without incurring liability, for the refusal of a nonstate entity to allow access to records as required in MCA 18-1-118.

The Lessor agrees to retain all records supporting the services rendered or goods delivered for a period of eight years after either the completion date of this lease or the conclusion of any claim, litigation or exception relating to this lease taken by the state of Montana or a third party.

19. ENVIRONMENTAL HAZARDS

The Lessor hereby represents and warrants that it is not aware of any leak, spill, release, discharge, emission or disposal of hazardous or toxic substances has occurred on the leased premise to date and that the soil and groundwater on or under the leased premise are free of toxic or hazardous substances as of the date that the term of this lease commences.

The Lessor represents and warrants that the leased premise shall be free of all asbestos containing materials, except undamaged vinyl asbestos floor tile in the premise or undamaged boiler or pipe insulation outside the leased premise. Radon levels in the leased premise shall not equal or exceed the Environmental Protection Agency (EPA) action level for homes or 4 Pico curies per liter (PCI/L).

The parties acknowledge that the property has not been tested for radon levels.

If, at any time, the Lessee determines that the leased premise poses a significant environmental hazard to its employees, this lease may be terminated, without incurring liability, with a minimum of 10 days' written notice.

20. HOLDOVER TENANCY

If the Lessee holds the premise beyond the terms of this lease, in the absence of a written agreement to the contrary, it shall be deemed a month-to-month tenancy subject to all terms and conditions of this lease. This holdover tenancy may be terminated, without incurring liability, at any time by either the Lessor or the Lessee by means of a 30 days' written notice delivered prior to the beginning of the final month.

21. TERMINATION

The Lessor acknowledges, understands, and agrees that the Lessee, as a state agency, is dependent upon state and federal appropriations for its funding. If state or federal government funds are not appropriated or otherwise made available to support continued performance of this lease in subsequent fiscal periods, the Lessee shall terminate this lease. The Lessee shall provide Lessor the date Lessee's termination shall take effect which shall be no less than 30 days after written notice is received by Lessor. The Lessee shall not be liable to the Lessor for any rental payment that would have been payable had the lease not been terminated under this provision. The Lessee shall be liable to the Lessor only for the rental payment, or prorated portion of that payment, owed to the Lessor under Section 4 up to the date the Lessee's termination takes effect. This is the Lessor's sole remedy. Lessee shall not be liable to the Lessor for any other payments or damages, including but not limited to general, special or consequential damages such as lost profits.

At the expiration or termination of this lease or any extension of it, the Lessee will vacate and

surrender the premises to the Lessor in as good condition and repair as when it took possession, reasonable wear and tear excepted. All property and fixtures placed in the premises by the Lessee or owned by the State of Montana may be removed by the Lessee within thirty days of termination.

The foregoing provisions shall not operate to exclude or suspend any other remedy of the Lessor or the Lessee for breach of any of the provisions herein, or for the recovery of rents to be paid to the Lessor, except as specifically provided herein. In the event the Lessee becomes in default of the terms and provisions of this contract, the Lessor, at its election, may declare the term ended and the demised premises the sole property of the Lessor, to re-enter the same and repossess and enjoy them as in their first and former estate, without such re-entry and repossession working a forfeiture of rents to be paid and the covenants to be performed by the Lessee during the full term of this contract. It is the obligation of the Lessor to make a reasonable attempt to re-lease the premises, and if they are re-leased, the Lessee is liable only for the Lessor's actual loss of rent resulting from said default.

22. DEFAULT

If either party to this lease defaults in the performance of any term or condition of this lease, the other party may give the defaulting party notice of the default, which notice shall specify the action required to correct the default and a period of time of not less than 30 days within which to correct the default. If the default is not corrected within the time specified in the notice, the party not in default may terminate this lease without further obligation under this lease, other than obligations incurred or accrued to the date of termination.

At the expiration or termination of this lease or any extension of it, the Lessee will vacate and surrender the premise to the Lessor in as good condition and repair as when it took possession, reasonable wear and tear excepted. All property and fixtures placed in the premise by the Lessee or owned by the State of Montana may be removed by the Lessee within 30 days of termination.

23. SEVERABILITY

If any term or provision of this lease is held to be illegal, void or in conflict with any Montana law, the validity of the remaining terms and conditions shall not be affected. The rights and obligations of the parties shall be construed and enforced as if this lease did not contain the particular term, condition, or provision held to be invalid.

24. VENUE AND INTERPRETATION

The Lessor and Lessee agree that this lease shall be governed and interpreted according to the laws of the State of Montana. In the event of a dispute arising over this lease, the proper venue for the hearing of the case is the District Court of the First Judicial District of the State of Montana, in and for the County of Lewis and Clark.

25. SUCCESSORS

All rights and liabilities herein given to or imposed upon both parties shall extend to, be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

26. LEASE APPROVAL

This entire lease, in addition to any change, alteration, or renewal thereof, addendum, amendment, sublease or letter of understanding, is subject to prior approval by the Department of Administration.

27. ENTIRE LEASE/AMENDMENT

This lease, consisting of 10 pages, sections 1 through 29 and the attached Janitorial Specifications, contains the entire contract between the Lessor and the Lessee. Any agreement hereafter made shall not be effective to modify this lease unless it is in writing and signed by both parties and the Department of Administration.

28. SUBLEASE

The Lessee shall have the right to sublet the premises to a Sublessee, with the consent of the Lessor, which consent shall not be unreasonably withheld. Lessor shall not be required to consent to any sublease which would require Lessor to incur any expense therewith. In the event that any subtenant installs improvements or makes alterations to the interior of the building, all such improvements or alterations shall be removed upon termination of the sublease and the affected area will be restored to the same condition as it was prior to subtenant's occupancy at the State's expense.

29. SMOKE FREE ENVIRONMENT

The Lessor shall make all parts of the building smoke-free. "Smoke" means smoke from a lighted cigar, cigarette, or pipe or any other lighted tobacco product as defined in MCA 50-40-103.

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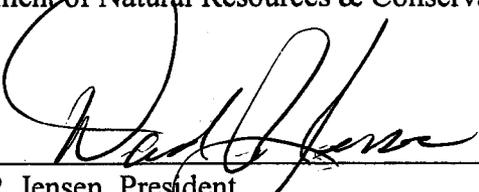
IN WITNESS HEREOF, all parties have entered into and executed this Amendment on the dates stated below:

PARTIES TO THE LEASE

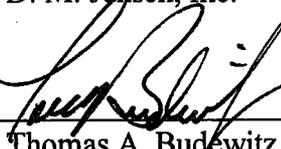
Lessee

By:  4/29/10
Mary Sexton, Director Date
Department of Natural Resources & Conservation

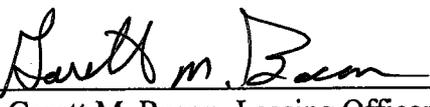
Lessor

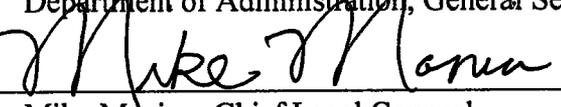
By:  5-22-2010
David P. Jensen, President Date
D. M. Jensen, Inc.

Lessor

By:  5/23/10
Thomas A. Budewitz, Secretary Date
D. M. Jensen, Inc.

APPROVED BY:

By:  April 22, 2010
Garrett M. Bacon, Leasing Officer Date
Department of Administration, General Services Division

By:  April 22, 2010
Mike Manion, Chief Legal Counsel Date
Department of Administration

By:  5/2/10
David Ewer Date
OBPP Director/Designee

By:  5-14-10
Janet R. Kelly, Director Date
Department of Administration

**ADDITION
DOCUMENT**

**STATE OF MONTANA STANDARD LEASE CONTRACT
(May 28, 2009 Version)**

This lease #5508-B is made by and between the Montana Department of Natural Resources & Conservation, located at PO Box 201601, Helena, Montana, 59620-1601, "Lessee" and D. M. Jensen, Inc., located at PO Box 6305, Helena Montana 59604, "Lessor."

1. PURPOSE OF LEASE

The Lessee has a need to lease space in Helena, Montana, for the purpose of a central state office building.
The Lessor has space available for lease in Helena, Montana, suitable for stated purpose.

2. PREMISE DESCRIPTION

The area of space being leased consists of 29,925 square feet of which 29,325 square feet is office space and 600 square feet is storage space, and includes the right to use common areas within the leased premise. The premises are located on the first & third floors at 1625 11th Avenue, Helena, Montana.

3. TERM OF LEASE

The term of this lease is four years, July 1, 2009 through June 30, 2013, unless earlier terminated as provided in Sections 13, 18, 19, 21 or 22 of this lease.

4. CONSIDERATION

The amount of base rent the Lessee shall pay to the Lessor during each year is as follows:

10
11
12
13

<u>YEAR</u>	<u>29325 sq ft BASE RATE</u>	<u>600 sq ft STORAGE RATE</u>	<u>ANNUAL</u>	<u>MONTHLY</u>
7-1-09	\$13.48	\$7.13	\$399,579.60	\$33,298.30
7-1-10	\$14.02	\$7.42	\$415,562.78	\$34,630.23
7-1-11	\$14.58	\$7.72	\$432,185.30	\$36,015.44
7-1-12	\$15.16	\$8.03	\$449,472.71	\$37,456.06

The Lessee shall make monthly lease payments without the need for a separate invoice from the Lessor. The lease payments are due on the first business day of the month. Lessor may request payments be made by electronic funds transfer by submitting a completed Standard Form 1199A (Direct Deposit Sign-Up Form) to the Lessee. Such an election shall remain in force until cancelled by Lessor with 30 days' advance written notice to the Lessee.

5. RENEWAL OPTION

The Lessee shall retain the option to renew this lease for a period of up to four (4) additional year(s) upon its expiration with the same terms and conditions as contained in this lease. Terms and conditions shall be mutually agreed upon, and Lessee shall exercise its option, no later than April 1, 2010. This will allow ample time for the Lessee to submit its budget request prior to the 2011 Legislature.

All lease renewals are subject to prior approval by the Department of Administration as provided in section 26.

6. UTILITIES AND SERVICES

The Lessee shall be responsible for paying a pro-rata share of the water, garbage removal, natural gas and electricity charges that are billed for the entire premise. It is agreed that the Lessee's pro-rata share is 66.30%. In addition, Lessee shall pay the actual janitorial charges of the janitorial contractor for the office portion of the building which it occupies (29,325 sq. ft.), not to exceed \$2.00 per sq. ft. per annum. The cap on the janitorial rate shall increase at 4% per annum beginning July 1, 2011 and increase at 4% on July 1, 2012. All such utilities and janitorial charges shall be added to the monthly rental invoice and payable upon receipt by Lessee to the Lessor.

The Lessee agrees that it shall maintain quality floor mats under all chairs with casters or rollers, at its expense. In the event new carpet is installed by the Lessor, the Lessee shall be responsible for the cost of moving furniture to facilitate the installation of the carpet.

7. PARKING SPACE

Lessor agrees to provide adequate parking spaces, including the requisite number of handicapped spaces in compliance with the Americans With Disabilities Act, as part of the leased premise at no additional charge or cost to the Lessee. Lessee acknowledges that it currently uses some of its parking space for state motor pool parking.

8. PARKING AREA AND SIDEWALK MAINTENANCE

Lessor agrees to keep the parking area and sidewalks in good repair, and to timely remove snow, ice, sand, gravel and debris from the parking area and sidewalks.

9. NOTICE PROTOCOL

Any notice or demand required or permitted to be given under this lease must be in writing. Written notice shall be deemed given when hand delivered, when mailed by first class mail,

postage prepaid, to the addresses specified in this section or by E mail with confirmation of delivery.

The Lessor's address for purpose of receiving demand or notice is D. M. Jensen, Inc., located at PO Box 6305, Helena Montana 59604.

The Lessor's representative for purposes under this lease is David P. Jensen, telephone (406) 442-3883.

The Lessee's address for the purpose of receiving notice is Montana Department of Natural Resources and Conservation, PO Box 201601, Helena, Montana 59620-1601.

The Lessee's representative for purposes under this lease is Ann Bauchman, telephone (406) 444-6734.

If either party changes its address or contact person, it must notify the other party in writing at the address provided in this section.

10. QUIET ENJOYMENT

The Lessee has the right to quiet and peaceful enjoyment and utilization of the leased premise for the term of this lease upon paying the rents as provided and upon Lessee's adherence to performance conditions set forth by and in this lease.

11. ACCESS FOR MAINTENANCE/INSPECTION

Upon prior notice, the Lessee shall permit the Lessor or its agent to enter into and upon the premise at all reasonable times to maintain or inspect the building in which the leased premise is located or to make repairs, alterations or additions to any portion of the building, including, but not limited to, the installation and maintenance of scaffolding, canopies, fences, or props as may be needed.

12. MAINTENANCE OF PREMISE

Lessor shall, at its cost and expense, keep and maintain in good working order and repair during the term of this lease or any extension thereof, the exterior of the premise including the roof, the foundation, all landscaping including sprinkler systems if any, mowing of the grass, weed and tree/bush control; and, the interior, including all fixtures in the building (except those owned by the Lessee), all plumbing, heating, ventilation, air conditioning, window treatments/blinds and electrical circuits. The Lessor, at the Lessee's cost and expense, shall be responsible for the replacement of light bulbs, fluorescent tubes and other lighting elements.

The Lessee shall notify the Lessor in writing immediately of any damage or need for repair.

Lessor shall make or cause to be made the necessary repairs as soon as possible after receiving notice. The Lessee shall be financially responsible only in cases of damages resulting from the Lessee's negligence or that of its employees.

Should the Lessor fail to make or begin to make necessary repairs within 30 days of notification of damages by the Lessee to the Lessor, the Lessee may then make necessary repairs at the Lessor's expense at the lowest reasonable cost.

An itemized statement of repairs made by the Lessee under this section, including verification of labor and material, may be tendered in lieu of full or partial payment of rent due for the succeeding months until the cost of the work performed is fully credited against rent due under this lease.

13. CASUALTY OR FIRE DAMAGE

If the leased premise becomes 25% or more destroyed or made uninhabitable, or if the premise is condemned by a proper authority, this lease may be terminated, without incurring liability, by the Lessee.

If the premise is less than 25% destroyed or made uninhabitable, the rent shall be reduced by the proportion the premise has been rendered uninhabitable or declared unsafe.

If the premise is not restored, or cannot be restored, and returned to proper condition for use and occupancy within 30 days of the casualty, then either the Lessor or the Lessee may terminate this lease, without incurring liability, on 10 days' written notice to the other party.

Upon written notice of termination under this section, the Lessor shall refund any unearned rent paid by the Lessee, and the Lessee shall have no further obligation to the Lessor under this lease. Lessor shall continue to insure the premise until Lessee's personal property is removed from the premise. The Lessee shall have 30 days after termination of this lease to remove its property from the premise.

14. ALTERATIONS TO PREMISE

The Lessee agrees to make no alteration to the premise without the prior written consent of the Lessor.

15. SIGNS

The Lessee shall have the right to install on the exterior of the premises a suitable sign or signs to advertise the Lessee's presence in and on the premises. At the termination of this contract, the Lessee shall remove the sign or signs and restore any alterations to the exterior of the premises caused by the installation of the sign or signs.

16.

HOLD HARMLESS AND INDEMNIFICATION CLAUSE

The Lessor agrees to protect, defend, and save the Lessee, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Lessor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Lessor and/or its agents, employees, representatives, assigns, subcontractors, under this lease except for the sole negligence of the Lessee.

The Lessee agrees to protect, defend, and save the Lessor, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Lessee's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Lessee and/or its agents, employees, representatives, assigns, subcontractors, under this lease except for the sole negligence of the Lessor.

17.

INSURANCE SPECIFICATIONS

a. Property

At its sole cost and expense, the Lessor shall keep the building and all other improvements on the premise insured throughout the term of the agreement against the following hazards:

- Loss or damage by fire and such other risks (not including earthquake damage) in an amount sufficient to permit such insurance to be written at all times on a replacement costs basis. This may be insured against by attachment of standard form extended coverage endorsement to fire insurance policies.
- Loss or damage from leakage or sprinkler systems now or hereafter installed in any building on the premise.
- Loss or damage by explosion of steam boilers, pressure vessels, and oil or gasoline storage tanks, or similar apparatus now or hereafter installed in a building or buildings on the premise.

b. General Liability

General Liability: the Lessor shall purchase Occurrence coverage with combined single limits of \$1 million per occurrence/\$2 million aggregate per year for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the project/location or the general aggregate limit shall be twice the required occurrence limit. This insurance must be from an insurer licensed to do business in Montana or a domiciliary state and with a Bests rating of no less than A-. The Lessor must provide 30 days written notice to the Lessee of any material change in coverage including cancellation and that the Lessee reserves the right to request copies of the Lessor's insurance coverage at any time. The State, its officers, officials, employees, and volunteers are to be covered as additional insureds for liability arising out of activities performed by or on behalf of the Lessor, including the insured's general supervision of the Lessor, products and completed operations and the premise owned, leased, occupied, or used.

The Lessor's insurance coverage shall be primary insurance as respects the Lessee, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the Lessee, its officers, officials, employees, or volunteers shall be excess of the Lessor's insurance and shall not contribute with it.

18. COMPLIANCE WITH LOCAL, STATE AND FEDERAL LAWS

The Lessor must comply with all applicable state and federal law. This includes, but is not limited to, the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, PL 101-336, Section 504 of Rehabilitation Act of 1973 and 18-5-401, MCA et seq. concerning the Blind Enterprise Program's vending facility rules.

The Lessor agrees it shall comply with the Montana Safety Act and all rules adopted thereunder. The Lessor further agrees to comply with the ordinances and laws of the City of Helena and the State of Montana, affecting the use of the premise and to assume all legal responsibility for any charges or damages for non-observance.

The Lessor agrees to provide the Department of Administration, the Legislative Auditor or their authorized agents access to any records concerning this lease.

A state agency may terminate a contract, without incurring liability, for the refusal of a nonstate entity to allow access to records as required in MCA 18-1-118.

The Lessor agrees to retain all records supporting the services rendered or goods delivered for a period of eight years after either the completion date of this lease or the conclusion of any claim, litigation or exception relating to this lease taken by the state of Montana or a third party.

19. ENVIRONMENTAL HAZARDS

The Lessor hereby represents and warrants that it is not aware of any leak, spill, release, discharge, emission or disposal of hazardous or toxic substances has occurred on the leased premise to date and that the soil and groundwater on or under the leased premise are free of toxic or hazardous substances as of the date that the term of this lease commences.

The Lessor represents and warrants that the leased premise shall be free of all asbestos containing materials, except undamaged vinyl asbestos floor tile in the premise or undamaged boiler or pipe insulation outside the leased premise. Radon levels in the leased premise shall not equal or exceed the Environmental Protection Agency (EPA) action level for homes or 4 Pico curies per liter (PCI/L).

The parties acknowledge that the property has not been tested for radon levels.

If, at any time, the Lessee determines that the leased premise poses a significant environmental hazard to its employees, this lease may be terminated, without incurring liability, with a minimum of 10 days' written notice.

20. HOLDOVER TENANCY

If the Lessee holds the premise beyond the terms of this lease, in the absence of a written agreement to the contrary, it shall be deemed a month-to-month tenancy subject to all terms and conditions of this lease. This holdover tenancy may be terminated, without incurring liability, at any time by either the Lessor or the Lessee by means of a 30 days' written notice delivered prior to the beginning of the final month.

21. TERMINATION

The Lessor acknowledges, understands, and agrees that the Lessee, as a state agency, is dependent upon state and federal appropriations for its funding. If state or federal government funds are not appropriated or otherwise made available to support continued performance of this lease in subsequent fiscal periods, the Lessee shall cancel and terminate this lease. The Lessee shall provide Lessor the date Lessee's cancellation shall take effect. The Lessee shall not be liable to the Lessor for any rental payment that would have been payable had the lease not been canceled and terminated under this provision. The Lessee shall be liable to the Lessor only for the rental payment, or prorated portion of that payment, owed to the Lessor under Section 4 up to the date the Lessee's cancellation takes effect. This is the Lessor's sole remedy. Lessee shall not be liable to the Lessor for any other payments or damages, including but not limited to general, special or consequential damages such as lost profits.

22. DEFAULT

If either party to this lease defaults in the performance of any term or condition of this lease, the other party may give the defaulting party notice of the default, which notice shall specify the action required to correct the default and a period of time of not less than 30 days within which to correct the default. If the default is not corrected within the time specified in the notice, the party not in default may terminate this lease without further obligation under this lease, other than obligations incurred or accrued to the date of termination.

At the expiration or termination of this lease or any extension of it, the Lessee will vacate and surrender the premise to the Lessor in as good condition and repair as when it took possession, reasonable wear and tear excepted. All property and fixtures placed in the premise by the Lessee or owned by the State of Montana may be removed by the Lessee within 30 days of termination.

23. SEVERABILITY

If any term or provision of this lease is held to be illegal, void or in conflict with any Montana law, the validity of the remaining terms and conditions shall not be affected. The rights and obligations of the parties shall be construed and enforced as if this lease did not contain the particular term, condition, or provision held to be invalid.

24. VENUE AND INTERPRETATION

The Lessor and Lessee agree that this lease shall be governed and interpreted according to the laws of the State of Montana. In the event of a dispute arising over this lease, the proper venue for the hearing of the case is the District Court of the First Judicial District of the State of Montana, in and for the County of Lewis and Clark.

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All rights and liabilities herein given to or imposed upon both parties shall extend to, be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

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This entire lease, in addition to any change, alteration, or renewal thereof, addendum, amendment, sublease or letter of understanding, is subject to prior approval by the Department of Administration.

27. ENTIRE LEASE/AMENDMENT

This lease, consisting of 10 pages, sections 1 through 29, contains the entire contract between the Lessor and the Lessee. Any agreement hereafter made shall not be effective to modify this lease

unless it is in writing and signed by both parties and the Department of Administration.

28. SUBLEASE

Subject to prior approval by the Department of Administration as provided in section 26, Lessee shall have the right to sublet the premise to a sublessee, with the consent of the Lessor, which consent shall not be unreasonably withheld.

29. SMOKE FREE ENVIRONMENT

The Lessor shall make the portions of the building occupied by state agencies smoke-free. "Smoke" means smoke from a lighted cigar, cigarette, or pipe or any other lighted tobacco product as defined in MCA 50-40-202.

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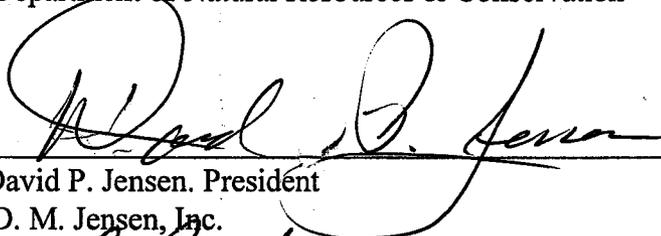
IN WITNESS HEREOF, all parties have entered into and executed this Amendment on the dates stated below:

PARTIES TO THE LEASE

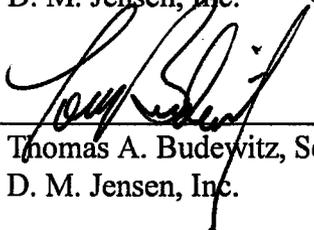
Lessee

By:  6/23/09
Mary Sexton, Director Date
Department of Natural Resources & Conservation

Lessor

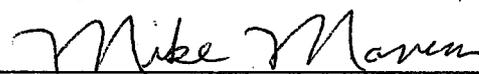
By:  7/6/09
David P. Jensen, President Date
D. M. Jensen, Inc.

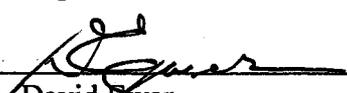
Lessor

By:  7/6/09
Thomas A. Budewitz, Secretary Date
D. M. Jensen, Inc.

APPROVED BY:

By:  June 15, 2009
Garrett M. Bacon, Leasing Officer Date
Department of Administration, General Services Division

By:  June 19, 2009
Mike Manion, Chief Legal Counsel Date
Department of Administration

By:  June 26, 2009
David Ewer Date
OBPP Director/Designee

By:  6/30/09
Janet R. Kelly, Director Date
Department of Administration

ADDITIONAL DOCUMENTS

RECEIVED
JUL 12 2004
D.N.R.C.

STATE OF MONTANA STANDARD LEASE CONTRACT 2004

1. PARTIES

This lease #5508-A, is entered into this 28th day of June, 2004, by and between the Montana Department of Natural Resources & Conservation, located at PO Box 201601, Helena, Montana, 59620-1601, hereinafter referred to as the "Department" and D. M. Jensen, Inc., located at PO Box 6305, Helena Montana 59624, Tax ID# 81-0382963, hereinafter referred to as the "Contractor".

2. PURPOSE OF LEASE

The Department has a need to lease premises in Helena, Montana, for the purpose of a central state office building.
Contractor has premises available for lease in Helena, Montana, suitable for stated purpose. The Contractor and the Department therefore agree as follows:

3. PREMISES DESCRIPTION

The area of space being leased consists of 29,925 square feet of which 29,325 square feet is office space and 600 square feet is storage space, and includes the right to use common areas within the leased premise. The premises are located on the first & third floors at 1625 11th Avenue, Helena, Montana.

4. TERM OF LEASE

The term of this lease shall be four (4) years, originating on the 1st day of July 2005, and expiring on the 30th day of June 2009, unless earlier terminated as provided in Sections 14, 20 or 22 of this lease.

5. CONSIDERATION

The amount of base rent the Department shall pay to the Contractor during each year is as follows:

<u>TERM</u>	<u>29325 sq ft</u> <u>BASE RATE</u>	<u>600 sq ft</u> <u>STORAGE RATE</u>	<u>ANNUAL</u>	<u>MONTHLY</u>
7-1-05 <i>FY'06</i>	\$11.86	\$6.28	\$351,562.50	\$29,296.88
7-1-06 <i>07</i>	\$12.22	\$6.47	\$362,233.50	\$30,186.13
7-1-07 <i>08</i>	\$12.58	\$6.66	\$372,904.50	\$31,075.38
7-1-08 <i>09</i>	\$12.96	\$6.86	\$384,168.00	\$32,014.00

After receiving a completed invoice addressed to the Montana Department of Department of Natural Resources and Conversation, PO Box 201601, Helena, Montana 59620-1601, at the beginning of each month, these charges will be paid.

6. RENEWAL OPTION

The Department shall retain the option to renew this lease for a period of up to four (4) additional year(s) upon its expiration with the same terms and provisions as contained in this lease. Terms and Provisions shall be mutually agreed upon, and the renewal option exercised by the Department, no later than April 1, 2008. This will allow ample time for the Department to submit their budget request prior to 2009 Legislation.

All lease renewals are subject to prior approval by the Department of Administration as provided in section 26.

7. UTILITIES AND SERVICES

The Contractor shall furnish and pay for janitorial service at a cost of ninety cents (\$.90) per square foot per annum for the subject office space (29325 square feet) in addition to all taxes levied on the real property. Such janitorial charges shall be added to the monthly rental invoice and payable to the Contractor.

The Department shall be responsible for paying a pro-rata share of the water, garbage removal, natural gas and electricity use charges that are billed for the entire premises. It is agreed that the Department's pro-rata share is 66.30%.

The Department agrees to purchase and install quality floor mats under all chairs with casters or rollers. In the event new carpet is installed by the Contractor, the Department shall be responsible for the cost of moving furniture to facilitate the installation of the carpet.

8. PARKING SPACE

Contractor agrees to provide adequate parking spaces, including the requisite number of handicapped spaces in compliance with the American With Disabilities Act as part of the leased premises at no additional charge or cost to the Department.

9. PARKING AREA AND SIDEWALK MAINTENANCE

Contractor agrees to keep the parking area and sidewalks in good repair, and to timely remove snow and ice from the parking area and sidewalks.

10. NOTICE PROTOCOL

Any notice or demand required or permitted to be given under this lease must be in writing. Written notice shall be deemed given when hand delivered, or when mailed by first class mail, postage prepaid, to the addresses specified in this section.

The Contractor's address for purpose of receiving demand or notice is D. M. Jensen, Inc., located at PO Box 6305, Helena Montana 59624.

The Contractor's representative for purposes under this lease is David P. Jensen, telephone (406) 442-3883.

The Department's address for the purpose of receiving notice is Montana Department of Natural Resources and Conservation, PO Box 201601, Helena, Montana 59620-1601.

The Department's representative for purposes under this lease is Ann Bauchman, telephone (406) 444-6734.

If either party changes its address or contact person, it must notify the other party in writing at the address provided in this section.

11. QUIET ENJOYMENT

The Department has the right to quiet and peaceful enjoyment and utilization of the leased premises for the term of this lease upon paying the rents as provided and upon Department adherence to performance conditions set forth by and in this lease.

12. INSPECTION

The Department shall permit upon prior notice, the Contractor or its agent to enter into and upon the premises at all reasonable times to maintain or inspect the building in which the leased premises are located or to make repairs, alterations or additions to any portion of the building, including, but not limited to, the erection and maintenance of scaffolding, canopies, fences, or props as may be needed.

13. MAINTENANCE OF PREMISES

Contractor shall, at its own cost and expense, keep and maintain in good working order and repair during the term of this lease or any extension thereof, the exterior of the premises

including the roof, the interior, all fixtures in the building except those owned by the Department, and all plumbing, heating, ventilation, air conditioning, and electrical circuits. Contractor, at the Department's expense shall be responsible for the replacement of light bulbs, fluorescent tubes and other lighting elements.

The Department shall notify the Contractor in writing immediately of any damage or need for repair. Contractor shall make or cause to be made the necessary repairs as soon as possible after receiving notice. The Department shall be financially responsible only in cases of damages resulting from the Department's negligence or that of its employees.

Should the Contractor fail to make or begin to make necessary repairs within thirty (30) days after U. S. Postal Service postmark of written notification of damages by the Department to the Contractor, the Department may then make necessary repairs at the Contractor's expense at the lowest reasonable cost.

An itemized statement of repairs made by the Department under this section, including receipt verification of labor and materials may be tendered in lieu of full or partial payment of rent due for the succeeding months until the cost of the work performed is fully credited against rent due under this lease.

14. CASUALTY OR FIRE DAMAGE

In the event the leased premises becomes twenty-five percent (25%) or more destroyed or made uninhabitable by fire or other casualty, or if the premises are condemned by a proper authority, this lease may be terminated by the Department.

If the premises are less than twenty-five percent (25%) destroyed or made uninhabitable by fire or other casualty, the rent shall be reduced by the proportion the premises have been rendered uninhabitable or declared unsafe. For the purpose of this section, other casualty includes but is not limited to vandalism.

If the premises are not restored, or cannot be restored, and returned to proper condition for use and occupancy within thirty (30) days of the casualty, then either the Contractor or the Department may terminate this lease on ten (10) days written notice to the other party.

Upon written notice of termination under this section, the Contractor shall refund any unearned rent paid by the Department, and the Department shall have no further obligation to the Contractor under this lease. Contractor shall continue to insure the premises until Department's personal property is removed from the premises. The Department shall have 30 days after termination of this lease to remove its property from the premises.

15. ALTERATIONS TO PREMISES

The Department agrees to make no substantial alteration to the premises without the prior written consent of the Contractor.

16. SIGNS

The Department shall have the right to install on the exterior of the premises a suitable sign or signs to advertise the Department's presence in and on the premises. At the termination of this contract, the Department shall remove the sign or signs and restore any alterations to the exterior of the premises caused by the installation of the sign or signs.

17. HOLD HARMLESS AND INDEMNIFICATION CLAUSE

The Contractor agrees to protect, defend, and save the Department, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Contractors employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Contractor and/or its agents, employees, representatives, assigns, subcontractors, under this lease except for the sole negligence of the Department.

The Department agrees to protect, defend, and save the Contractor, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Department's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Department and/or its agents, employees, representatives, assigns, subcontractors, under this lease except for the sole negligence of the Contractor.

18. INSURANCE SPECIFICATIONS

a. Property

At its sole cost and expense, the contractor shall keep the building and all other improvements on the premises insured throughout the term of the agreement against the following hazards:

- Loss or damage by fire and such other risks (not including earthquake damage) in an amount sufficient to permit such insurance to be written at all times on a replacement costs basis.

This may be insured against by attachment of standard form extended coverage endorsement to fire insurance policies.

- Loss or damage from leakage or sprinkler systems now or hereafter installed in any building on the premises.
- Loss or damage by explosion of steam boilers, pressure vessels, and oil or gasoline storage tanks, or similar apparatus now or hereafter installed in a building or buildings on the premises.

b. General Liability

- **General Liability:** the Contractor shall purchase Occurrence coverage with combined single limits of \$1 million per occurrence/\$2 million aggregate per year for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the project/location or the general aggregate limit shall be twice the required occurrence limit. This insurance must be from an insurer licensed to do business in Montana or a domiciliary state and with a Bests rating of no less than A-. The Contractor must provide 30 days written notice to the Department of any material change in coverage including cancellation and that the Department reserves the right to request copies of the Contractors insurance coverage at any time.

The Contractors insurance coverage shall be primary insurance as respects the Department, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the Department, its officers, officials, employees, or volunteers shall be excess of the Contractors insurance and shall not contribute with it.

19. COMPLIANCE WITH LOCAL, STATE AND FEDERAL LAWS

The Contractor must comply with all applicable state and federal law. This includes, but is not limited to, the Montana Human Rights Act, the Civil Rights Act of 1964, the Age discrimination Act of 1975, the Americans with Disabilities Act of 1990, PL 101-336, Section 504 of Rehabilitation Act of 1973.

The Contractor agrees to conform to all rules and regulations adopted under the Montana Safety Act and the Act itself. The Contractor further agrees to comply with the ordinances and laws of the City of Helena, and the State of Montana, affecting the use of the premises and to assume all legal responsibility for any charges or damages for non-observance.

The Contractor agrees to provide the Department of Administration, the Legislative Auditor, the Legislative Fiscal Analyst, or their authorized agents access to any records concerning this lease.

The Contractor agrees to create and retain all records supporting the services rendered or goods delivered for a period of three years after either the completion date of this lease or the conclusion of any claim, litigation or exception relating to this lease taken by the state of Montana or a third party.

20. ENVIRONMENTAL HAZARDS

The Contractor hereby represents that it is not aware of any leak, spill, release, discharge, emission or disposal of hazardous or toxic substances has occurred on the leased premises to date and that the soil and groundwater on or under the leased premises are free of toxic or hazardous substances as of the date that the term of this lease commences.

The Contractor represents and warrants that the leased space shall be free of all asbestos containing materials, except undamaged vinyl asbestos floor tile in the space or undamaged boiler or pipe insulation outside the space.

The parties acknowledge that the property has not been tested for radon levels.

21. HOLDOVER TENANCY

In the event the Department holds the premises beyond the terms of this lease, in the absence of a written agreement to the contrary, it shall be deemed a month-to-month tenancy subject to all terms and conditions of this lease. This holdover tenancy may be terminated at any time by either the Contractor or the Department by means of a 30-day written notice delivered prior to the beginning of the final month.

22. TERMINATION

The Contractor acknowledges, understands, and agrees that the Department, as a state agency, is dependent upon state and federal appropriations for its funding. In the event state or federal government funds available for this purpose are reduced, the Department may cancel this lease by giving thirty (30) days written notice to the Contractor.

The Department shall not be liable to the Contractor for any amount which would have been payable had the lease not been terminated under this provision. The Department shall be liable to the Contractor only for the amount owed to the Contractor up to the date the Department vacates the premises.

If either party to this lease defaults in the performance of any term or condition of this lease, the other party may give the defaulting party notice of the default, which notice shall specify the

action required to correct the default and a period of time of not less than (30) days within which to correct the default. If the default is not corrected within the time specified in the notice, the party not in default may terminate this lease without further obligation under this lease, other than obligations incurred or accrued to the date of termination.

At the expiration or termination of this lease or any extension of it, the Department will vacate and surrender the premises to the Contractor in as good condition and repair as when it took possession, reasonable wear and tear excepted. All property and fixtures placed in the premises by the Department or owned by the State of Montana may be removed by the Department within thirty days of termination.

The foregoing provisions shall not operate to exclude or suspend any other remedy of the Contractor or the Department for breach of any of the provisions herein, or for the recovery of rents to be paid to the Contractor, except as specifically provided herein. In the event the Department becomes in default of the terms and provisions of this contract, the Contractor, at its election, may declare the term ended and the demised premises the sole property of the Contractor, to re-enter the same and repossess and enjoy them as in their first and former estate, without such re-entry and repossession working a forfeiture of rents to be paid and the covenants to be performed by the Department during the full term of this contract. It is the obligation of the Contractor to make a reasonable attempt to re-lease the premises, and if they are re-leased, the Department is liable only for the Contractor's actual loss of rent resulting from said default.

23. SEVERABILITY

It is understood and agreed by the parties hereto that if any term or provision of this lease is held to be illegal, void or in conflict with any Montana law, the validity of the remaining terms and conditions shall not be affected. The rights and obligations of the parties shall be construed and enforced as if this lease did not contain the particular term, condition, or provision held to be invalid.

24. VENUE AND INTERPRETATION

The Contractor and Department agree that this lease shall be governed and interpreted according to the laws of the State of Montana. In the event of a dispute arising over this lease, the proper venue for the hearing of the case is the District Court of the First Judicial District of the State of Montana, in and for the County of Lewis and Clark.

25. SUCCESSORS

All rights and liabilities herein given to or imposed upon both parties shall extend to, be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

26. LEASE APPROVAL

This entire lease, in addition to any change, alteration, or renewal thereof, addendum, amendment, or letter of understanding, is subject to prior approval by the Department of Administration.

27. ENTIRE LEASE

This contract consisting of ten (10) pages and sections 1 through 29, contain the entire contract between the Contractor and the Department. Any agreement hereafter made shall not be effective to modify this lease unless it is in writing and signed by both parties and the Department of Administration.

28. SUBLEASE

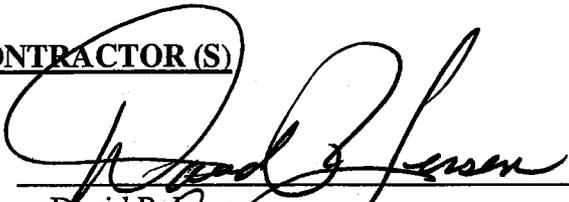
The Department shall have the right to sublet the premises to a Sublessee, with the consent of the Contractor, which consent shall not be unreasonably withheld. Contractor shall not be required to consent to any sublease which would require Contractor to incur any expense therewith. In the event that any subtenant installs improvements or makes alterations to the interior of the building, all such improvements or alterations shall be removed upon termination of the sublease and the affected area will be restored to the same condition as it was prior to subtenant's occupancy at the State's expense.

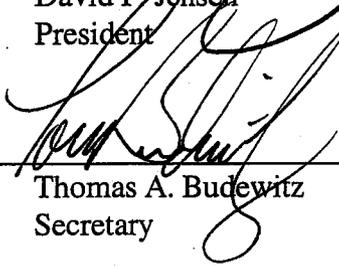
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The Contractor shall make the portions of the building occupied by state agencies smoke-free. "Smoke" means smoke from a lighted cigar, cigarette, or pipe or any other lighted tobacco product as defined in MCA 50-40-202.

IN WITNESS HEREOF, all parties have entered into and executed this lease:

CONTRACTOR (S)

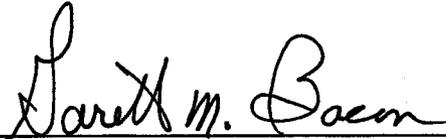
By:  7/5/04
David P. Jensen Date
President

By:  7/8/04
Thomas A. Budewitz Date
Secretary

DEPARTMENT

By:  6-30-04
Ann Bauchman Date
Administrator

PRIOR APPROVAL BY THE DEPARTMENT OF ADMINISTRATION

By:  6-28-2004
Garrett M. Bacon Date
Leasing Officer

THIS LEASE HAS BEEN APPROVED FOR LEGAL CONTENT BY THE DEPARTMENT OF ADMINISTRATION'S LEGAL COUNSEL.

**ADDITION
DOCUMENT**

1. PARTIES

This lease #5508 is entered into this 12th day of March, 2001, by and between the Montana Department of Natural Resources & Conservation, located at PO Box 201601, Helena, Montana 59620-1601, hereinafter referred to as the "Department" and D.M. Jensen, Inc., located at PO Box 943, East Helena, Montana 59635, Tax ID#81-0382963, hereinafter referred to as the "Contractor".

2. PURPOSE OF LEASE

The Department has a need to lease premises in Helena, Montana, for the purpose of its central state office building. Contractor has premises available for lease in Helena, Montana, suitable for stated purpose. The Contractor and the Department therefore agree as follows:

3. PREMISES DESCRIPTION

The area of space being leased consists of 29,925 square feet of which 29,325 square feet is office space and 600 square feet is storage space, and includes the right to use common areas within the leased premise. The premises are located on the first & third floors at 1625 11th Avenue, Helena, Montana.

4. TERM OF LEASE

The term of this lease shall be four (4) years, originating on the 1st day of July, 2001, and terminating on the 30th day of June, 2005, unless earlier terminated as provided in Sections 14, 20 or 22 of this lease.

5. CONSIDERATION

The amount of base rent the Department shall pay to the Contractor during each year is as follows:

	<u>29325 sq ft</u>	<u>600 sq ft</u>		
<u>TERM</u>	<u>BASE RATE</u>	<u>STORAGE RATE</u>	<u>ANNUAL</u>	<u>MONTHLY</u>
F102 03 04 7-1-01	\$ 9.48	\$5.08	\$281,050.20	\$23420.85
7-1-02	\$ 9.95	\$5.33	\$294,984.15	\$24582.01
7-1-03	\$10.75	\$5.72	\$318,678.40	\$26556.53

7-1-04 \$11.50 \$6.09 \$340,892.58 \$28407.72

After receiving a completed invoice addressed to the Montana Department of Department of Natural Resources and Conversation, PO Box 201601, Helena, Montana 59620-1601, at the beginning of each month, these charges will be paid.

6. RENEWAL OPTION

The Department shall retain the option to renew this lease for a period of up to four (4) additional year(s) upon its termination. Terms and Provisions shall be mutually agreed upon, and the renewal option exercised by the Department, no later than April 1, 2003.

All lease renewals are subject to prior approval by the Department of Administration as provided in section 26.

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The Department agrees to purchase and install quality floor mats under all chairs with casters or rollers. In the event new carpet is installed by the Contractor, the Department shall be responsible for the cost of moving furniture to facilitate the installation of the carpet.

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Contractor agrees to provide adequate parking spaces, including the requisite number of handicapped spaces in compliance with the American With Disabilities Act as part of the leased premises at no additional charge or cost to the Department.

9. **PARKING AREA AND SIDEWALK MAINTENANCE**

Contractor agrees to keep the parking area and sidewalks in good repair, and to timely remove snow and ice from the parking area and sidewalks.

10. **NOTICE PROTOCOL**

Any notice or demand required or permitted to be given under this lease must be in writing. Written notice shall be deemed given when hand delivered, or when mailed by first class mail, postage prepaid, to the addresses specified in this section.

The Contractor's address for purpose of receiving demand or notice is D.M. Jensen, Inc., PO Box 943, East Helena, Montana 59635.

The Contractor's representative for purposes under this lease is David M. Jensen, telephone (406) 442-3883 or 475-3869.

The Department's address for the purpose of receiving notice is Montana Department of Natural Resources and Conservation, PO Box 201601, Helena, Montana 59620-1601.

The Department's representative for purposes under this lease is Ann Bauchman, telephone (406) 444-6734.

If either party changes its address or contact person, it must notify the other party in writing at the address provided in this section.

11. **QUIET ENJOYMENT**

The Department has the right to quiet and peaceful enjoyment and utilization of the leased premises for the term of this lease upon paying the rents as provided and upon Department adherence to performance conditions set forth by and in this lease.

12. **INSPECTION**

The Department shall permit upon prior notice, the Contractor or its agent to enter into and upon the premises at all reasonable times to maintain or inspect the building in which the leased premises are located or to make repairs, alterations or additions to any portion of the building, including, but not limited to, the erection and maintenance of scaffolding, canopies, fences, or props as may be

needed.

13. MAINTENANCE OF PREMISES

Contractor shall, at its own cost and expense, keep and maintain in good working order and repair during the term of this lease or any extension thereof, the exterior of the premises including the roof, the interior, all fixtures in the building except those owned by the Department, and all plumbing, heating, ventilation, air conditioning, and electrical circuits. Contractor, at the Departments expense shall be responsible for the replacement of light bulbs, fluorescent tubes and other lighting elements.

The Department shall notify the Contractor in writing immediately of any damage or need for repair. Contractor shall make or cause to be made the necessary repairs as soon as possible after receiving notice. The Department shall be financially responsible only in cases of damages resulting from the Department's negligence or that of its employees.

Should the Contractor fail to make or begin to make necessary repairs within thirty (30) days after U. S. Postal Service postmark of written notification of damages by the Department to the Contractor, the Department may then make necessary repairs at the Contractor's expense at the lowest reasonable cost.

An itemized statement of repairs made by the Department under this section, including receipt verification of labor and materials may be tendered in lieu of full or partial payment of rent due for the succeeding months until the cost of the work performed is fully credited against rent due under this lease.

14. CASUALTY OR FIRE DAMAGE

In the event the leased premises becomes twenty-five percent (25%) or more destroyed or made uninhabitable by fire or other casualty, or if the premises are condemned by a proper authority, this lease may be terminated by the Department.

If the premises are less than twenty-five percent (25%) destroyed or made uninhabitable by fire or other casualty, the rent shall be reduced by the proportion the premises have been rendered uninhabitable or declared unsafe. For the purpose of this section, other casualty includes but is not limited to vandalism.

If the premises are not restored, or cannot be restored, and returned to proper condition for use and occupancy within thirty (30) days of the casualty, then either the Contractor or the Department may terminate this lease on ten (10) days written notice to the other party.

Upon written notice of termination under this section, the Contractor shall refund any unearned rent paid by the Department, and the Department shall have no further obligation to the Contractor under this lease. Contractor shall continue to insure the premises until Department's personal property is removed from the premises. The Department shall have 30 days after termination of this lease to remove its property from the premises.

15. ALTERATIONS TO PREMISES

The Department agrees to make no alteration to the premises without the prior written consent of the Contractor.

16. SIGNS

The Department shall have the right to install on the exterior of the premises a suitable sign or signs to advertise the Department's presence in and on the premises. At the termination of this contract, the Department shall remove the sign or signs and restore any alterations to the exterior of the premises caused by the installation of the sign or signs.

17. HOLD HARMLESS AND INDEMNIFICATION CLAUSE

The Contractor agrees to protect, defend, and save the Department, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Contractor=s employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Contractor and/or its agents, employees, representatives, assigns, subcontractors, under this lease except for the sole negligence of the Department.

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within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Department's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Department and/or its agents, employees, representatives, assigns, subcontractors, under this lease except for the sole negligence of the Contractor.

18. INSURANCE SPECIFICATIONS

The Contractor must provide and maintain for the duration of this contract, at its cost and expense, insurance against claims for injuries to persons or damages to property including contractual liability which may arise from or in connection with building maintenance/construction/design and property access/use, including adjoining structures such as sidewalks, grounds, parking lots and work performed or services provided by the Contractor, its agents, representatives, officers, tenants, assigns and/or servants.

Comprehensive General Liability Insurance (CGL)

The Contractor shall maintain Comprehensive General Liability Insurance (coverage shall be at least as broad as #CG0001) from an insurer licensed to do business in Montana or a domiciliary state and with a Best's rating of no less than A- and provide the following at a minimum:

1. Occurrence coverage of \$1,000,000 combined single limit and an aggregate single limit of \$2,000,000 per year.
2. The State of Montana shall be named as an "additional insured" for liability arising out of activities performed by or on behalf of the Contractor; including the State's general supervision of the Contractor; products and completed operations of the Contractor; premises owned, occupied, or used by the Contractor.
3. In the event of any claim or demand for damages made by a third party against the Contractor and/or the Department arising out of Contractor's conduct, Contractor's insurance coverage shall be primary. In the event of any claim or demand for damages made by a third party against the Contractor and/or the Department arising out of the conduct

of the State of Montana, its officers, officials or employees, the State's insurance or self-insurance coverage shall be primary.

4. All certificates of insurance and endorsements shall be received by the State before the contract or work commences. The State reserves the right to require complete, certified copies of all required insurance policies at any time.

19. COMPLIANCE WITH LOCAL, STATE AND FEDERAL LAWS

The Contractor must comply with all applicable state and federal law. This includes, but is not limited to, the Montana Human Rights Act, the Civil Rights Act of 1964, the Age discrimination Act of 1975, the Americans with Disabilities Act of 1990, PL 101-336, and Section 504 of Rehabilitation Act of 1973.

The Contractor agrees to conform with all rules and regulations adopted under the Montana Safety Act and the Act itself. The Contractor further agrees to comply with the ordinances and laws of the City of Helena, and the State of Montana, affecting the use of the premises and to assume all legal responsibility for any charges or damages for non-observance.

The Contractor agrees to provide the Department of Administration, the Legislative Auditor, the Legislative Fiscal Analyst, or their authorized agents access to any records concerning this lease.

The Contractor agrees to create and retain all records supporting the services rendered or goods delivered for a period of three years after either the completion date of this lease or the conclusion of any claim, litigation or exception relating to this lease taken by the state of Montana or a third party.

20. ENVIRONMENTAL HAZARDS

The Contractor hereby represents that it is not aware of any leak, spill, release, discharge, emission or disposal of hazardous or toxic substances has occurred on the leased premises to date and that the soil and groundwater on or under the leased premises are free of toxic or hazardous substances as of the date that the term of this lease commences.

The Contractor represents and warrants that the leased space shall be free of all asbestos containing materials, except undamaged vinyl asbestos floor tile in the space or undamaged boiler or pipe insulation outside the space.

The parties acknowledge that the property has not been tested for radon levels.

21. HOLDOVER TENANCY

In the event the Department holds the premises beyond the terms of this lease, in the absence of a written agreement to the contrary, it shall be deemed a month-to-month tenancy subject to all terms and conditions of this lease. This holdover tenancy may be terminated at any time by either the Contractor or the Department by means of a 30-day written notice delivered prior to the beginning of the final month.

22. TERMINATION

The Contractor acknowledges, understands, and agrees that the Department, as a state agency, is dependent upon state and federal appropriations for its funding. In the event state or federal government funds available for this purpose are reduced, the Department may cancel this lease by giving thirty (30) days written notice to the Contractor.

The Department shall not be liable to the Contractor for any amount which would have been payable had the lease not been terminated under this provision. The Department shall be liable to the Contractor only for the amount owed to the Contractor up to the date the Department vacates the premises.

If either party to this lease defaults in the performance of any term or condition of this lease, the other party may give the defaulting party notice of the default, which notice shall specify the action required to correct the default and a period of time of not less than (30) days within which to correct the default. If the default is not corrected within the time specified in the notice, the party not in default may terminate this lease without further obligation under this lease, other than obligations incurred or accrued to the date of termination.

At the expiration or termination of this lease or any extension of it, the Department will vacate and surrender the premises to the

Contractor in as good condition and repair as when it took possession, reasonable wear and tear excepted. All property and fixtures placed in the premises by the Department or owned by the State of Montana may be removed by the Department within thirty days of termination.

The foregoing provisions shall not operate to exclude or suspend any other remedy of the Contractor or the Department for breach of any of the provisions herein, or for the recovery of rents to be paid to the Contractor, except as specifically provided herein. In the event the Department becomes in default of the terms and provisions of this contract, the Contractor, at its election, may declare the term ended and the demised premises the sole property of the Contractor, to re-enter the same and repossess and enjoy them as in their first and former estate, without such re-entry and repossession working a forfeiture of rents to be paid and the covenants to be performed by the Department during the full term of this contract. It is the obligation of the Contractor to make a reasonable attempt to re-lease the premises, and if they are re-leased, the Department is liable only for the Contractor's actual loss of rent resulting from said default.

23. SEVERABILITY

It is understood and agreed by the parties hereto that if any term or provision of this lease is held to be illegal, void or in conflict with any Montana law, the validity of the remaining terms and conditions shall not be affected. The rights and obligations of the parties shall be construed and enforced as if this lease did not contain the particular term, condition, or provision held to be invalid.

24. VENUE AND INTERPRETATION

The Contractor and Department agree that this lease shall be governed and interpreted according to the laws of the State of Montana. In the event of a dispute arising over this lease, the proper venue for the hearing of the case is the District Court of the First Judicial District of the State of Montana, in and for the County of Lewis and Clark.

25. SUCCESSORS

All rights and liabilities herein given to or imposed upon both parties shall extend to, be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

26. LEASE APPROVAL

This entire lease, in addition to any change, alteration, or renewal thereof, addendum, amendment, or letter of understanding, is subject to prior approval by the Department of Administration.

27. ENTIRE LEASE

This contract consisting of eleven (11) pages and sections 1 through 28, contain the entire contract between the Contractor and the Department. Any lease hereafter made shall not be effective to modify this lease unless such agreement is in writing and is signed by both parties to the original lease and the Department of Administration.

28. SUBLEASE

The Department shall have the right to sublet the premises to a Sublessee, with the consent of the Contractor, which consent shall not be unreasonably withheld. Contractor shall not be required to consent to any sublease which would require Contractor to incur any expense therewith. In the event that any subtenant installs improvements or makes alterations to the interior of the building, all such improvements or alterations shall be removed upon termination of the sublease and the affected area will be restored to the same condition as it was prior to subtenant's occupancy at the State's expense.

IN WITNESS THEREOF, the Contractor and the Department have entered into and executed this lease:

CONTRACTOR (S)

By: David M. Jensen
David M. Jensen, President

3/27/01
Date

By: Mary Anne Jensen
Mary Anne Jensen, Secretary

3/27/01
Date

DEPARTMENT

By: Ann Bauchman
Ann Bauchman

3-22-01
Date

PRIOR APPROVAL BY THE DEPARTMENT OF ADMINISTRATION

By: Garett M. Bacon
Garett M. Bacon
Leasing officer

3-12-2001
Date

THIS LEASE HAS BEEN APPROVED FOR LEGAL CONTENT BY THE DEPARTMENT OF ADMINISTRATION'S LEGAL COUNSEL.

Handwritten scribbles or faint text at the top of the page.



ADDITIONAL DOCUMENTS

DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES DIVISION

Lease Number 5508

STATE OF MONTANA STANDARD LEASE CONTRACT 7-96

DMS
/Pa

I. PARTIES

THIS CONTRACT is entered into this 13 day of February, 1997, by and between the MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION, located at 1625 11th Avenue, Helena, Montana 59620-1601, hereinafter referred to as the "DEPARTMENT", and D.M. JENSEN, INC., located at P.O. Box 943, East Helena, Montana 59635, hereinafter referred to as the "CONTRACTOR".

II. PURPOSE OF AGREEMENT

The Department has a need to lease premises in Helena, Montana, for the purpose of its central state office building.

Contractor has premises available for lease in Helena, Montana, suitable for the stated purpose. The Contractor and the Department therefore agree as follows:

III. PREMISES DESCRIPTION

The area of space being leased consists of 29,925 square feet of which 29,325 square feet is office space and 600 square feet is storage space, and includes the right to use common areas within the leased premise. The premises are located on the first and third floors at 1625 11th Avenue, Helena, Montana.

IV. TERM OF LEASE

The term of this contract shall be four (4) years, originating on the 1st day of July, 1997, and terminating on the 30th day of June, 2001, unless earlier terminated as provided in Sections XIV, XX, and XXII of this agreement.

V. CONSIDERATION

The amount of base rent the Department shall pay to the Contractor during each year is as follows:

TERM	29,325 sq.ft.	600 sq.ft.	ANNUAL	MONTHLY
	BASE RATE	STORAGE RATE		
7-1-97 ¹⁹⁹⁷	\$7.80	\$4.18	\$231,243.00	\$19,270.25 -
7-1-98 ⁹⁸	8.19	4.39	242,805.75	20,233.81
7-1-99 ⁹⁹	8.60	4.61	254,961.00	21,246.75
7-1-00 ⁰¹	9.03	4.84	267,708.75	22,309.06

After receiving a completed invoice addressed to the Montana Department of Natural Resources & Conservation, 1625 11th Avenue, Helena, Montana 59620-1601, at the beginning of each month, these charges will be paid.

VI. RENEWAL OPTION

The Department shall retain the option to renew this contract for a period of up to four (4) years upon its termination. Terms and provisions shall be mutually agreed upon, and the renewal option exercised by the Department, no later than August 1, 1999.

All lease renewals are subject to prior approval by the Department of Administration as provided in section XXVI.

VII. UTILITIES AND SERVICES

The Contractor shall furnish and pay for janitorial service at a cost of eighty cents (\$.80) per square foot per annum for the subject office space (29,325 square feet), in addition to all taxes levied on the real property. Such janitorial charges shall be added to the monthly rental invoice and payable to the Contractor.

The Department shall be responsible for paying a pro-rata share of the water, garbage removal, natural gas and electricity use charges that are billed for the entire premises. It is agreed that the Department's pro-rata share is 66.30%

The Department agrees to purchase and install floor mats under all chairs with casters or rollers. In the event new carpet is installed by the Contractor, the Department shall be responsible for the cost of moving furniture to facilitate the installation of the carpet.

VIII. PARKING SPACE

Contractor agrees to provide adequate parking spaces, including the requisite number of handicapped spaces in compliance with the American with Disabilities Act as part of the leased premises at no additional charge or cost to the Department.

IX. PARKING AREA AND SIDEWALK MAINTENANCE

Contractor agrees to keep the parking area and sidewalks in good repair, and to timely remove snow and ice from the parking area and sidewalks.

X. NOTICE PROTOCOL

Any notice or demand required or permitted to be given under this contract must be in writing. Written notice shall be deemed given when hand delivered, or when mailed by first class mail, postage prepaid, to the addresses specified in this paragraph. The Contractor's address for purpose of receiving demand or notice is D.M. Jensen, Inc., P.O. Box 943, East Helena, Montana 59635.

The Contractor's representative for purposes under this agreement is David M. Jensen, telephone 406/442-3883 or 475-3869.

The Department's address for the purpose of receiving notice is Montana Department of Natural Resources and Conservation, 1625 11th Avenue, Helena, Montana 59620-1601.

The Department's representative for purposes under this agreement is Randy Mosley, telephone 406/444-4979.

If either party changes its address, it must notify the other party in writing at the address provided in this section.

XI. QUIET ENJOYMENT

The Department has the right to quiet and peaceful enjoyment and utilization of the leased premises for the term of this contract upon paying the rents as provided and upon Department adherence to performance conditions set forth by and in this document.

XII. INSPECTION

The Department shall permit the Contractor or its agent to enter into and upon the premises at all reasonable times to maintain or inspect the building in which the leased premises are located or to make repairs, alterations or additions to any portion of the building, including, but not limited to, the erection and maintenance of scaffolding, canopies, fences, or props as may be needed.

XIII. MAINTENANCE OF PREMISES

Contractor shall, at its own cost and expense, keep and maintain in good working order and repair during the term of this agreement or any extension thereof, the exterior of the premises including the roof, all fixtures in the building, except those owned by the Department, and all plumbing, heating, ventilation, air conditioning, and electrical circuits. Contractor shall replace light bulbs, upon reasonable notice, at the Department's expense.

The Department shall notify the Contractor in writing immediately of any damage or need for repair. Except as otherwise provided herein, the Department shall be financially responsible only for such repairs or damage which result from the Department's negligence or that of its employees.

Should the Contractor fail to make or begin to make necessary repairs within thirty (30) days after U.S. Postal Service postmark of written notification of damages by the Department to the Contractor, the Department may then make necessary repairs at the Contractor's expense at the lowest reasonable rate.

An itemized statement of repairs made by the Department under this section, including receipt verification of labor and materials may be tendered in lieu of full or partial payment of rent due for the succeeding months until the cost of the work performed is fully credited against rent due under this contract.

XIV. CASUALTY OR FIRE DAMAGE

In the event the leased premises become twenty-five percent (25%) or more destroyed or made uninhabitable by fire or other casualty, or if the premises are condemned by a proper authority, this contract may be terminated by the Department.

If the premises are less than twenty-five percent (25%) destroyed or made uninhabitable by fire or other casualty, the rent shall be reduced by the proportion the premises have been rendered uninhabitable or declared unsafe. For the purpose of this section, other casualty includes, but is not limited to, vandalism.

If the premises are not restored, or cannot be restored, and returned to proper condition for use and occupancy within thirty (30) days of the casualty, then either the Contractor or the Department may terminate this contract on ten (10) days written notice to the other party.

Upon written notice of termination under this section, the Contractor shall refund any unearned rent paid by the Department, and the Department shall have no further obligation to the Contractor under this contract. Contractor shall continue to insure the premises until Department's personal property is removed from the premises. The Department shall have 30 days after termination of this contract to remove its property from the premises.

XV. ALTERATIONS TO PREMISES

The Department agrees to make no substantial alteration to the premises without the prior written consent of the Contractor.

XVI. SIGNS

The Department shall have the right to install on the exterior of the premises a suitable sign or signs to advertise the Department's presence in and on the premises. At the termination

of this contract, the Department shall remove the sign or signs and restore any alterations to the exterior of the premises caused by the installation of the sign or signs.

XVII. HOLD HARMLESS AND INDEMNIFICATION CLAUSE

The Contractor agrees to protect, defend, and save the Department harmless from and against any claims, demands, and causes of action of any kind or character, including defense costs, arising in favor of the Contractor's employees or third parties, on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of the Contractor and/or its employees, subcontractors, or representatives, except the sole negligence of the Department under this agreement.

The Department agrees to protect, defend, and save the Contractor harmless from and against any claims, demands, and causes of action of any kind or character, including defense costs, arising in favor of the Department's employees or third parties, on account of bodily or personal injuries, death, or damage to property arising out of the conduct of the Department and/or its employees, subcontractors, or representatives, except the sole negligence of the Contractor under this agreement.

XVIII. INSURANCE SPECIFICATIONS

The Contractor must provide and maintain for the duration of the agreement, at its cost and expense, insurance against claims for injuries to persons or damages to property including contractual liability which may arise from or in connection with building maintenance/construction/design and property access/use, including adjoining structures such as sidewalks, grounds, parking lots, and work performed or services provided by the Contractor, its agents, representatives, officers, tenants, assigns, and/or servants.

Comprehensive General Liability Insurance (CGL)

The Contractor shall maintain Comprehensive General Liability Insurance (coverage shall be at least as broad as #CG0001) from an insurer licensed to do business in Montana or a domiciliary state and with a Best's rating of no less than A- and provide the following at a minimum:

- (1) *Occurrence coverage of \$1,000,000 combined single limit and an aggregate single limit of \$2,000,000 per year.

(2) */** The State of Montana shall be named as an "additional insured" for liability arising out of activities performed by or on behalf of the Contractor, including the state's general supervision of the Contractor; products and completed operations of the Contractor; premises owned, occupied, or used by the Contractor.

(3) In the event of any claim or demand for damages made by a third party against the Contractor and/or the Department arising out of Contractor's conduct, Contractor's insurance coverage shall be primary. In the event of any claim or demand for damages made by a third party against the Contractor and/or the Department arising out of the conduct of the State of Montana, its officers, officials or employees, the State's insurance or self-insurance coverage shall be primary.

* Usually indicated on the certificate of insurance.

** Usually indicated by endorsement.

(4) All certificates of insurance and endorsements shall be received by the state before the contract or work commences. The state reserves the right to require complete, certified copies of all required insurance policies at any time.

XIX. COMPLIANCE WITH LOCAL, STATE AND FEDERAL LAWS

The Contractor must comply with all applicable state and federal law. This includes, but is not limited to, the Montana Human Rights Act, the Civil Rights Act of 1964, the Age discrimination Act of 1975, the Americans with Disabilities Act of 1990, PL 101-336, and Section 504 of the Rehabilitation Act of 1973.

The Contractor agrees to conform with all rules and regulations adopted under the Montana Safety Act and the Act itself. The Contractor further agrees to comply with the ordinances and laws of the City of Helena, and the State of Montana, affecting the use of the premises and to assume all legal responsibility for any charges or damages for non-observance.

The Contractor agrees to provide the Department of Administration, the Legislative Auditor, the Legislative Fiscal Analyst, or their authorized agents access to any records concerning this contract.

The Contractor agrees to create and retain all records supporting the services rendered or goods delivered for a period of three (3) years after either the completion date of this contract or the conclusion of any claim, litigation or exception relating to this contract taken by the State of Montana or a third party.

XX. ENVIRONMENTAL HAZARDS

The Contractor represents that it is not aware of any leak, spill, release, discharge, emission or disposal of hazardous or toxic substances having occurred on the leased premises prior to the date of this contract and that, as far as Contractor knows, the soil and groundwater on or under the leased premises are free of toxic or hazardous substances as of the date of the term of this lease agreement commences. The parties agree that they shall not dispose of any toxic or otherwise hazardous substances upon the premises in violation of any state, local or federal law, regulation or ordinance. The parties further indemnify and hold the other harmless from any claim made by any party, including a government agency, for any loss, claim, demand or cost, including attorneys fees, incurred as the result of the violation by either party of the obligations contained in this paragraph.

The Contractor represents and warrants that the leased space shall be free of all asbestos containing materials, except undamaged vinyl asbestos floor tile in the space or undamaged boiler or pipe insulation outside the space.

The parties acknowledge that the property has not been tested for radon levels.

XXI. HOLDOVER TENANCY

In the event the Department holds the premises beyond the terms of this contract, in the absence of a written contract to the contrary, it shall be deemed a month-to-month tenancy subject to all terms and conditions of this contract. This holdover tenancy may be terminated at any time by either the Contractor or the Department by means of a thirty (30) days written notice delivered prior to the beginning of the final month.

XXII. TERMINATION

The Contractor acknowledges, understands, and agrees that the Department, as a state agency, is dependent upon state and federal appropriations for its funding. In the event state or federal government funds available for this purpose are reduced, the Department may cancel this agreement by giving thirty (30) days written notice to the Contractor.

The Department shall not be liable to the Contractor for any amount which would have been payable had the contract not been terminated under this provision. The Department shall be liable to the Contractor only for the amount owed to the Contractor up to the date the Department vacates the premises.

If either party to this contract defaults in the performance of any term or condition of this contract, the other party may give the defaulting party notice of the default, which notice shall specify the action required to correct the default and a period of time of not less than thirty (30) days within which to correct the default. If the default is not corrected within the time specified in the notice, the party not in default may terminate this contract without further obligation under this contract, other than obligations incurred or accrued to the date of termination.

At the expiration or termination of this contract or any extension of it, the Department will vacate and surrender the premises to the Contractor in as good condition and repair as when it took possession, reasonable wear and tear excepted. All property and fixtures placed in the premises by the Department or owned by the State of Montana may be removed by the Department within thirty (30) days of termination.

The foregoing provisions shall not operate to exclude or suspend any other remedy of the Contractor or the Department for breach of any of the provisions herein, or for the recovery of rents to be paid to the Contractor, except as specifically provided herein. In the event the Department becomes in default of the terms and provisions of this contract, the Contractor, at its election, may declare the term ended and the demised premises the sole property of the Contractor, to re-enter the same and repossess and enjoy them as in their first and former estate, without such re-entry and repossession working a forfeiture of rents to be paid and the covenants to be performed by the Department during the full term of this contract. It is the obligation of the Contractor to make a reasonable attempt to re-lease the premises, and if they are re-released, the Department is liable only for the Contractor's actual loss of rent resulting from said default.

XXIII. SEVERABILITY

It is understood and agreed by the parties hereto that if any term or provision of this contract is held to be illegal, void or in conflict with any Montana law, the validity of the remaining terms and conditions shall not be affected. The rights and obligations of the parties shall be construed and enforced as if the contract did not contain the particular term, condition, or provision held to be invalid.

XXIV. VENUE AND INTERPRETATION

The Contractor and Department acknowledge that this contract shall be governed and interpreted according to the laws of the State of Montana. In the event of a dispute arising over this contract, the proper venue for the hearing of the case is the District Court of the First Judicial District of the State of Montana, in and for the County of Lewis and Clark.

XXV. SUCCESSORS

All rights and liabilities herein given to or imposed upon both parties shall extend to, be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns.

XXVI. CONTRACT APPROVAL

This entire contract, in addition to any change, alteration, or renewal thereof, addendum, amendment, or letter of understanding, is subject to prior approval by the Department of Administration.

XXVII. ENTIRE CONTRACT

This contract consisting of ten (10) pages contains the entire contract between the Contractor and the Department. Any agreement hereafter made shall not be effective to modify this contract unless such contract is in writing and is signed by both parties to the original contract.

XXVIII. SUBLEASE

The Department shall have the right to sublet the premises to a Sublessee, with the consent of the Contractor, which consent shall not be unreasonably withheld. Contractor shall not be required to consent to any sublease which would require Contractor to incur any expense in connection therewith. In the event that any subtenant installs improvements or makes alterations to the interior of the building then all such improvements or alterations shall be removed upon termination of the sublease and the affected

area will be restored to the same condition as it was prior to subtenant's occupancy at the State's expense.

D.M. JENSEN, INC. (CONTRACTOR)

By: David M. Jensen 2/10/97
President Date

By: Mary Anne Jensen 2/10/97
Secretary Date

DEPARTMENT

By: Rand Mosley 2/13/97
Its Date

PRIOR APPROVAL BY THE DEPARTMENT OF ADMINISTRATION

By: Sarah M. Bacon 2-13-97
Its Date

By: DS 2/13/97
Department of Administration Date
Legal Counsel

Hoag, Jessica

SCOPING TO ISSUE G.R.O.

From: Holzer, Brett
Sent: Tuesday, October 28, 2014 10:54 AM
To: Jenewein, Jessica
Subject: FW: Legal Notice OCB DAC RFP

**ADDITIONAL
DOCUMENTS**

From: Billie Jo Williams [<mailto:BillieJo.Williams@helenair.com>]
Sent: Wednesday, October 01, 2014 4:54 PM
To: Jenewein, Jessica
Subject: RE: Legal Notice

Hi Jessica,

I have this legal ad scheduled for October 3, 12, 19, 2014. The cost on this ad is \$ 87.00. Here is your proof.

Thanks,
Billie Jo Williams

**SCOPING NOTICE
Request for Public Comments**

The Department of Natural Resources and Conservation (DNRC) is pursuing a commercial ground lease of a Trust Lands parcel located at 1539 11th Avenue in Helena, Montana. The primary purpose is to lease approximately 1 acre of land to generate revenue according to the Trust Lands mandate.

The beneficiaries of revenue from this parcel are both Montana State University and the University of Montana. The department is currently conducting an analysis under the Montana Environmental Policy Act (MEPA) of the impacts that may occur as a result of the proposed ground lease and redevelopment. DNRC is requesting comments under MEPA regarding the proposed ground lease, including the intended demolition of Mills Hall and redevelopment of the site for commercial use which is similar to the uses of the parcels in the surrounding area. To ensure your comments are considered as part of the MEPA process, they must be received no later than 5:00 pm on October 30, 2014. Send comments to:

Brett Holzer
Department of Natural Resources and Conservation
P.O. Box 201601
Helena, MT 59620-1601
(406) 444-1363
bholzer@mt.gov

Additional information on the commercial leasing program within DNRC's Trust Lands Management Division is available on the website:
<http://www.dnrc.mt.gov/Trust/Commercial/Default.asp>

October 3, 12, 19, 2014

MNAXLP

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Request for Public Comments

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Brett Holzer
Department of Natural Resources and Conservation
P.O. Box 201601
Helena, MT 59620-1601
(406) 444-1363
bholzer@mt.gov

Additional information on the commercial leasing program within DNRC's Trust Lands Management Division is available on the website:
<http://www.dnrc.mt.gov/Trust/Commercial/Default.asp>

Hoag, Jessica

From: Brett Holzer <bholzer@mt.gov>
Sent: Tuesday, May 13, 2014 10:50 AM
To: Jenewein, Jessica
Subject: Ground Lease/Build to Suit Office Space

Dear Interested Party,

REQUEST FOR PROPOSALS

COMMERCIAL LOT FOR LEASE

The Department of Natural Resources and Conservation is accepting proposals for leasing a tract of State School Trust Land. The request is for approximately 1 acre of B-2 General Commercial property adjacent to the state Capitol complex, to be developed as build to suit state office space. The property is located between 9th and 11th Avenues in Helena, MT. Because the RFP includes the lease-back of state office space, it is being issued through the State Procurement Bureau within the Department of Administration. All inquiries and information requests must be directed to Jeannie Lake at the Bureau:

State Procurement Bureau
General Services Division
Department of Administration
P.O. Box 200135
Helena, MT 59620-0135

Copies of the RFP can be obtained at
<http://svc.mt.gov/gsd/OneStop/SolicitationDetail.aspx?args=24D4D1733D162820> or by contacting:

Jeannie Lake 406-444-2575

You are currently on an e-mail list as an interested party for Montana state trust land available for lease for commercial use and/or development. You will receive a similar email each time the Montana Department of Natural Resources and Conservation releases an RFP for this purpose. If you wish to be removed from this email list, or to provide an alternative email address, please respond to this email with your request.

Sincerely,

Brett Holzer

Property Management Section
DNRC - Trust Lands Management Division
406 - 444 - 1363

REQUEST FOR PROPOSAL CHECK-OFF LIST

All of these documents must be in the completed RFP file held by the State Procurement Bureau (SPB)

3/10/14 Request from Agency/End User to SPB (Requisition) *Req. Received 5/8/14*

4/15/14 **List of Vendors from Agency**
Agency provides a list of suggested vendors to SPB. SPB adds vendors as necessary.

5/6/14 **Proposal Document**
Provided by the agency to SPB for review. RFP content will not be changed by SPB without the approval of the agency.

5/9 **Mailing**
Prepared by SPB. RFP mailed via fax notice or U.S. mail.

5/9 ; 5/12 **Posted on Internet**
SPB posts RFP on SPB's website.

Pre-Proposal Conference and/or Site Survey Sign-In Sheet
Agency is responsible for the pre-proposal conference and shall provide a copy of sign-in sheet to SPB. Conference may include a SPB Contracts Officer if the agency requests.

Addenda and/or Response to Vendor Questions (including responses to the Q/A portion of the RFP)
Agency prepares the responses to questions submitted and/or communications from the pre-proposal conference and submits them to SPB for review, posting, and distribution.

Evaluation Matrix
Prepared by the agency and provided to SPB for review and approval prior to receipt of proposals.

Non-Conflict of Interest Form
Signed by all members of the evaluation committee, collected and returned to SPB.

Proposals Received
Proposals are received at the SPB by the stated due date and time. The original proposal is kept at the SPB and copies are distributed to the agency for evaluation. One extra set is maintained at SPB for copying by interested persons.

Proposals Inspected
Contracts officer inspects proposals for any claims of trade secret information. Contents and accompanying affidavit are pulled out and stored in a secure location. Interested parties are not allowed to inspect these documents.

J
J
J
List of Responding Vendors is prepared by SPB for placement in the file.

All Public Meetings of the Evaluation Committee are posted on the SPB's website. Meeting minutes are taken and kept as part of the official file by agency.

Requests for Clarification/Negotiation/Discussion

A complete record of all negotiations with the vendor (oral and written). Includes requests/questions from agency and responses from vendors.

Best and Final Offers and Responses

Recommendation of Award - Scoring, Explanation, Contract Amount, System Features/Options, Length of Contract, etc.

This is prepared by the agency and submitted to SPB for concurrence. If evaluation and recommendation for award is appropriate, SPB prepares the letters to vendors. When evaluation of the RFP is complete, the agency submits all final copies to SPB.

Letters to Vendors - Request for Documents Notice, No Award Letters. Sent out by SPB.

J
NIA
Proof of Compliance with Workers' Compensation Act

If required in the Request for Documents Notice letter, the documentation is provided by the contractor(s) to SPB.

J
Certificate of Insurance - State of Montana named as additional insured. The contractor(s) provides documentation to SPB.

NIA
Contract Security - Approved as is appropriate. Same as above.

J
Negotiated Contract for Review by SPB prior to signing contract - space on contract for contracts officer to approve negotiated items and contract language. SPB ensures no conflicting language between RFP and final contract.

Issue Purchase Order/Vendor Contract *LEASES*
The issuance of a state purchase order or vendor contract completes the RFP process.

J
Confidential Documents

Confidential documents accounted for and shredded by SPB.

The State Procurement Bureau will handle any questions regarding the RFP process, including any requests to view the file. All further communications regarding the awarded contract are handled between the contractor and the agency.

ADDITIONAL DOCUMENTS

EXISTING ENVIRONMENTAL ASSESSMENT

Project Name:	1539 11 th Avenue, Helena, Montana – Commercial Trust Lands Ground Lease
Proposed Implementation Date:	Ground Lease – Fall 2014
Proponent:	DNRC, MSU & UM Trust Beneficiaries
Location:	1539 11 th Avenue, Helena, Montana
County:	Lewis & Clark County
Trust:	MSU (50%) & UM (50%)

I. TYPE AND PURPOSE OF ACTION

The Department of Natural Resources and Conservation (DNRC) is proposing to lease a commercial trust land property located in Helena, Montana, at 1539 11th Avenue whereby the lessee would develop a commercial space to be leased back to DNRC for office space.

The property was previously owned by the Montana Department of Administration (DOA). Discussions of DNRC acquiring the property from the DOA began in 2010. At that time the site had been vacant since the last tenant, the Department of Corrections, had left the building due to ongoing issues with moisture, mold, and inadequate heating/cooling systems. Two appraisals were completed for the property. Those appraisals conclude that the value of the land was worth more than the land with the existing structure. The value of the existing structure was a negative value contribution to the total property value. Because the negative value influence of existing structure, the DOA and DNRC recommended that the cost to the DNRC to acquire the property would be the appraised value minus the cost of demolition.

In December of 2012, the Montana Board of Land Commissioners (Land Board) approved the administrative transfer of the property from DOA to DNRC at the appraised value minus the cost of demolition.

Starting in March 2013, DNRC worked with DOA to draft a Request for Proposals for 1.) a ground lease of the site and 2.) a developer to provide office space on the building that DNRC would lease – whether that be through renovation of the existing building or demolition and construction of a new building.

In December of 2013, a second appraisal was conducted and indicated that the value of the land was worth more without the encumbrance of the existing structure.

In May of 2014, DNRC sent a letter to the Montana State Historic Preservation Office (SHPO) notifying them that DNRC recognized Mills Hall as a Heritage Property, and providing them a copy of the Montana Cultural Resources Information System site form. The letter also outlined the planned commercial ground lease of the site, to the benefit of MSU and UM, and identified the possible outcome that the highest and best use of the site may require demolition of Mills Hall.

In August, 2014, one proposal was submitted by Dick Anderson Construction. The proposal covered the demolition of the existing structure and the construction of a new three story office building with a two story parking structure.

In September of 2014, DNRC sent a follow-up letter to SHPO notifying them that only one response to the RFP was received with the proposal to demolish Mills Hall and redevelop the site with an office building and parking structure.

The commercial ground lease is authorized under MCA 77-1-901 through 912, and revenues generated from the ground lease would benefit MSU & UM Trust Beneficiaries.

II. PROJECT DEVELOPMENT

1. PUBLIC INVOLVEMENT, AGENCIES, GROUPS OR INDIVIDUALS CONTACTED:

Provide a brief chronology of the scoping and ongoing involvement for this project.

A public notice was published in the Independent Record on October 3rd, 12th, and 19th, on the DNRC Public Notice website @ <http://dnrc.mt.gov/PublicInterest/Notices/Default.asp>, and mailed to interested parties in October 2014. DNRC received 5 responses to the public notice. Two comments expressed concern regarding the conceptual development's layout and three comments expressed opposition to the proposed demolition of Mills Hall. DNRC responses to public comments can be found in Attachment A.

Other entities that were scoped include the Montana Department of Administration (DOA) and the State Historic Preservation Office (SHPO).

2. OTHER GOVERNMENTAL AGENCIES WITH JURISDICTION, LIST OF PERMITS NEEDED:

Prior to signing a commercial ground lease on this tract, DNRC would ask the Montana Board of Land Commissioners for approval of the lease proposal. The Land Board has decision making authority relating to Trust Lands actions.

The Montana DOA , General Services Division , Procurement Bureau is responsible for overseeing the Request for Proposal process, used to select the lease proposal that best meets the requirements of the issued RFP.

Upon acquiring a ground lease, the developer (Dick Anderson Construction) would go through the City of Helena for all required demolition and construction permitting. The DNRC would also apply for a permit from the SHPO for the demolition of a state heritage property. The developer would also be responsible for all other development-related permits, including the Montana Department of Transportation for any proposed changes in traffic approaches and the Montana Department of Environmental Quality for regulatory authority for removal of hazardous wastes, and any other required permits for engineering and building.

3. ALTERNATIVES CONSIDERED:

Alternative A (No Action) – Under this alternative, the State retains the existing land and unoccupied building, in its current status. The No Action alternative would result in the continued vacant "mothballed" status of Mills Hall. Trust Land beneficiaries would continue to receive no financial returns from the property.

Alternative B (the Proposed action) – Under this alternative, the Department would request and recommend approval by the Land Board to lease the tract encompassing approximately 1 acre. If approved by the Board, the tract would be leased to Dick Anderson Construction per their response to Request for Proposal #14-2855A, released by Department of Administration on May 9th, 2014. The new commercial ground lease would authorize the lessee to redevelop the site for professional office space. Redevelopment would include demolition and removal of the current structure on the lease site. The income from the lease would be distributed to the beneficiaries of the MSU and UM trusts. This lease will initially generate a total of \$45,000 in annual revenue for these beneficiaries, or 6.7% of the current appraised asset value. The lease payments will escalate over the term of the lease.

Alternatives Considered but Dismissed – In developing the Request for Proposals to lease the commercial lot, DNRC did not preclude the option to renovate the existing building. However, no proposals came forth that considered this option, and no laws currently require DNRC or the proponent to consider renovation as the only alternative.

III. IMPACTS ON THE PHYSICAL ENVIRONMENT

- *RESOURCES* potentially impacted are listed on the form, followed by common issues that would be considered.
- Explain **POTENTIAL IMPACTS AND MITIGATIONS** following each resource heading.
- Enter "NONE" if no impacts are identified or the resource is not present.

4. GEOLOGY AND SOIL QUALITY, STABILITY AND MOISTURE:

Consider the presence of fragile, compactable or unstable soils. Identify unusual geologic features. Specify any special reclamation considerations. Identify any cumulative impacts to soils.

The lease tract is an existing developed site. The action alternative would require removal of existing pavement and some fill material and soil before new permanent structures are installed. The net result would be the same in terms of soil – the site would again be mostly paved or covered with structures, so there should be little net change in soils conditions. Any site work and construction done by the lessee would be in accordance with City of Helena building and zoning codes. The lessee would perform all necessary geotechnical testing and reporting required by the City of Helena.

5. WATER QUALITY, QUANTITY AND DISTRIBUTION:

Identify important surface or groundwater resources. Consider the potential for violation of ambient water quality standards, drinking water maximum contaminant levels, or degradation of water quality. Identify cumulative effects to water resources.

No water rights or well logs exist for this parcel, and no surface water exists. Supply and waste water, along with storm water runoff, would be administered by the Helena Public Works Department.

The CITY OF HELENA GROWTH POLICY; Adopted May 9, 2011; CHAPTER 5, PUBLIC FACILITIES AND SERVICES states:

Currently the 2008 Wastewater Collection System Plan indicates there are no capacity issues for present and near-term flows, but the collection system is projected to be at or above 75% capacity by 2025.... As development occurs, the system will protect the public health, safety, and welfare by providing for safe treatment and disposal of wastes.

Based upon the 2005 Water Distribution and Facility Plan, the projected demand for water would be approximately 15 mgd in 2025. The City currently treats enough water to meet present demand and has reserved enough capacity to meet the demand of future growth.

City's 2010 Stormwater Ordinance provides guidance and outlines restrictions for managing runoff quantity and quality of existing systems and new development. The ordinance regulates land-disturbing activities that create soil erosion, sediment, and runoff during construction activities.

In either the No Action or the Action Alternative, no significant impact would occur to water quality, quantity or distribution.

6. AIR QUALITY:

What pollutants or particulate would be produced? Identify air quality regulations or zones (e.g. Class I air shed) the project would influence. Identify cumulative effects to air quality.

The proposal does include demolition and construction activities during the initial redevelopment stage. Demolition would be done in compliance with Helena City Codes and City Engineering Standards requirements, as well as Montana Department of Environmental Quality regulations. After construction is complete, the daily activities on site would be the same as previous uses, including light automobile traffic. No significant effects to exterior air quality would occur as a result of the proposed action.

The existing Mills Hall structure has developed some measurable levels of various mold spores within the ground level, as reported on more than one occasion over the past thirteen years. While the previous property owners did attempt remediation, the lower level of the structure was eventually vacated due to poor air quality

and eventually was a factor in the decision to sell the property. The planned office building will have a modern HVAC system, ensuring energy efficient heating, cooling, and indoor air quality. The proposed action would result in a long term improvement in the interior air quality for human occupation.

7. VEGETATION COVER, QUANTITY AND QUALITY:

What changes would the action cause to vegetative communities? Consider rare plants or cover types that would be affected. Identify cumulative effects to vegetation.

No native vegetation exists on site as it is an existing developed commercial parcel. Removal of existing lawn and trees would be required during construction, but the site will be landscaped after the completion of construction. No cumulative effects to vegetation will result from the proposed action.

8. TERRESTRIAL, AVIAN AND AQUATIC LIFE AND HABITATS:

Consider substantial habitat values and use of the area by wildlife, birds or fish. Identify cumulative effects to fish and wildlife.

The site is currently a developed commercial property in an urban location. Montana Fish, Wildlife and Parks staff have inspected the site and determined the existing building is being used by little brown and big brown bats. FWP's recommendation is to deconstruct the building during the time when the building is not inhabited, November 1 through mid-April.

No cumulative effects to fish and wildlife would result from the proposed action.

9. UNIQUE, ENDANGERED, FRAGILE OR LIMITED ENVIRONMENTAL RESOURCES:

Consider any federally listed threatened or endangered species or habitat identified in the project area. Determine effects to wetlands. Consider Sensitive Species or Species of special concern. Identify cumulative effects to these species and their habitat.

The site is currently a developed commercial property in an urban location. It is surrounded by existing commercial development, and does not provide habitat for any threatened, endangered, or species of special concern.

The proposal does not include any activities which would alter any habitat; no cumulative effects are expected in either alternative.

10. HISTORICAL AND ARCHAEOLOGICAL SITES:

Identify and determine effects to historical, archaeological or paleontological resources.

Mills Hall has been formally recorded and evaluated per the mandates of the Montana State Antiquities Act (22-3-421 *et seq.* M.C.A.), and the DNRC's Administrative Rules (A.R.M. 36.2.801-813) that implement the State Antiquities Act. As directed at A.R.M. 36.2.803, the DNRC Initiated consultation with the State Historic Preservation Officer (SHPO) early in the planning process by:

- 1) identifying Mills Hall as a cultural resource,
- 2) formally recording Mills Hall on a SHPO approved Cultural Resources Inventory System (CRIS) form (this level of documentation includes a comprehensive history, high resolution color photographs of the interior and exterior, technical plan drawings on a floor by floor basis, and a color topographic map with legal location identified),
- 3) evaluating the significance and integrity of Mills Halls in conjunction with the SHPO based on established National Register of Historic Places protocol,
- 4) identifying a proposed DNRC action (demolition or rehabilitation) that would "effect" the existing structure, and
- 5) on-site visit with SHPO staff and consideration of SHPO comments and recommendations concerning DNRC's conceptual plans to either rehabilitate or demolish and rebuild Mills Hall for office space.

Through formal consultation between the DNRC and the SHPO, Mills Hall has been identified as a cultural resource worthy of preservation and potentially eligible for listing the National Register of Historic Places (i.e., a state Heritage Property).

Several opinions have been obtained from contractors as to what it would require to renovate the existing structure to modern efficiency and quality standards while maintaining its historic appearance. A public request for redevelopment proposals went out in early 2014, and no proposals to renovate Mills Hall were received.

The action alternative as proposed will involve demolition of Mills Hall and construction of a new office building of modern materials and contemporary design. Although the DNRC recognizes the structure as a State Heritage Property, there are no authorities that preclude the State or a lessee from removing the structure. Likewise, the structure is not on the National Register of Historic places nor is it in a Historic District in the City of Helena.

The no-action alternative leaves Mills Hall intact. However, no maintenance or upgrades to Mills Hall will occur because of a lack of funding and resources. Under a no-action alternative, and with no available funding for on-going upkeep, Mills Hall will continue to deteriorate and eventually pose a liability to the State of Montana as it becomes a safety hazard.

11. AESTHETICS:

Determine if the project is located on a prominent topographic feature, or may be visible from populated or scenic areas. What level of noise, light or visual change would be produced? Identify cumulative effects to aesthetics.

The proposed lease site is in a commercially zoned neighborhood, in an urban area, redevelopment with a new office structure and parking structure would comply with City of Helena regulations for setbacks and height restrictions. The neighborhood has seen some redevelopment to the west of the site including OPI buildings, Safeway, and Walgreens.

Mike Joki in his appraisal describes the subject's neighborhood as: *Over the past 10-15 years this neighborhood was going through a revitalization cycle with many of the older properties being remodeled or removed and developed with a higher and better use... New construction within the neighborhood has transpired by razing existing properties to make way for new buildings... The Capitol Hill Mall considered the hub of this neighborhood for many years has steadily been losing its tenants and is nearing a change in use. It is expected that the land that supports the Capital Hill Mall will be redeveloped to its highest and best use once the building improvements are no longer being used, which is similar to the scenario at the subject property.*

The proposed redevelopment of the site would make better utilization of the site, allowing the property to better compliment the redevelopment occurring in the neighborhood, and will allow beneficiaries to receive a better return for the ground lease.

12. DEMANDS ON ENVIRONMENTAL RESOURCES OF LAND, WATER, AIR OR ENERGY:

Determine the amount of limited resources the project would require. Identify other activities nearby that the project would affect. Identify cumulative effects to environmental resources.

Development of the parcel would be regulated by applicable state and local regulations.

13. OTHER ENVIRONMENTAL DOCUMENTS PERTINENT TO THE AREA:

List other studies, plans or projects on this tract. Determine cumulative impacts likely to occur as a result of current private, state or federal actions in the analysis area, and from future proposed state actions in the analysis area that are under MEPA review (scoped) or permitting review by any state agency.

No other studies, plans or projects on this tract exist, the lease proposal being evaluated is the only proposal received by the DNRC. There are not any future proposed state actions in the analysis area that are under

MEPA review (scoped) or permitting review by any state agency. There are no determined cumulative impacts likely to occur as a result of the proposed action.

IV. IMPACTS ON THE HUMAN POPULATION

- *RESOURCES* potentially impacted are listed on the form, followed by common issues that would be considered.
- Explain *POTENTIAL IMPACTS AND MITIGATIONS* following each resource heading.
- Enter "NONE" if no impacts are identified or the resource is not present.

14. HUMAN HEALTH AND SAFETY:

Identify any health and safety risks posed by the project.

A hazardous materials inspection report on 1539 11th Avenue, Helena, MT completed by A.L.M. Consulting, LLC on December 7, 2011, identified potential asbestos-containing materials, lead based paint, and mold in the existing structure.

Under the proposed action, demolition and construction activities during the initial redevelopment stage would be done in compliance with Helena City Codes and City Engineering Standards requirements, as well as Montana Department of Environmental Quality, Asbestos Control Program regulations and permitting. The proposed new office structure will be built to current building codes and offer a modern, safe work environment.

No impacts to human health and safety would occur as a result of the proposal.

15. INDUSTRIAL, COMMERCIAL AND AGRICULTURE ACTIVITIES AND PRODUCTION:

Identify how the project would add to or alter these activities.

The proposed action would provide additional needed commercial office space in the capitol complex area. Once completed, this development would provide office space for approximately 115 full time state employees within the immediate area around the capitol. This will be a beneficial impact, as it will reduce the amount of car use for inter-agency meetings on a day to day basis. There will be no effect on agricultural activities and production, as the lease site is already urban, commercially zoned land, and no agricultural land will be impacted.

No direct or cumulative impacts are anticipated as a result of the proposal.

16. QUANTITY AND DISTRIBUTION OF EMPLOYMENT:

Estimate the number of jobs the project would create, move or eliminate. Identify cumulative effects to the employment market.

The proposal would have an immediate effect to the employment market during the demolition and construction phases of the project. Dick Anderson Construction would employ 25 construction workers, for 18 months, during the construction of the office building and parking facility. Ongoing management of the property would also provide additional employment opportunities for property management and maintenance.

The proposed action would have a beneficial effect to the area employment market.

17. LOCAL AND STATE TAX BASE AND TAX REVENUES:

Estimate tax revenue the project would create or eliminate. Identify cumulative effects to taxes and revenue.

Currently the entire property is owned by the State of Montana and is property tax exempt.

The lease proposal is for redevelopment of the site with a privately owned office building and accompanying parking structure. The improvements would be taxable improvements to real estate, and the land would be taxable under MCA 15-24-1203, Privilege tax on industrial, trade, or other business use of tax-exempt property – exceptions.

An estimate of potential taxes that would be generated from the lease and redevelopment of the site, based on 2014 taxes on comparable commercial properties in Helena, would be in the neighborhood of \$80,000 for the improvements and land (taxed under MCA15-24-1203).

The proposed action would have a positive effect on the property tax base and revenues.

18. DEMAND FOR GOVERNMENT SERVICES:

Estimate increases in traffic and changes to traffic patterns. What changes would be needed to fire protection, police, schools, etc.? Identify cumulative effects of this and other projects on government services

Montana Department of Transportation, Traffic Data Collection & Analysis (TDCA) section, compiles Annual Average Daily Traffic (AADT) counts, which estimate the traffic volume one can expect to see on the roadway segment on an average day. There are two traffic counts sites within the vicinity of the proposed lease site: SiteID 25-7c-17, located on 11th Avenue between N. Lamborn and N. Oakes, and Site ID 25-7c-15, located on 11th Avenue between Montana Ave. and Washington Dr.

AADT counts for SiteID 25-7c-17 in 2010 were 14,600 vehicles and in 2013 were 13,010 vehicles.
AADT counts for SiteID 25-7c-15 in 2010 were 13,080 vehicles and in 2013 were 10,980 vehicles.

The current structure on the lease site is unoccupied; there currently is no traffic from workers traveling to and from the building during the work week. The proposed office building would be occupied by 115 workers traveling to and from the building during the work week, plus additional visitor traffic. Access to the site would be provided from 11th Avenue and 9th Avenue. The action alternative could potentially create a less than 2% increase in AADT counts on 11th Avenue, however until the site was vacated in 2010 the traffic already existed from 100 employees that occupied the existing structure.

CITY OF HELENA GROWTH POLICY; Adopted May 9, 2011; CHAPTER 5, PUBLIC FACILITIES AND SERVICES states:

Since the City of Helena is also the State capitol there is a larger than normal percentage of property value and workload due to publicly owned buildings such as the State Capitol complex, federal buildings and City and County owned structures. None of these entities pay into the General Fund. The fire department utilizes mutual aid agreements and the fire department must operate more regionally with the other departments located in Lewis and Clark County.

The current existing structure and land are state owned, tax exempt trust properties. Under the proposed lease the site would be redeveloped with a privately owned office building and parking structure that would be taxable and contribute to funding city services. The previously exempt land would also be taxable for its beneficial use by the lessee, under MCA 15-24-1203.

No significant increase in the demand for government services will result under the proposed action.

19. LOCALLY ADOPTED ENVIRONMENTAL PLANS AND GOALS:

List State, County, City, USFS, BLM, Tribal, and other zoning or management plans, and identify how they would affect this project.

The CITY OF HELENA GROWTH POLICY; Adopted May 9, 2011; CHAPTER 5, PUBLIC FACILITIES AND SERVICES indicates that current water and waste water facilities have the capacity to accommodate future expected growth through 2025.

The City of Helena, Community Development Department consists of two divisions: Building and Planning. The Building Division conducts building and site plan reviews, issues building permits and provides inspection services at construction sites within the City limits to insure the public's health, safety and welfare.

The Planning Division assists members of the community with zoning, land use and development questions. Staff also provides information and assistance to developers, the business community and the public relating to any planning, zoning, land use or development matter.

The proposed lease site would be subject to City of Helena zoning, building codes, regulations and permitting. The demolition of the existing structure would also be subject to Montana Department of Environmental Quality regulations and permitting related to removal and disposal of hazardous materials.

Under the proposed action the lessee would be responsible for complying with applicable zoning and building codes, as well as state and city regulations and permitting.

20. ACCESS TO AND QUALITY OF RECREATIONAL AND WILDERNESS ACTIVITIES:

Identify any wilderness or recreational areas nearby or access routes through this tract. Determine the effects of the project on recreational potential within the tract. Identify cumulative effects to recreational and wilderness activities.

The site is currently a developed commercial property in an urban location. It is surrounded by existing commercial development, and does not provide access routes to any wilderness or recreational areas nearby.

No cumulative effects to recreational and wilderness activities are anticipated.

21. DENSITY AND DISTRIBUTION OF POPULATION AND HOUSING:

Estimate population changes and additional housing the project would require. Identify cumulative effects to population and housing.

The proposal does not include any changes to housing or developments.

No cumulative effects to population and housing are anticipated.

22. SOCIAL STRUCTURES AND MORES:

Identify potential disruption of native or traditional lifestyles or communities.

There are no native, unique or traditional lifestyles or communities in the vicinity that would be impacted by the proposal.

23. CULTURAL UNIQUENESS AND DIVERSITY:

How would the action affect any unique quality of the area?

The action would result in the demolition of a structure considered significant in the local history (i.e., a state Heritage Property.) There are currently 57 properties in Helena which are listed on the National Register of Historic Places. Helena has 6 Historic Districts, including the Helena Railroad Depot and Mt. Helena Park. Mills Hall is not located in a historic district, and is not listed on the National Register.

24. OTHER APPROPRIATE SOCIAL AND ECONOMIC CIRCUMSTANCES:

Estimate the return to the trust. Include appropriate economic analysis. Identify potential future uses for the analysis area other than existing management. Identify cumulative economic and social effects likely to occur as a result of the proposed action.

An appraisal of the property value has reported a bare land value of \$670,000 for the 47,878 square foot lease site. The appraisal also documents the existing condition and structures, including Mills Hall, as detracting from the total value of the site. The appraiser concludes that "maximum productivity of the subject site would be for redevelopment with a new office or retail building that is commensurate with the current land values in this neighborhood." Under the no-action alternative, the site will continue to generate maintenance expenses and yet produce no income for the MSU and UM beneficiaries.

Under the Action Alternative, the beneficiaries will immediately begin to receive revenue of \$45,000 annually; split based on their respective 50/50 land ownership shares. This represents a 7.8% increase in the University of Montana's net distributable revenues from Trust Lands statewide, compared to the FY 2013 report. It represents a 2.25% increase in relation to Montana State University's reported FY 2013 net distributable Trust Lands revenue. This single commercial lease would be a meaningful increase in the Trust Lands contributions to the Montana University system. The action alternative will also divert ongoing maintenance expenses to the new ground lessee.

EA Checklist Prepared By	Name: Brett Holzer	Date: 11/7/2014
	Title: Real Estate Fiscal Analyst	

V. FINDING

25. ALTERNATIVE SELECTED:

I have selected the Proposed Alternative B, and recommend approval of the proposed ground lease and redevelopment of the property.

26. SIGNIFICANCE OF POTENTIAL IMPACTS:

I have evaluated the comments received and potential environment affects and have determined to select the action alternative for the following reasons:

- Although Mills Hall is considered a State Heritage Property, it poses health and a safety hazard as it currently stands.
- The removal of Mills Hall is not precluded by any existing authorities and the renovation of Mills Halls was not put forward as a viable alternative by any proponent.
- In evaluating the potential impacts, they also must be weighed in respect to the commercial leasing authority and responsibility provided in MCA 77-1-901 - Declaration of policy and purpose. (1) Pursuant to Article X of the Montana constitution, the legislature declares that it is the policy of the state that state trust land is to be treated as a sacred trust and is subject to fiduciary principles in its management. It is the intent of the legislature that state trust land be managed in the best financial interest of current and future individual beneficiaries for whom this land is managed and held.
(2) A purpose of this chapter is to implement Article X of the Montana constitution. To fulfill its commitment to the management of state trust land in the best long-term financial interests of the beneficiaries, the Montana legislature finds that the state can prudently maximize the long-term revenue accruing to the beneficiaries by issuing commercial leases on land where the chief value exists in its use for commercial purposes.

Considering that the proposed ground lease and redevelopment of the site was the only proposal received, and that the lease will provide immediate and long-term financial benefit to the beneficiaries, the environmental assessment checklist is the appropriate level of analysis for the proposed action.

The leasing of this commercial trust property meets the overall goals and objectives of the commercial leasing program and would satisfy the trust fiduciary mandate.

27. NEED FOR FURTHER ENVIRONMENTAL ANALYSIS:

EIS

More Detailed EA

No Further Analysis

EA Checklist Approved By:	Name: John Grimm
	Title: Real Estate Management Bureau Chief, DNRC
Signature: /s/ John Grimm	Date: 11/7/2014

Appendix A
Comments Received During Scoping and DNRC Responses

Comment: Comments were received from the State Historic Preservation Office, L&C County Heritage Tourism Council, and Montana Preservation Alliance opposing the proposal to issue a lease that would allow redevelopment of the site, and demolition of Mills Hall. They state that: *Mills Hall is heritage property eligible for listing in the National Register of Historic Places, and that it would be more cost effective to renovate and add on to the existing structure.*

Response: In appraisals conducted by J. Michael Joki, MAI, SRA, Montana State Certified General Real Estate Appraiser #152, Joki states in his Highest and Best Analysis of the property that: *"It will be shown in the following valuation section of this appraisal report that the existing building improvements are at the end of their economic life based upon the value of the underlying land. The existing building improvements are no longer the maximally productive use of this site. It will be shown that the highest and best use of the subject property is to raze the existing improvements to make way for a new and significantly more productive commercial building. When this is accomplished the property will become financially feasible and ultimately be maximally productive."* In Joki's December 9, 2013 appraisal he concludes: *"The indication of value from the Income Approach is \$650,000 which is less than the preceding value estimate of the subject site "as if" vacant at \$778,000. This indicates that the existing building improvements are no longer financially feasible and therefore are not the maximally productive use of this site. Maximum productivity of the subject site would be for redevelopment with a new office or retail building that is commensurate with the current land values in this neighborhood"*.

On December 17, 2012, the Land Board approved the acquisition of the property at a purchase price (\$435,500) that reflected its highest and best Use as a vacant site ready for redevelopment.

On August 26, 2013 DNRC staffs met with City of Helena Planning Division, at that meeting it was confirmed by planning staff that any addition to the building footprint would cause the property to lose its grandfathered status concerning building height and parking spaces, and it would have to meet current regulations.

On August 13, 2014 the DOA Procurement Bureau received one proposal in response to RFP#14-2855A, that proposal was to lease the site for an initial rental of \$45,000, and redevelop the site with a new office building and parking structure. No proposals were received to renovate the existing structure.

Comment: A comment was received from the Montana Preservation Alliance that *"for large building projects, Montana Code sections 18-2-101 through 105, make explicit requirements for agencies to first seek legislative consent to construct a building costing more than \$150,000, and to also have the supervision of the State of Montana's Department of Administration, Division of Architecture and Engineering to (a) review and accept all plans, specifications, and cost estimates prepared by architects or consulting engineers; (b) approve all bond issues or other financial arrangements and supervise and approve the expenditure of all money; (c) solicit, accept, and reject bids and, except as provided in Title 18, chapter 2, part 5, award all contracts to the lowest qualified bidder considering conformity with specifications and terms and reasonableness of the bid amount"*.

Response: MCA18-2-101. Definitions of building, costs, and construction. In part 1 of this chapter, with the exception of 18-2-104, 18-2-107, 18-2-113, 18-2-114, 18-2-122, and 18-2-123, the following definitions apply:
(1)(b) "Building" does not include a building, facility, or structure:
(iii) leased or to be leased by a state agency.

By definition, privately owned buildings or structures that are leased to state agencies are exempt from the requirements in MAC 18-2-101 through 105.

Comment: Comments were received from Montana Department of Transportation, and an adjoining land owner, that the conceptual design of the new office building appeared to encroach on the neighboring property and the access to that property from 11th Avenue.

Response: The actual building design will use the already established access from 11th Avenue on to the lease site, and the building will not encroach on the access to the adjoining property.

Comment: A comment was received from the Montana Preservation Alliance that *"It is entirely feasible, in the opinion of historic architects consulted by MT Preservation Alliance, and staff of both the Montana State Historic Preservation Office and the Montana State Architecture and Engineering Division, to renovate Mills Hall to produce modern high quality office space that would ably serve agency needs for decades to come. The building is large enough to accommodate modern floor plans, desirable upgrades and silver level LEED improvements, while the site would readily accommodate an addition that would take it to the preferred square foot capacity"*.

Response: A Long Range Building Program – Project Request Evaluation prepared by CTA Inc. of Great Falls, for a project titled Corrections Building Renovation/HVAC upgrade states: *The existing facility, by nature of its original construction, has several shortfalls compared to the needs of a modern office building. The floor- to-floor height of 9'-6" limits the ability to provide horizontal ducting which would be required with most modern systems.*

The Diamond Construction estimate of renovation and building addition, dated 9/28/2012 stated: *The biggest concern we had was finding an HVAC system that would work with the present structure of concrete deck, columns and beams. The existing clearance under the beams presents a challenge to use standard ventilation ducts for air distribution that could further restrict head height and clearances.*

At the August 26, 2013 meeting with the City of Helena Planning Division, John Grimm asked Sharon Haugen, Community Development Director and other Planning Division staff present, *if the foot print of the existing building was changed by an addition, would the property lose its current grandfathered status for complying with current zoning height restrictions and required parking spaces?* The answer was a definite Yes; *the building would have to meet current zoning requirements.*

The statements from CTA, Diamond Construction, and the Helena Planning Division above would indicate the ability to effectively renovate and expand the current building are very limited. Further, no proposal or interest in renovating the current building was received in the RFP process.

Copies of Actual Comments Received Below



Montana Department of Transportation

2701 Prospect Avenue
PO Box 201001
Helena MT 59620-1001

Michael T. Tooley, Director
Steve Bullock, Governor

October 24, 2014

Brett Holzer
Department of Natural Resources and Conservation
PO Box 201601
Helena, MT 59620-1601

RECEIVED

OCT 27 2014

D.N.R.C.

Subject: Comments Concerning DNRC Ground Lease Trust – 1539 11th Ave, Helena US 12, MP 44.7

Brett, the Montana Department of Transportation (MDT) has received the scoping notice concerning the DNRC's proposal to pursue a commercial ground lease involving demolition of Mill's Hall and redevelopment of commercial office facilities. The new facilities conceptually appear to significantly alter existing access location on 11th Ave. MDT will require the developer to seek an approach permit subject to our review. MDT anticipates the proposed development will be a candidate in the System's Impact Actions Process (SIAP). A copy of the SIAP Handbook has been attached to assist you in understanding the review process.

Given the limited information available to date, MDT's has some initial concerns with the proposed development access configuration as shown in the notice. The existing approach on 11th Ave to the adjacent property (L & D's) appears to be obliterated by the proposed office building. Additionally, the proposed structures appear to significantly impact the "street" visibility of the business previously noted. Any alterations to the approaches on 11th Ave must be approved by MDT. We encourage any perspective developer to consult with MDT concerning access to 11th Ave. prior to putting together a development plan.

If you have any questions, need additional information about MDT process, or want to meet, please contact me at 444-9416.

Sincerely,

Mike Tierney, Planner
Policy, Program and Performance Analysis Bureau

Attachments: Developer's Guide to SIAP

Copies: Jeff Ebert, P.E., Butte District Administrator
Dustin Rouse, P.E., Engineering Services Supervisor
Danielle Bolan, P.E., Traffic Engineer
Joe Zody, Access Management Supervisor
Lee Alt, Butte District Traffic Engineer
Stan Brelin, P.E., Traffic Operations and Analysis Unit Lead
Jim Skinner, Policy, Program and Performance Analysis Bureau Chief

Lewis & Clark County

Heritage Tourism Council



VIA EMAIL (landboard@mt.gov)

October 28, 2014

State Board of Land Commissioners
Governor Steve Bullock
Attorney General Tim Fox
Commissioner of Securities and Insurance Monica Lindeen
Secretary of State Linda McCulloch
Superintendent of Public Instruction Denise Juneau

Re: Mills Hall, 1539 11th Avenue, Helena, MT

Dear Commissioners:

We, the Helena/Lewis & Clark County Heritage Tourism Council (HTC), are writing to voice our concern with the proposed demolition of the above historic building known as Mills Hall, a women's dormitory and teaching facility built in 1919 on the campus of Montana Wesleyan College. It is the sole remaining building of the Montana Wesleyan/Inter-Mountain Union College's "Klein Campus," and is eligible as both a National Register of Historic Places property, and as a State Heritage Property. As such, it is subject to the State Antiquities Act.

The HTC is dismayed that the RFP issued for Mills Hall does not mention rehabilitation of the existing building or tax incentives a developer might be eligible for if rehabilitation is pursued (see RFP14-2888A – "Ground Lease and Build to Suit Building in Helena, Montana"). This omission is particularly disappointing, considering Heritage Preservation Officer Pam Attardo met with DNRC Bureau Chief John Grimm and others from DNRC and the City of Helena on August 26, 2013 and discussed the potential rehabilitation of Mills Hall (including an 8,000 sq.ft. addition), as well as demolition and new construction.

Ms. Attardo also discussed available tax incentives that would be attractive for a developer who chose rehabilitation over demolition; specifically, State and Federal historic tax credits (although state owned property is tax exempt, any improvements made by a developer of the property would be subject to taxes which could be offset by credits), and the City's tax abatement program.

The HTC and Helena community do not take demolition of their historic assets lightly. Recent public opposition to the proposed demolition of Central School is an example. We have finite historic assets in Helena and we urge the Land Board to reconsider an RFP that focuses solely on demolition of an historic asset without mention of rehabilitation. Mills Hall is the last remaining vestige of what was once an entire campus. The building has incredible character, exhibiting a symmetrical Jeffersonian and Roman Revival architectural style. The loss of this building would be regrettable, particularly since rehabilitation was never presented as an option in the RFP. In the abovementioned August 2013 meeting, Mr. Grimm

stated that Dick Anderson Construction had estimated that the costs of redevelopment (e.g., demolition and new construction) vs. rehabilitation were the same, so cost is not a barrier to rehabilitation.

Historic and architectural significance aside, the destruction Mills Hall is environmentally unsound and conflicts with sustainable design practices. The embodied energy contained within historic buildings, defined as the sum of all the energy required to extract, process, deliver, and install the materials needed to construct a building,¹ should be factored into the cost and environmental impact of the demolition and new construction option. Mills Hall is a 29,000 sq.ft. brick building. The demolition energy for a brick building of this size is approximately 15,500 Btu/sq. ft.,² or 449,500,000 Btu total. This figure is high for brick structures due to the amount of energy that went into firing historic brick. When figuring the true environmental costs of demolition/new construction, one should also add the embodied energy of the new building. A new office building's embodied energy is approximately 1,641,748 Btu/sq. ft.³ Assuming the new building would be 37,000 sq. ft. (the total square footage discussed in the May 2013 meeting), the total embodied energy for the new building would be 60,744,676,000 Btu. Added to the demolition energy of the existing building, that is a total of 60,789,626,000 Btu, a sobering environmental impact. And that does not include the cost of physically demolishing the building and disposing of demolition debris.

We respectfully submit our comments and hope that the Land Board and DNRC will reconsider this RFP.

Sincerely,



Hal Jacobson

Lewis & Clark Co. Heritage Tourism Council

cc: Brett Holzer, DNRC
Patrick Rennie, DNRC
Peter Brown, SHPO

¹ Jackson, Mike, "Embodied Energy and Historic Preservation: A Needed Reassessment," APT Bulletin: Journal of Preservation Technology, 36 4, 2005

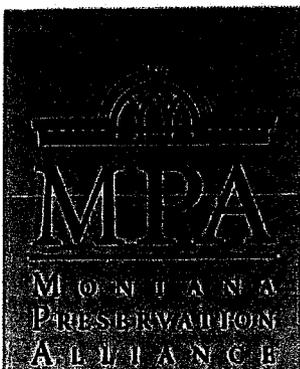
² *Ibid.*

³ *Ibid.*

Heritage
Tourism
Council

Members: Dick Alberts, Chair • Peter Rukl, Vice Chair • Hal Jacobson • Roger Pedersen • Donna Torgerson • Troy Lutton, Mary Jane Bradbury

Staff: Pamela J. Attardo, Heritage Preservation Officer
816 N. Park, Helena, MT 59623 • 406.447.8357 • pattardo@lccountymt.gov • www.helenahistory.com



October 30, 2014

Brett Holzer
Montana Department of Natural Resources and Conservation (DNRC)
PO Box 201601
Helena, MT 59620-1601

Re: Proposed Demolition of Mills Hall (24LC0544), 1539 11th Avenue, Helena

Dear Mr. Holzer

We write to oppose the proposal now under consideration by the DNRC, to lease land at 1539 11th Avenue in Helena to a private developer, involving demolition of Mills Hall, a noteworthy historic building currently on the property, and its replacement with a modern commercial office building. Instead, we urge the department to pursue renovation and expansion of the existing historic building in keeping with state antiquities and legislative goals for stewardship of state-owned properties.

While we appreciate the interest by the department to expand its existing space and increase revenues from Trust Lands benefitting the state's university system, it is unfortunate to seek to do so by demolishing state heritage properties, particularly when they can be upgraded, expanded and modernized.

The property at risk, Mills Hall, was constructed in 1919 as part of the Montana Wesleyan College to serve as a women's dormitory and teaching facility. It is now the last physical remnant of several buildings formerly located along 11th Avenue that comprised the Montana Wesleyan/Inter-Mountain Union College's "Klein Campus." Although Mills Hall was damaged by the 1935 Helena earthquakes, it was subsequently repaired and reopened for occupancy in 1937. The building sold in 1971 to private interests in Helena, and in 1981, the State of Montana acquired it for state agency use.

With its Classical Revival styling and Italianate influences, Mills Hall is a graceful early 20th century institutional building, one that retains tremendous strength of design and a singular history. The building served various educational and social/humanitarian roles affiliated with the Montana Wesleyan College, the Inter-Mountain Union College, the Montana Deaconess School, and the Inter-Mountain Deaconess Home. For these significant architectural and historical values it was determined eligible for listing in the National Register of Historic Places in 1981.

Structurally, Mills Hall, with its round-arched window openings, low-pitched hip roof, multiple hipped dormers, scroll-cut rafters, and scroll modillion roof bracketing, draws directly from Classical and Italianate style. While clearly the work of a trained architect, the original designer is unknown at this time. However, today Mills Hall stands out as the one building of architectural quality amidst acres and acres of cheap commercial buildings and bland state buildings along 11th Avenue. As MT SHPO noted in their June 10, 2014 comments to DNRC Archeologist Patrick Renne, "Mills Hall is remarkable relative to the buildings DNRC currently occupies, and stylistically, Mills Hall is far superior to what the private sector or the state are offering for agency offices."

120 REEDER'S ALLEY
HELENA, MT 59601
406.457-2822

www.preservemontana.org
info@preservemontana.org

None of the surrounding buildings on 11th Avenue have the architectural merit of the Mills Hall, and yet rather than refurbishing this building and adding to it, or redeveloping a non-historic property, the DNRC currently proposes to replace it with yet another uninspired, flat-roofed office building along with a large-scale parking structure. Given the opportunity to breathe new life into a building of high historical value, instead of opting to demolish this heritage property, we strongly urge the DNRC to save and renovate it.

It is entirely feasible, in the opinion of historic architects consulted by MT Preservation Alliance, and staff of both the Montana State Historic Preservation Office and the Montana State Architecture and Engineering Division, to renovate Mills Hall to produce modern high quality office space that would ably serve agency needs for decades to come. The building is large enough to accommodate modern floorplans, desirable upgrades and silver level LEED improvements, while the site would readily accommodate an addition that would take it to the preferred square foot capacity. In fact, there are tax credits to incentivize both the historic preservation of this building and energy efficiency of new heating and ventilation that would be cost-effective in an overall project that retains this historic building.

However, while the agency's May 2014 RFP inviting proposals for redeveloping 1566 11th Avenue did not exclude a restoration proposal for Mills Hall, it did not encourage one. And various requirements listed in the RFP made it less-than-likely that a proposal to refurbish the building would be crafted.

We note that for large building projects, Montana Code sections 18-2-101 through 105, make explicit requirements for agencies to first seek legislative consent to construct a building costing more than \$150,000, and to also have the supervision of the State of Montana's Department of Administration, Division of Architecture and Engineering to (a) review and accept all plans, specifications, and cost estimates prepared by architects or consulting engineers; (b) approve all bond issues or other financial arrangements and supervise and approve the expenditure of all money; (c) solicit, accept, and reject bids and, except as provided in Title 18, chapter 2, part 5, award all contracts to the lowest qualified bidder considering conformity with specifications and terms and reasonableness of the bid amount.

However, when we checked with the Montana State Architecture and Engineering Division in early August, 2014, shortly before proposals were due for this project, we learned that this had not been done, and that most of their staff were unaware there was an RFP circulating for Mills Hall. One may argue that having the building constructed under MT Land Board's authority circumvents this section of state law, but proceeding without this oversight does not appear to honor legislative intent.

For all these many reasons, we believe that the Montana DNRC should step back to the planning stages for this project, and further explore stewardship options for historic Mills Hall. A model stewardship project for this significant heritage property would be a commendable thing to pursue.

Respectfully,



Chere Justo
Executive Director

Cc: John Tubbs, MT DNRC
Mark Baumler, MT SHPO

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Montana
Historical Society

*Historic Preservation
Museum
Outreach & Interpretation
Publications
Research Center*

October 27, 2014

Mr. Patrick Rennie
Montana DNRC
1625 Eleventh Ave.
PO Box 201601
Helena, MT 59620

Ref: Mills Hall Redevelopment Proposal

Dear Mr. Rennie:

We reviewed your September 30 letter stating that the Montana DNRC has tentatively accepted the one proposal it received in response to the Mills Hall property redevelopment RFP. This proposal, from Dick Anderson Construction calls for demolition of Mills Hall, which is a Heritage Property, and the construction of a new building. SHPO concurs with DNRC that the plan as described in the proposal would be adverse to Mills Hall.

As the State Land Board reviews the development proposal and MEPA documents, we ask them to consider SHPO's June 10, 2014 bullet point comments on the undertaking.

If the Land Board commits to the development proposal, we ask the DNRC to continue to consult with SHPO and identify mitigation measures commensurate with the undertaking's adverse effects.

Sincerely,



Pete Brown
Historic Architecture Specialist

Attachments: SHPO letter to DNRC June 10, 2014

File: DNRC-General-2014100102

225 North Roberts Street
P.O. Box 201201
Helena, MT 59620-1201
(406) 444-2691
(406) 444-2696 fax
montanahistoricalsociety.org

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Montana

Historical Society

Historic Preservation
Museum
Outreach & Interpretation
Publications
Research Center

June 10, 2014

Mr. Patrick J. Rennie
DNRC Archaeologist
Montana DNRC
1625 Eleventh Ave.
PO Box 201601
Helena, MT 59620

Ref: DNRC's Proposed Demolition or Rehabilitation of Mills Hall (24LC0544), 1566 11th Ave., Helena

Dear Mr. Rennie:

Thank you for initiating consultation with SHPO under the State Antiquities Act for the above referenced undertaking. We reviewed the September 2012 cost estimates reflecting Option 1: rehabilitation/building addition (\$7 million); and Option 2: demolition/new construction (\$8.1 million). Both would provide 3,600 square feet of office space and LEED certification.

SHPO concurs with DNRC that demolition would be adverse to Mills Hall, a State-Owned Heritage Property built in 1919. The building is significant for its architectural merit and its historic association with Montana Wesleyan College. The intent of the Antiquities Act is for agencies to make good faith efforts towards preserving its Heritage Properties. We encourage the DNRC and the State Land Board to consider the following items in their decision making:

- As presented in the cost estimate, Option 1 is a defensible choice based on its \$1.1 million savings.
- Work involving existing structures is more labor intensive than material intensive. Because labor would likely come from in state, and many building materials come from out of state, preservation directs more of the state's investment towards the Montana economy and Montana jobs.
- Beyond the cost estimate's look at Option 1, we ask DNRC to explore the feasibility of a seismic retrofit, and parking. Developers and decision makers are less likely to entertain options conditioned with such unknowns.
- Aesthetically, Mills Hall is remarkable relative to the buildings DNRC currently occupies. Stylistically, Mills Hall exceeds what the private sector or the state are offering for agency offices.
- Pragmatically, Mills Hall is made of resilient brick, concrete and granite. Although it is due for a new roof, at nearly 100 years of age, the building shows no signs of significant deterioration.
- DNRC states that LEED certification is a priority in this undertaking. Option 1 could achieve LEED's highest, Platinum level certification by renewing Mills Hall and the embodied energy it represents. Sending thousands of tons of viable building material to the landfill is non-sustainable.
- Although Mills Hall would need an addition and its floor plan requires modifications for a change in use, SHPO would be flexible in its review of an Option 1 scenario as an alternative to demolition.

225 North Roberts Street
P.O. Box 201201
Helena, MT 59620-1201
(406) 444-2694
(406) 444-2696 fax
montanahistoricalociety.org

file DNRC / Trust - 2014-2109

- Avoidable demolitions of historic buildings typically receive bad press. Public admiration of successful preservation projects is nearly universal.

Please keep SHPO abreast of responses to DNRC's RFP. We understand that proposals are due in September 2014 and that the Land Board will likely vote on proposals in October. For SHPO to have a reasonable opportunity to comment on proposals, we will need access to proposal summaries well in advance of the board's vote. Depending on those proposals, SHPO may contact the Land Board directly with our preservation concerns. In the meantime feel free to contact me with any questions you might have.

Sincerely,



Pete Brown
Historic Architecture Specialist

Holzer, Brett

From: tracy <slick388@hotmail.com>
Sent: Wednesday, October 08, 2014 10:04 AM
To: Holzer, Brett
Subject: 1539 11th Ave Property Proposal

Follow Up Flag: Follow up
Flag Status: Flagged

Mr. Holzer,

I am Tracy Prescott, Owner of Prescott Helena Mall at 1605 and 1609 11th Ave. The property adjacent to the property known as Mills Hall. I received your letter dated 9/30/2014 and have a couple of questions. From the Conceptual Drawing that you provided with your letter, It looks like your proposal overtakes the west access to my property. could you please provide me with the property pins that you are using and also provide the setback from the property line that your proposed building would utilize.

I realize that this is a conceptual drawing and may not be to exact proportions but I am sure you can understand my concern of blocking my property and loosing access to my business. Please feel free to call me anytime at 406-580-6811. Thank you for you prompt reply.

Tracy Prescott, Owner
Prescott's Helena Mall
PO Box 43
Belgrade, MT 59714
slick388@hotmail.com
406-580-6811

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION

Trust Land Management Division



STEVE BULLOCK, GOVERNOR

1625 ELEVENTH AVENUE

DIRECTOR'S OFFICE (406) 444-2074
TELEFAX NUMBER (406) 444-2684

PO BOX 201601
HELENA, MONTANA 59620-1601

SCOPING NOTICE

Request for Public Comments

September 30, 2014

The Department of Natural Resources and Conservation (DNRC) is pursuing a commercial ground lease of a Trust Lands parcel located at 1539 11th Avenue in Helena, Montana. The primary purpose is to lease approximately 1 acre of land to generate revenue according to the Trust Lands mandate. The beneficiaries of revenue from this parcel are both Montana State University and the University of Montana. The sole proposal received by DNRC, currently under consideration, would be a ground lease to a developer who would demolish the existing structures and redevelop the site as a build-to-suit commercial office building.

The department is currently conducting an analysis under the Montana Environmental Policy Act (MEPA) of the impacts that may occur as a result of the proposed ground lease and redevelopment. By this letter, DNRC is requesting comments under MEPA regarding the proposed ground lease, including the intended demolition of Mills Hall and redevelopment of the site for commercial use which is similar to the uses of the parcels in the surrounding area.

To ensure your comments are considered as part of the MEPA process, they must be received no later than 5:00 pm on **October 30, 2014**.

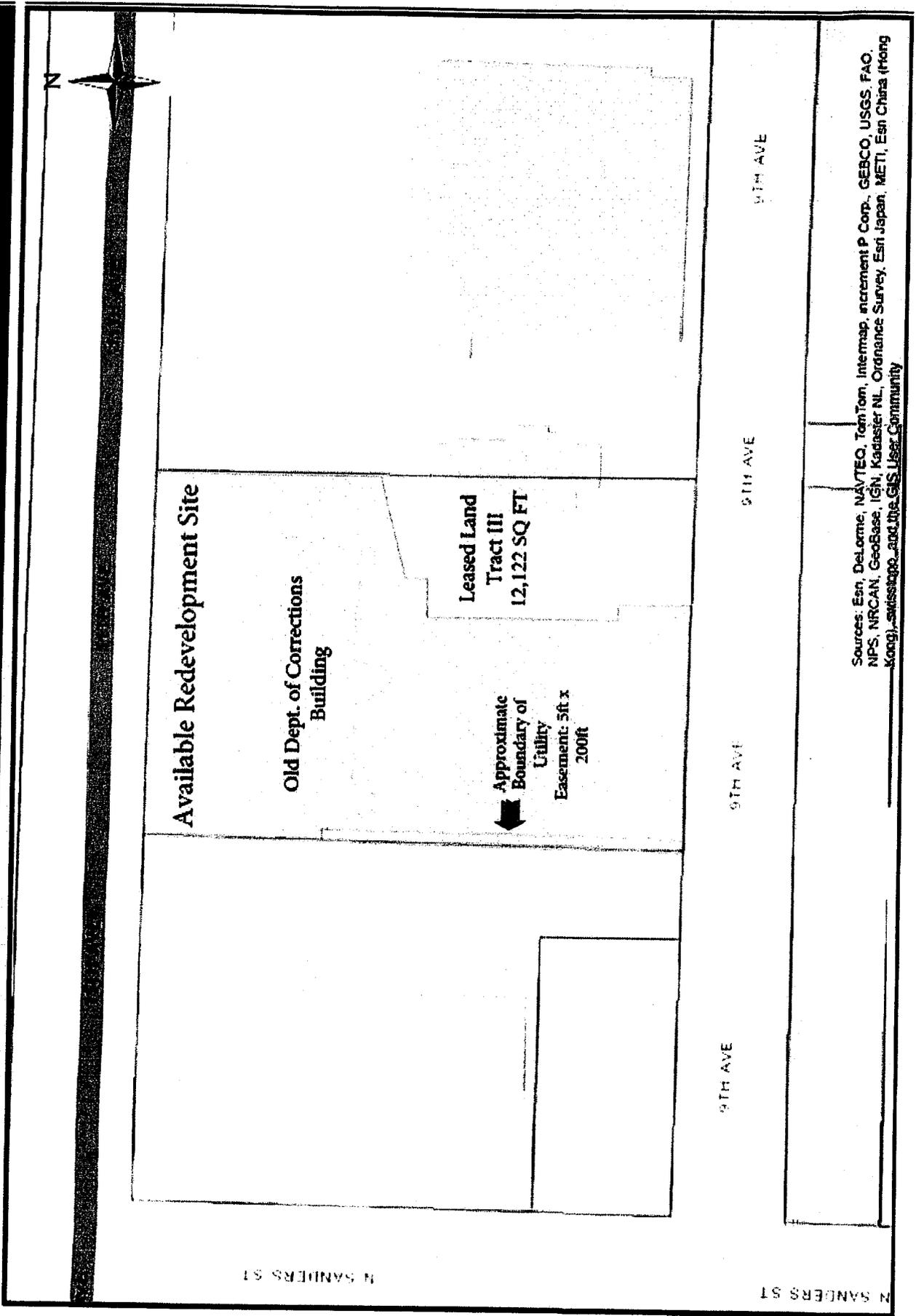
Comments may be sent to

Brett Holzer
Department of Natural Resources and Conservation
P.O. Box 201601
Helena, MT 59620-1601
(406) 444-1363
bholzer@mt.gov

Additional information on the commercial leasing program within DNRC's Trust Lands Management Division is available on the website:
<http://www.dnrc.mt.gov/Trust/Commercial/Default.asp>

See the next page for a site map of the parcel.

Lot D, Cannon CW Addition to the City of Helena



Sources: Esri, DeLorme, NAVTEQ, TomTom, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), Swisstopo, and the GIS User Community

State of Montana Trust Lands Parcel in Helena, MT
Site Layout— Current as of September 2014



Dick Anderson Construction - State of Montana DNRC RFP 14-2855A
Site and Parking Rendering



CHECKLIST ENVIRONMENTAL ASSESSMENT

Proposed Trust Lands Commercial Ground Lease, 1529 11th Avenue, Helena, MT

Appendix C: Request for Public Comment Notice List of Recipients

Name	Entity	notes
Pam Attardo, Historic Preservation Officer		
Jim Smith, Mayor	City of Helena	
Mick Robinson, Deputy Commissioner for Fiscal Affairs / Chief of Staff	Office of the Commissioner of Higher Education	
Vivian Hammill, MUS Chief Legal Counsel / Deputy Commissioner	Office of the Commissioner of Higher Education	
	Lewis and Clark County Commissioners	
Peter Brown, Historic Architecture Specialist	State Historic Preservation Office	
Mark Baumler	State Historic Preservation Office	
Glen Marx, Executive Director	Montana Association of Land Trust	
JENNIFER ANDERS (primary)	Office of the Governor	LAND BOARD STAFFERS
CORY SWANSON	Attorney General's Office	LAND BOARD STAFFERS
JON BENNION	Attorney General's Office	LAND BOARD STAFFERS
ALAN JOSCELYN	Attorney General's Office	LAND BOARD STAFFERS
JEFF BARBER (primary)	Office of Commissioner of Securities & Insurance	LAND BOARD STAFFERS
BRETT O'NEIL	Office of Commissioner of Securities & Insurance	LAND BOARD STAFFERS
ERIC STERN (primary)	Secretary of State Office	LAND BOARD STAFFERS
BLAIR FJESETH	Secretary of State Office	LAND BOARD STAFFERS
ANN GILKEY	Superintendent of Schools	LAND BOARD STAFFERS
LUCY RICHARDS	BD. SECRETARY	LAND BOARD STAFFERS
ELIZABETH RICHARDSON	Office of the Governor	ADMIN ASST
JULIE JAMES	Attorney General's Office	ADMIN ASST
JODI MEDLAR	Office of Commissioner of Securities & Insurance	ADMIN ASST
SUE TINSLEY	Secretary of State Office	ADMIN ASST
BILLIE LEDEAU	Superintendent of Schools	ADMIN ASST
RENEE ERB	DNRC DIRECTOR/BD. SEC.	ADMIN ASST
RUSSELL KATHERMAN	MT Dept of Admin-Architecture & Engineering	
GARETT BACON	MT Dept of Admin- Facilities	

	Management	
JEANNIE LAKE	MT Dept of Admin- Procurement	
BRAD SANDERS	MT Dept of Admin- Procurement	
	Lewis & Clark County Planning Division	
Leslie Taylor	MSU Bozeman	
Rosi Keller	University of Montana	
	Helena Area Chamber of Commerce	
	Montana Preservation Alliance	
LIZ BANGERTER	Representative HD 80	
MARY CAFERRO	Senator SD 40	
GALEN HOLLENBAUGH	Representative HD 81	
CHUCK HUNTER	Representative HD 79	
CHRISTINE KAUFMANN	Senator SD 41	
Bonnie Lovelace	Dept. of Environmental Quality	
Carla Haas	Dept. of Transportation	
Basile, Michael A , Trustee		
Tracy Prescott, Manager	Prescott Helena Mall, LLC	Adjacent Landowner
	Intermountain Deaconess Home	Adjacent Landowner
	SCHOOL DISTRICT #1	Adjacent Landowner

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ADDITIONAL DOCUMENTS

Schiltz, Tricia

From: Bacon, Garrett
Sent: Friday, February 06, 2015 10:18 AM
To: Beck, Ray; Schiltz, Tricia; Thomas, Shawn; Tubbs, John
Cc: Bacon, Garrett
Subject: FW: DNRC -----lease comps

Below are some older buildings in Helena that we currently lease that are not comparable to a new "built to suit" building like the DNRC project but they are currently paying similar rental rates.

<u>Lease #</u>	<u>square feet leased</u>	<u>Rate</u>
#6163	9,191 sq ft	\$24.00 (20 year+ old building. "as is" space)
#4646	20,708 sq ft	\$22.94 (30+ year old building. Space was remodeled to fit our needs)
#1201	7,200 sq ft	\$24.61 (10 year old Building was a "build to suit" building near Campus and the leasing state agency. They needed this building to be in proximity with their other 2 locations)
#8114	9,640	\$22.50 (30 year old building. Some remodeling to fit our need.)
#8094	8,940	\$21.00 (30 year old building. Little remodeling -basically "as is")

We did not factor in/include rental rates from the Great Northern or other high end leased space rates as they are in the \$30 per square foot range.

To get a new building, like DNRC is proposing, that is designed from the ground up around their exact space need for a rate of \$24.75 per sq ft for 20 years without any CPI-U or other annual inflation factor makes this space a very good leased premise. When you consider the fact that this project is on state leased land, in very close proximity to the Capitol Complex and other DNRC space, this project is very reasonable.

Shawn, I pulled this together rather quickly because of your timeline. I am in the middle of numerous other legislative requests but if something more comes to mind, I will pass it forward.

Garett M. Bacon
Leasing Officer
State of Montana, Department of Administration
General Services Division
1310 East Lockett
Helena, Montana, 59620-110
406-444-3108
E mail: gbacon@mt.gov

SECRET

SECRET



Natural Resources and Transportation Subcommittee
 February 5, 2015
 House Bill 2

Department of Natural Resources and Conservation

USF&G	Incr-Added Prop Tax FY14		Incr-Added Prop Tax FY13		Incr-Added Prop Tax FY12		Incr-Added Prop Tax FY11		FY10	FY09	FY08	FY07	FY06	FY05	FY14	FY03	FY02	FY01	FY00	FY99	FY98
	Prop Tax	Rate	Prop Tax	Rate	Prop Tax	Rate	Prop Tax	Rate													
Building Rent	\$ 422,159	7.13	\$ 370,841	7.13	\$ 370,841	7.13	\$ 370,841	7.13	\$ 399,580	\$ 384,168	\$ 372,905	\$ 362,234	\$ 351,563	\$ 340,893	\$ 318,678	\$ 294,984	\$ 281,050	\$ 267,709	\$ 254,961	\$ 242,806	\$ 231,243
Building Utilities**	120,941		103,219		107,982		110,308		75,576	75,261	91,498	89,279	72,000	*****	*****	*****	*****	*****	*****	*****	*****
Total Paid to Landlord	\$ 543,100	14.0%	\$ 474,060	0.0%	\$ 478,822	0.0%	\$ 481,149	-7.3% *	\$ 475,156	\$ 459,429	\$ 464,403	\$ 451,512	\$ 423,562	\$ 340,893	\$ 318,678	\$ 294,984	\$ 281,050	\$ 267,709	\$ 254,961	\$ 242,806	\$ 231,243

FY98-FY14 = 4% Annual Incr
 FY98-FY10 = 4.7% Annual Incr

*Schweitzer Administration Rent Reduction
 ** Includes Property Taxes FY11 to Present

Attachment 9
 Rent Expense Table FY98-FY14



ADDITIONAL DOCUMENTS

DNRC LEASE PAYMENT ANALYSIS

Existing building, 29,925 sq. ft.

YEAR	% INCR	RATE	Annual Payment
1	10%	20.33	\$ 608,266
2	4%	21.14	\$ 632,597
3	4%	21.98	\$ 657,900
4	4%	22.86	\$ 684,216
5	4%	23.78	\$ 711,585
6	4%	24.73	\$ 740,049
7	4%	25.72	\$ 769,650
8	4%	26.75	\$ 800,436
9	4%	27.82	\$ 832,454
10	4%	28.93	\$ 865,752
11	4%	30.09	\$ 900,382
12	4%	31.29	\$ 936,397
13	4%	32.54	\$ 973,853
14	4%	33.84	\$ 1,012,808
15	4%	35.20	\$ 1,053,320
16	4%	36.61	\$ 1,095,453
17	4%	38.07	\$ 1,139,271
18	4%	39.59	\$ 1,184,842
19	4%	41.18	\$ 1,232,235
20	4%	42.82	\$ 1,281,525
			\$ 18,112,990.93

Existing building all floors: 42,100 sq. ft.

YEAR	% INCR	RATE	Annual Payment
1	10%	20.33	\$ 855,739.22
2	4%	21.14	\$ 889,968.78
3	4%	21.98	\$ 925,567.54
4	4%	22.86	\$ 962,590.24
5	4%	23.78	\$ 1,001,093.85
6	4%	24.73	\$ 1,041,137.60
7	4%	25.72	\$ 1,082,783.10
8	4%	26.75	\$ 1,126,094.43
9	4%	27.82	\$ 1,171,138.21
10	4%	28.93	\$ 1,217,983.73
11	4%	30.09	\$ 1,266,703.08
12	4%	31.29	\$ 1,317,371.21
13	4%	32.54	\$ 1,370,066.06
14	4%	33.84	\$ 1,424,868.70
15	4%	35.20	\$ 1,481,863.45
16	4%	36.61	\$ 1,541,137.98
17	4%	38.07	\$ 1,602,783.50
18	4%	39.59	\$ 1,666,894.84
19	4%	41.18	\$ 1,733,570.64
20	4%	42.82	\$ 1,802,913.46
			\$ 25,482,269.61

New building, 39,085 sq. ft.

Year	Rate	Annual Payment
1	24.75	\$ 967,353.00
2	24.75	\$ 967,353.00
3	24.75	\$ 967,353.00
4	24.75	\$ 967,353.00
5	24.75	\$ 967,353.00
6	26.48	\$ 1,034,970.00
7	26.48	\$ 1,034,970.00
8	26.48	\$ 1,034,970.00
9	26.48	\$ 1,034,970.00
10	26.48	\$ 1,034,970.00
11	28.21	\$ 1,102,587.00
12	28.21	\$ 1,102,587.00
13	28.21	\$ 1,102,587.00
14	28.21	\$ 1,102,587.00
15	28.21	\$ 1,102,587.00
16	29.94	\$ 1,170,204.00
17	29.94	\$ 1,170,204.00
18	29.94	\$ 1,170,204.00
19	29.94	\$ 1,170,204.00
20	29.94	\$ 1,170,204.00
		\$ 21,375,570.00

Savings over 20 year lease period =
 Taxes to L&C county @ \$90,000 per year =
 Payment to the Trust, benefit UofM, MSU =
 Total Savings

\$4,106,700
 \$1,800,000
 \$1,022,828
 \$6,929,528

