



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: June 1, 2012

TO: Legislative Finance Committee

FROM: Kris Wilkinson, Fiscal Analyst II

RE: Contract Settlement with SBC Archway III, LLC (Nob Hill)

Judge Jeffrey M. Sherlock ordered the State of Montana to pay \$3.0 million to SBC Archway III, LLC to resolve a \$14.0 million lawsuit against the state over a breach of contract related to the termination of a lease for a proposed office building in the area known as Nob Hill.

While the state's self insurance policy insures the state against tort claims it does not provide for actions due to breach of contract. The court requires the state to pay the judgment by May 1, 2013 or pay simple interest of 10% on the unpaid portion of the judgment going forward. As the state does not self insure for breach of contract, a request for an appropriation of \$3.0 million in general fund may be included within the executive's budget request.