Letter of Intent to Lease

This letter of intent ("LOI") outlines the principal terms and conditions of a lease to be negotiated between The University of Montana (the "Owner") and The University of Montana Foundation (the "Tenant").

Both parties understand and acknowledge by reason of signing this LOI that no obligation whatsoever between them shall arise until a lease agreement anticipated by this agreement (the "Lease") has been fully executed by both the Owner and Tenant. It is understood that that Lease shall be subject to the approval of the Tenant's board of trustees and must be executed by both parties on or before March 31, 2011. The terms of this LOI shall be non-binding except as otherwise expressly agreed herein.

A. SPACE

1. <u>Building and Location</u>. The Gilkey Center for Leadership, Entrepreneurship and Executive Education (the "Center") is to be built by the Owner on the campus of The University of Montana in Missoula, Montana on the east side of Arthur Avenue between Connell and Eddy Avenues.

2. <u>Leased Premises</u>. The Owner will make available 7,800 Net Rentable Square Feet on the second floor and 1,200 Net Rentable Square Feet in the basement in the Center (together with the meeting space under Section A3, below, the "Leased Premises), for the Tenant's exclusive use in a floor plan approved by the Foundation as part of the "Tenant Improvement Plan" (defined below). "Net Rentable Square Feet" is intended to provide Tenant with useable space and does not include general or limited common areas such as restrooms, elevator, elevator lobby, stairwells, utility space, or other common areas, and is measured according to BOMA (Building Owners and Managers Association) standards.

   Following the execution of this LOI, the Tenant will work with the Owner's designated architect to determine the sufficiency of the available space to meet the Tenant's needs and, assuming that the space is sufficient, to develop the floor plan to be included as part of the Tenant Improvement Plan (see below). It is expressly understood that should the space available on the second floor of the Center be less than 7,800 Net Rentable Square Feet, and be judged by the Tenant to be insufficient to meet the Tenant's long term space needs, that the Tenant will no longer pursue tenancy in the Center.

   The Tenant shall have full access to the Leased Premises at all times during the term of the Lease.

3. <u>Meeting Space</u>. The Owner will also provide the Tenant with routine, daily access to designated meeting space on the first floor of the Center for Tenant's everyday meeting use including at least one meeting room of 750 square feet or more. This meeting space shall also be available to the Tenant when possible for use outside of the routine workweek upon request. The Tenant recognizes that there may be brief, limited periods when this space is needed for programs run by the Center and therefore not available for Tenant's use. The Owner (through the Center or the School of Business Administration) shall provide as much advance notice of the Center's need for the this meeting space as possible so the Tenant can make alternative arrangements as needed. The Owner shall not schedule classes or non-Center related meetings in this meeting space during the Tenant's regular

business hours. The access to and use of the meeting space will be available to Tenant in consideration of the basic monthly rental paid by Tenant under Section C1, below.

4. Tenant Improvement Plan. The dimension and layout of the space and all amenities, improvements and finishes of the Leased Premises shall be subject to advance approval by the Tenant in the form of a Tenant Improvement Plan which shall be attached to the Lease as Schedule 1 when it has been prepared and approved. It is the general understanding of the parties that the Leased Premises will be delivered in a "turn key" condition as will be described in the Tenant Improvement Plan (herein the "Occupancy Conditions"). As used herein, "turn key" shall generally mean that level of construction of and improvements to the Leased Premises by Owner that will permit Tenant to take possession of, and commence its business operation in the Leased Premises, including but not limited to such things as painted walls, carpeted floors, completed ceilings and light fixtures, doors, windows, window treatments, plumbing, electricity and HVAC. It is expected that the Tenant Improvement Plan will provide the detail as to the level, location and quality of all improvements to the Leased Premises that will need to be completed as Owner's expense before the Tenant will be required to accept delivery of possession. Tenant's only responsibility for additional improvements will be those referenced in Section 3 below. Any change in any aspect of the Leased Premises or the Tenant Improvement Plan whether during the creation of the construction drawings or any change order made during construction shall require the written approval of the Tenant.

B. LEASE TERM

1. Occupancy Commencement Date. Prior to and as a condition of the commencement of the Lease term the Tenant shall review and approve all the improvements, finishes and amenities of and to the Leased Premises as described as the Owner's responsibilities in the Tenant Improvement Plan, to confirm that the Occupancy Conditions have been completed in satisfactory fashion.

   The Owner agrees it shall continue to provide lease the Tenant's current space in Brantly Hall on terms that are no less favorable than currently exist until the occupancy Commencement Date.
   If the construction agreement related to the construction of the Center has not been signed within eighteen months of the date of the Lease, the Lease (and all obligations under the Lease) shall terminate.

2. Term. The Lease will expire twenty (20) years following the Occupancy Commencement Date.

3. Early Access. The Tenant shall have access fourteen (14) days before the Occupancy Commencement Date in order to install furniture, fixtures, leasehold improvements, telephones, computers and other types of equipment whose installation is not the responsibility of the Owner under the Tenant Improvement Plan. Tenant shall indemnify Owner against any damage to the Center by reason of Tenant's early occupancy.

4. Option to Renew. The Tenant shall have the option to renew the Lease for a further ten (10) years with no less than one year's written notice to Owner. At such time, the Tenant shall also have the right at its option to reduce the square footage of the Leased Premises by up to 50% (a "Footprint Reduction"). The details of any such Footprint Reduction, including a revised floor plan, will be included in any written notice to Owner of Tenant's

decision to exercise its option to renew. Such renewal shall be on the same terms and conditions except for the adjustment in rent provided in Section C1, below, and except for any "Footprint Reduction" made by Tenant.

5. Roof Rights. The Tenant shall have the right to install antennas or other equipment needed in its operations on the roof of the Center with the approval of the Landlord, such approval not to be unreasonably withheld. The Tenant shall not have the right to sublease use of the roof to any third party.

6. Right to Expand. The Owner shall provide the Tenant with the right of first refusal for the leasing of any other space in the Center before that space is leased to any other non-University tenant, on the terms such space is to be leased to the other tenant under a bona fide offer. In addition, if such space is available and Owner has no prospective non-University tenant, Owner shall grant to Tenant an option to lease the space on substantially the same terms as provided in the Lease.

C. RENT AND OTHER TENANT OBLIGATIONS

1. Rent. Beginning on the Occupancy Commencement Date the Tenant will make rent payments monthly based on the following annual charge per Net Rentable Square Foot:

	By Net Rentable Square Foot (Annual)		Annual Rent (1)		
	2nd Floor	Basement	2nd Floor	Basement	Total
Years 1-5	$ 25.50	$ 18.50	$ 198,800	$ 22,200	$ 221,000
Years 6-10	$ 28.50	$ 20.50	$ 222,300	$ 24,600	$ 246,900
Years 11-15	$ 31.50	$ 22.50	$ 245,700	$ 27,000	$ 272,700
Years 16-20	$ 34.50	$ 24.50	$ 269,100	$ 29,400	$ 298,500
Average	$ 30.00	$ 21.50	$ 233,975	$25,800	$ 259,775

(1) Assumes Leased premises of 7,800 Net Rentable Square Feet on the second floor and 1,200 Net Rentable Square Feet in the basement in the Center. The actual rent included in the Lease will be calculated as the product of the actual size of the Leased Premises and the above net rent per square foot. Any risk for higher than expected construction costs (including any planning, design or other costs) shall be borne solely by Owner, and the per square foot rental rates shall not be adjusted in the event of such increased costs.

Rent for any partial month shall be pro-rated based on a 30 day month.

Rent during the first five years of the renewal period if the Lease is renewed, shall equal the initial rent payable on a square footage basis ($25.50/square foot and $18.50/square foot) escalated by the cost of living adjustment over the initial twenty year term of the Lease, taking into account any reduction in rent made necessary by a Footprint Reduction. Rent will be escalated in a similar manner for the second five (5) years of any renewal term. The cost of living adjustment shall be based on the national consumer price index (All Urban Consumers, All Items) as published by the U.S. Bureau of Labor Statistics, or if such index no longer exists, a substantially similar cost of living index. But in no event shall rent increase by more than 3% per year, on a non-cumulative basis.

2. Janitorial Services. The Tenant shall directly secure janitorial services for the Leased Premises. The Owner acknowledges the Tenant's need to provide access to the Leased Premises to the party providing these services.

3. Utility Costs. The Owner shall be responsible for all costs related to providing electricity, water, HVAC and other utilities to the Leased Premises.

4. Operating and Maintenance. The Tenant shall pay the Owner $1.50 per annum per each square foot of Leased Premises to assist the Owner in meeting the operating and maintenance expenses related to the space. The Owner shall provide all operating and maintenance support for the space including but not limited to all administrative overhead, planning & construction support, mail services, insurance and risk management, police services, grounds upkeep, and heating plant operation. Not included in these expenses are janitorial services which Tenant shall provide under Section C2 and utility costs which Owner shall provide under Section C3.

5. Insurance. The Tenant shall maintain commercial general liability insurance in an amount of not less than One Million Dollars ($1,000,000) per Occurrence and Two Million Dollars ($2,000,000) Aggregate. The Owner shall maintain an insurance policy covering all perils generally included within the classification "Special Form - Risks of Direct Physical Loss", with an extended coverage endorsement ("Special Form") in the amount of not less than one hundred percent (100%) of the full replacement cost of all improvements and betterments located in the Center. Provided, however, Tenant shall be responsible to maintain any insurance coverage for Tenant's personal property stored or used in the Leased Premises.

   In the event of damage to or destruction of the Center and/or the Leased Premises, the Owner shall have the obligation to promptly restore and re-build the Center and the Leased Premises to the full extent of the insurance coverage. Provided, however, in the event the Leased Premises are damaged or destroyed to the extent of more than 50% of its replacement value, the Tenant may, at its option, and upon written notice to the Owner within 30 days after the damage or destruction, elect to terminate the Lease.

D. OTHER OWNER OBLIGATIONS

1. Parking. The Owner shall make available to the Tenant two reserved parking spaces immediately adjacent to the principal entrance to the Center in consideration for payment of the monthly Rent. At the annual option of the Tenant the Owner shall make five additional parking spaces available to be leased to designated employees of the Tenant. These spaces for employees shall be as close as possible to the Center. The rent for each of these spaces will equal the rent paid by University units or employees for adjacent spaces.

2. Building Hours and Access. The Owner shall provide the Tenant with access to the Leased Premises seven days a week, twenty-four hours a day without exception.

3. HVAC. Subject to Tenant's reimbursement obligation under Section C1, the Owner shall provide heating and air conditioning and other essential services (e.g. water, electricity and sewer) to the Leased Premises at all times.

4. Upkeep/Maintenance. The Owner shall be responsible for the care, maintenance and upkeep of the Center including any common areas, both interior and exterior, including

sidewalks, parking areas, landscaping, etc., at the same level or standard maintained for Owner's other campus buildings. Owner shall also be responsible to maintain and repair in good order all structural portions of the Center including the Leased Premises, including the roof, foundation, exterior walls, interior structural walls, elevators, other common areas, as well as all utilities, HVAC and other services that do not exclusively serve the Leased Premises. Tenant shall be responsible for the repair and maintenance of the non-structural portions of the Leased Premises and the exposed HVAC system to the extent it serves the Leased Premises exclusively. Should the Owner fail to perform this duty following written notice from the Tenant, the Tenant shall have the right to undertake any needed maintenance or upkeep and deduct the cost from future rent payments.

E. OTHER PROVISIONS

1. Use of Leased Premises. Use of the Leased Premises shall be limited to the operations of the Tenant and the day to day use of the Tenant's employees, trustees and guests.

2. Monument/Building Signage Rights. The Center shall be referred to by name and signage as the Gilkey Center for Leadership, Entrepreneurship and Executive Education. The Owner will provide signage for the Leased Premises (1) in the lobby of the Center as well as (2) exterior and adjacent to the Center in a format similar to that used on other University buildings.

3. Sublease/Assignment. Tenant shall have the ability to sublease all or a portion of the Leased Premises so long as Tenant is not released from liability under the Lease and the sublessee's business is reasonably compatible with Owners's operation of a university. Tenant may assign all its rights under the Lease to an assignee, only upon the advance written consent of Owner, which consent shall not be unreasonably withheld. Any approved assignment would relieve the Tenant of all responsibilities under the Lease.

4. Prepaid Rent. With the execution of the Lease the Tenant shall prepay the first three (3) months' Rent. The Lease shall provide for the Owner's return of this Prepaid Rent should the occupancy as defined in Section B1 not occur.

5. Stoppage/ Interruption of Service. Unless caused by the negligence of Owner or its employees, agents or contractors, the Owner shall not be responsible for any interruption in utility services to the Leased Premises. Provided, however, if such interruption continues for 72 hours or more, and materially impacts Tenant's ability to operate, Tenant shall be entitled to full abatement of Rent until the services are restored.

6. Relocation Expense. Owner agrees to provide Tenant with a relocation allowance of $15,000 to help Tenant with its moving, relocation and improvement costs to prepare the Leased Premises for occupancy. Such amount, at the Owner's option, can be paid in cash, or provided in the form of a credit against base Rent for up to six (6) months. Tenant shall bear responsibility for all other expenses related to its relocation to the Leased Premises. The Tenant shall have the right to contract for its relocation with the Owner or with outside sources at the Tenant's discretion.

7. Furnishings. All furnishings of and improvements to the Leased Premises which are not part of the Occupancy Conditions as provided in the Tenant Improvement Plan shall be the responsibility of the Tenant. The Owner agrees to provide the Tenant with access to the

Owner's plans and direct prices for any furnishings done related to other space within the Center.

8. Good Faith. Both parties agree to meet, confer and negotiate in good faith in order to finalize the terms of the Lease by the earlier expiration date set forth below.

9. Confidentiality. To the extent permitted by applicable laws and regulations, and subject to the reasonable needs of the Owner to disclose its terms in connection with any financing of the Center, the parties will keep the terms of this LOI confidential prior to the execution of the Lease.

This LOI shall expire if the Lease it anticipates is not executed by both Owner and Tenant on or before the earlier of (1) January 31, 2012 or (2) instruction by the Owner to the architect for the Center to commence preparation of construction drawings.

Agreed by:

Royce C Engstrom

Royce C. Engstrom
President
THE UNIVERSITY OF MONTANA

Dec 5, 2011
Date

Laura Brehm

Laura Brehm
President & Chief Executive Officer
THE UNIVERSITY OF MONTANA FOUNDATION

Dec 2, 2011
Date