

Michael P. Morris, Chairman
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION
BOARD OF TRUSTEES

DATE: NOVEMBER 30, 2006

PLACE: SALT LAKE CITY, UTAH

ATTENDING: BOARD

Michael P. Morris
John Ferry
Gayle McKeachnie
James Lee
Jim Eardley
John Scales
Michael Brown

STAFF

Kevin S. Carter
Kim Christy
Dave Hebertson
Kay Burton
Elise Erler
Tom Mitchell
LaVonne Garrison
Ron Barton
Ric McBrier
Lisa Schneider
Erin Arnold
John Andrews
Rodger Mitchell
Drake Howell
NormaLee McMichael
Kyle Pasley
Michelle McConkie
Daniel Willers
Kurt Higgins
Tom Faddies

OTHERS:

Margaret Bird, State Office of Education
Marlo Wilcox, State Office of Education
Paula Plant, State Office of Education
Jim Fox, Fox Lawson & Associates
Natalie Gordon, Utah PTA
Charles Evans, University of Utah
David Garbett, Southern Utah Wilderness Association
Ivan Djambov, Legislative Fiscal Analyst's Office
Karen Rupp, State Office of Education
Gilbert Jennings

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Chairman Morris welcomed Board members, Staff, and guests to the Board Meeting.

1. Approval of Minutes

With the correction of some typographical errors on Pages 4, 8, and 10, the Board approved the Board minutes of October 19, 2006.

Lee / Ferry. Unanimously approved.

“I move we approve the Board Minutes of October 19, 2006, as corrected.”

Roll Call:

Lee - - yes	McKeachnie - - yes
Ferry - - yes	Scales - - yes
Eardley - - yes	Brown - - yes
Morris - - yes	

2. Board Schedule for 2007

The Board, without motion, approved the following meeting dates for 2007:

January 25	Salt Lake City
February	No Meeting
March 8	Salt Lake City
April 12, 13	St. George
May 9, 10	Retreat
June 28	Salt Lake City
July	No Meeting
July 22-26	WSLCA - - Salt Lake City
August 9	Salt Lake City
September 13	Salt Lake City
October 10, 11	Moab
November 8	Salt Lake City
December	No Meeting

Director Carter noted that the WSLCA meeting is in Las Vegas the dates of January 7-11. If any of the Board members want to attend, please let him know.

3. Chairmans Report

a. Beneficiary Report

Ms. Bird stated to the Board that each of the members has been very successful in their business interests before being appointed as a Board member. An important component to success is knowing what others are doing. It is because of the concerns the beneficiaries had in Utah that they saw we could succeed on the trust lands in Utah and ultimately fail because of forces around them. That is why they created CLASS - - Childrens' Land Alliance Supporting Schools. The first year only nine states that were invited attended their conference. There were many movements for different states that would have hurt trust lands in states. Because of the efforts of CLASS in educating people in those states, they were able to stop those movements. We thought it would be important for the Board to see the video they have produced on CLASS. She showed the Board this video at this time. They are trying to spread the trust lands message with this video. Mr. Morris noted this was a fine production and asked if the Board could have a copy of it. Ms. Bird stated they would get them one.

b. Update on Compensation Study

Chairman Morris stated last year there was a legislative audit of this agency. One of the criticisms of the audit was the compensation of the employees. We made a commitment to the legislature that we would study it, and we formed a compensation sub-committee, which consisted of Gayle McKeachnie, John Scales, Marlo Wilcox, Margaret Bird, Kevin Carter, and John Andrews. The sub-committee chose Fox Lawson and Associated to do the study. The sub-committee has met three or four times. A survey went out to acquire information. The study is now about completed. We have Dr. Fox here today and would like him to address any questions.

Dr. Fox addressed the Board and explained the process further through a power-point presentation as follows:

Objectives:

- * Review compensation levels of similar positions in both public and private sector.
- * Compare current TLA compensation to market data
- * Recommend compensation ranges for the future

Process:

- * Interviewed nine employees
- * Conducted a competitive survey of compensation and benefits
- * Developed a salary structure based on the survey results

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3. Chairmans Report (cont'd)

b. Update on Compensation Study (cont'd)

Data:

- * New salary and benefits data obtained from
 - * neighboring states
 - * private companies in Utah, such as Sinclair Oil, Flying J, SunCor, Nephi Sandstone

- * Existing salary data obtained from
 - * 13 national salary surveys
 - * including private sector, government sector, and non-profits
 - * organizations were matched on size, scope of operations, and type of business
- * Data represents information from several hundred incumbents

Dr. Fox noted they compared base compensation, bonus compensation, and total compensation. A number of organizations manage compensation differently; i.e., lower salaries and higher bonuses and vice-versa. They provided some recommendations for compensation and bonus structure and gave the Board some information on mixing information.

Chairman Morris stated he sees this as a two-phase process. Phase One validates or does not validate the audit or assumptions that were made in the audit. We take that information and present it back to the Staff and legislature. Phase Two is some recommendations that have been made in the study that need to be addressed as to how compensation is structured and how goals and objectives are structured with strategic planning. The Board went into closed session to discuss the character and competence of individuals.

Ferry / Eardley. Unanimously approved.

“I move we go into closed session for the discussion of the character and competence of individuals.”

Roll Call:

Lee - - yes	McKeachnie - - yes
Ferry - - yes	Scales - - yes
Eardley - - yes	Brown - - yes
Morris - - yes	

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3. Chairmans Report (cont'd)

b. Update on Compensation Study (cont'd)

The Board went into closed session at 9:37 a.m. Those in attendance were Board members, Kevin Carter, John Andrews, Marlo Wilcox, Margaret Bird, and Dr. James Fox. The Board returned to open session at 10:15 a.m.

c. Update on Administrative Appeal Cases

Mr. Lee stated that Black Sands has filed a Motion to Dismiss and an Order has been entered dismissing this appeal. The appeal from the National Park Service has now been engaged. He has before him a motion from Board counsel to dismiss the action. There are very interesting questions, and he is waiting for the filing by the appellate. One issue is the appraisal to which they are objecting. They also are requesting that the board adopt a policy. Mr. Lee anticipates that this will go on for quite a while. It may ultimately come to a hearing, depending on the action taken on the Motion for Dismissal. Mr. Lee will spend some time training Michael Brown on appeal hearings.

4. Director's Report

a. Follow-up Report to Board Actions

I. Report on Price Industrial Park

Elise Erler gave the Board a follow-up on this project. The Price Industrial Park is a self-developed industrial park located four miles south of Price in Carbon County. The Trust created the industrial park to stimulate economic development in Carbon County and to participate in the area's growth. The industrial park consists of two parts:

- * Ridge Road Business Park - - Smaller finished lots suitable for firms needing one to 10 acres for light industrial uses. The Business Park encompasses approximately 120 acres.
- * Ridge Road Large Industrial Lots - - Larger unimproved parcels for firms needing more space located around the Business Park.

The large-lot areas are located to the west, south, and east of the Business Park's smaller lots. A hill forms the north edge of the Business Park. "Unavailable lots" are parcels that the Trust has sold; the northern-most unavailable lot is buffer around a Drunkard's Wash gas well.

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4. Director's Report (cont'd)

a. Follow-up Report to Board Actions (cont'd)

I. Report on Price Industrial Park (cont'd)

Financial Information: Financial data for the project was given to the Board. Prior to the Price Industrial project, the raw land appraised for \$3,000/acre.

Development: Ridge Road Business Park was planned and engineered in FY 2000. Phase I construction was completed in FY 2000-FY 2001. The development improved about 37 acres with 2500+ linear feet of paved roads and underground installation of all utilities, allowing the sale of finished lots sized to suit each buyer.

The Trust does not improve the large industrial lots prior to sale. It is the buyer's responsibility to install the necessary improvements. Prior to the first large-lot sale, the Trust spent about \$9,200 to design and engineer improvements for several smaller lots located between the large industrial lot and SR-10. The large-lot buyer installed the infrastructure to improve the smaller lots fronting the highway.

Sales: To date, there have been two periods of sales in the Business Park. The first selling period occurred in FY 2001-2002 following completion of initial improvements. The second selling period began in summer 2006 and is ongoing. The Trust increased lot prices by \$5,000/acre for the second selling period, with lots fronting SR-10 or Ridge Road priced \$5,000/acre higher than the \$25,000/acre interior lots. The most recent inquiries from potential buyers have been for higher-priced highway frontage lots.

One 20-acre large industrial lot, located southwest of the Business Park, was sold in FY 2003 to a Carbon County construction company that needed room for an equipment yard in addition to its office. The Trust shared in the buyer's costs to bring infrastructure to the construction company's lot to improve the Trust's land between the large lot and SR-10 for future improved-lot sales. The Trust reduced the large-lot purchase price by the Trust's share of infrastructure costs. Following this sale, the Trust has received a number of large-lot inquiries, but as yet no commitments from potential buyers.

Forecast Activity: In the last three months, the Board has approved three sales within the Business Park. We continue to receive inquiries about lot availability and pricing; however, we do not have additional sales to recommend at this time. Eight improved lots, totaling 26 acres, remain unsold in the Business Park.

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4. Director's Report (cont'd)

a. Follow-up Report to Board Actions (cont'd)

I. Report on Price Industrial Park (cont'd)

The forecast projections include several assumptions: (i) sales absorption of one improved lot/year, including an additional sale in this fiscal year; (ii) sales prices increase by \$5,000/year in FY 2008 and FY 2014; and (iii) expenses for staff time and landscape maintenance of \$10,000/year. With these assumptions, project economics for Phase I yield an NPV (9.45%) of \$46,000 and an IRR of 11 percent. The prolonged time to sell all improved lots gives the project a dismal \$127,000 discounted EVA.

Summary: The Trust self-developed the Price Industrial Park to participate in and stimulate economic development in Carbon County. After an initial flurry of activity, industrial development in Carbon County was painfully slow until this summer. Recent sales were made to local businesses which are relocating in order to expand and meet their growing needs.

After two periods of sales, the Business Park self-development has not yet recovered its capital investment. However, at current lot prices, the Trust needs to sell only seven to nine additional acres for a break-even cumulative cash flow. In the short term, the Trust will continue to market the industrial park. In addition, the Trust will maintain the landscaping in common areas, which will cost minor amounts of Staff and contractor time. Once the Trust sells the remaining eight improved lots, we will evaluate a Phase II project to improve the remaining 78 acres in the Business Park.

Chairman Morris inquired about the NPV. Does this suggest that, if someone paid us \$46,109 tomorrow, would we sell the whole thing? Ms. Erler stated it does not include the underlying land value. Chairman Morris asked what Staff feels we could sell this for and get a good return on the entire industrial park? Ms. Erler stated she thinks that, if we doubled this NPV price, it probably would be good. Mr. McBrier noted that we haven't looked at a bulk sale. It might be appropriate for us to look at that. We should look at this further and report back to the Board at a later date.

Mr. Lee stated the population of Carbon County has not changed in the last 20 years. There is not much activity there other than the coal mines. Ms. Erler stated most of the buyers have been related to the coal industry or the oil and gas industry.

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4. Director's Report (cont'd)

a. Follow-up Report to Board Actions (cont'd)

I. Report on Price Industrial Park (cont'd)

The Board suggested that now might be a good time to look at a bulk sale. Mr. McBrier stated bulk sales really run counter to his philosophy, but this piece might be better sold that way. Staff will look into a bulk sale.

Director Carter asked staff what lessons we have learned from this project? Mr. McBrier stated this was started in 1999, which means it was the result of his time spent in that market in 1997-1998. At that period of time, he was trying to build a Development program and looking throughout the state at logical places to build a market. We probably overprojected the demand side of this project. The investment has been slow to be recovered. This probably suggests that we should be more focused in the development side in the markets that are more robust and stay out of the markets that are not so robust in the state. Director Carter stated that oftentimes we are finding pressure from communities to do something even though our professional opinion thinks it is early. We need to deal with the options in these situations; i.e., sell the land, hold the property, etc. Mr. McBrier stated that our relationship in the late 90's in Carbon County was not good, and we were looking for things to do to help that county. Ms. Erler stated she feels this investment has changed attitudes in Carbon County, and they like this there.

b. Director's Update on Issues

I. Update on Legislative Audit

Director Carter stated we have received follow-up on the implementation status of the audit recommendations. He gave the Board a copy of those recommendations and our response to them. He summarized them in a power-point presentation as follows:

- * Legislative Audit
 - * Comprehensive Annual Report (unsolicited)
 - * Uniform sales methodology
 - * Development accounting system
 - * Additional Development audit staff (unsolicited)
 - * Bonus program
 - * Salary/bonus guidelines (unsolicited)

Some of the items listed in the follow-up were noted as "N/A" to the agency.

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4. Director's Report (cont'd)

b Director's Update on Issues (cont'd)

II. Proposed Legislation

Director Carter reviewed proposed legislation for this year with the Board through a power-point presentation as follows:

- * Designation of lands open for OHV use statutory conflict - - we will work with DNR to run this bill to clean up the statutory conflicts. It has already been approved by an interim committee.
- * Mineral revenue sharing distribution modifications
 - * Redirects money away from Federal mineral revenue sharing recipients
 - * Sends money to:
 - * counties of production
 - * counties losing trust lands
 - * Constitutional Defense Fund
 - * Restricted Account to mitigate trust land development impacts

Director Carter noted that, since we make this payment and not the Federal government, we have concluded that it doesn't have all the strings attached as if the Federal government made the payment. We have sent a letter to the Division of Finance asking for a clarification on this process. Staff is going to Carbon County tomorrow to discuss the issue with legislators in that area. We have an endorsement from the Association of Counties on the bill.

- * Mineral development impact to surface users

We are not running this bill, but it concerns us. It would change the paradigm of mineral development when they don't own the surface. It could have a significant impact on our lands where we only own the minerals.

4. Director's Report (cont'd)

b Director's Update on Issues (cont'd)

III. Update on Personnel Issues

The Board went into closed session for the purpose of discussing the character and competence of individuals.

Lee / Ferry. Unanimously approved.

“I move we go into closed session for the purpose of discussing the character and competence of individuals.”

Roll Call:

Lee - - yes	McKeachnie - - yes
Ferry - - yes	Scales - - yes
Eardley - - yes	Brown - - yes
Morris - - yes	

The Board went into closed session at 2:27 p.m. Those in attendance were Board members, Kevin Carter, Ric McBrier, John Andrews, and Lynda Belnap. The Board returned to open session at 2:48 p.m.

c. Block Planning - - Update on Grantsville Block

Mr. Burton gave the Board a power-point presentation on the location of this block. The initial planning has been performed in conjunction with a wetlands study, which study is expected to be concluded within the next six to 12 months. Tooele County and the Corps are studying a 70,000+/- acre area of northeast Tooele County to identify areas of wetlands and non-wetlands. The Trust joined this planning process to make sure the Trust's interests are being safeguarded. The Trust has had difficulty trying to plan to receive value from both uplands and areas having an in-between uplands and wetlands land classification. Upland areas will be commercially developed. The in-between areas can be used for wetlands mitigation. Mitigation credits are currently being sold for \$25,000 to \$30,000/acre. Mr. Burton reviewed the block's strengths and weaknesses with the Board. The credits can only be purchased and used within the same watershed area. Most of our acres are planned to be designated as wetlands. Mr. Ferry stated there are grants, etc., available for wetlands areas. Within the next six months, Mr. Burton hopes to have something worked out. Mr. Lee stated that he thinks it is a good idea to have this land declared wetlands and that we work with mitigation credits for it.

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4. Director's Report (cont'd)

d. Public Relations Update

Mr. Hebertson gave the Board an update on the Public Relations Group through a power-point presentation as follows:

- * PR Objectives
 - * Create awareness of trust lands
 - * Improve understanding of trust lands
 - * Build support for the Trust mission and the Trust Lands Administration

- * Daily Activities
 - * Media relations
 - * Publishing
 - * Photography, design, and graphics
 - * Events - - trade shows, etc.
 - * Liaison - - governmental and associations
 - * Other

- * Media Relations
 - * Monthly telephone contact
 - * About 15 "regulars"
 - * Face-to-face contacts
 - * News releases
 - * Advertising

- * Some Underlying PR Assumptions
 - * Almost everything we do irritates someone
 - * Corollary: Things we don't do will probably irritate someone else
 - * The vast general population does not think about the Trust Lands Administration - - the opportunity lies with the undecided or those who don't know about us.

4. Director's Report (cont'd)

d. Public Relations Update (cont'd)

* What's Next?

* A review of our fundamental direction

* Consultant

* Brand attributes

* Positioning statement

* Key messages

* Ad Hoc Image Committee

Mr. Hebertson noted he would like to put together an Ad Hoc Image Committee and would like at least one Board member to serve on it. Also, he would like the beneficiaries to supply a representative. He gave the Board some sound bites of the video that is in the process of being made for the agency.

Ms. Bird noted that they were given the assignment to interview some policymakers. She interviewed David Litvin, who suggested that Trust lands hold an open house during the legislative session and show the video. She thinks this will be a powerful video.

e. Associate Director's Report

I. Update on Utah Recreation Land Exchange

Mr. Andrews stated Congress will be in session one more week. They will be in session next week to pass a continuing resolution to continue the budget until February. Therefore, we have one week to get our legislation through the Senate. There is a group of non-controversial bills that includes ours. There is hope with our congressional delegation that the bill will be passed next week. We are as well seated as any bill could be to get passed. The question is whether the Senate will decide that it is not going to do any more and they don't even address the non-controversial bills.

The Republicans are costing us more trouble on the progress of this bill right now than the Democrats are. In the next few days, a list will be circulated that includes the bills to be passed by unanimous consent. Hopefully, our bill will be on that list.

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4. Director's Report (cont'd)

f. Surface Group Report

Mr. Christy reported some informational items to the Board. We have recently negotiated a settlement with PacifiCorp under over some easements that had been cancelled due to non-payment. In 1999, we cancelled over 60 easements and rights of way due to their failure to make payment on the three-year payment. Over the next seven years, we have tried to come up with a resolution. In May of this year, Tom Mitchell started working hard on this issue. We have now renegotiated this and have reinstated them. We received a check for \$940,000. Mr. Christy thanked Mr. Mitchell and Mr. Faucett for the work in completing this. The majority of these had been issued on an old form for perpetuity. They have all been reissued on the new form for a certain term.

Little Hole - - Mr. Christy reviewed with issue with the Board. The property held by the Division of Wildlife Resources that is near this parcel was conveyed to them in 1979 by the Bureau of Reclamation. Our property is a 356-acre parcel. It seems that a 1906 survey shows a road there. In 1969, the area was surveyed again; and it shows there is a road that is recognized by survey. We feel we have good historical proof that the road existed prior to DWR's acquiring the property. A number of years ago, DWR installed a gate on the property pretty close to our property line. The Governor's Office of Rural Affairs is working on this issue. Given the fact that we have not yet established certainty of access, we have elected to move the sale of this property from January to our May sale date. We are trying to work this out so that two state agencies are not in opposition on the access issue. Director Carter noted that DWR stated that their deed in acquiring the property states that they have to manage the property to protect wildlife. That is why they put up a gate. It is questionable as to why they don't put it on the other end of their property.

g. Development Group Report

I. Overview of Ft. Pierce Industrial Park

Mr. McBrier introduced Mr. Gilbert Jennings, who has been working on the Ft. Pierce Industrial Park project. Mr. Jennings gave the Board a brochure on this project. He stated he appreciates the opportunity to report to the Board and gave the Board a brief report on the progress of the park.

In the mid-1990's, a group in Washington County felt like they needed to create an area like this in order to bring some viable businesses to the community. They recognized that the economy

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4. Director's Report (cont'd)

g. Development Group Report (cont'd)

I. Overview of Ft. Pierce Industrial Park (cont'd)

at that time only was made up of about five percent of the manufacturing industry. They felt that should be around 15 percent to have a healthy economy. Their goal has been to invited "value-added" businesses to come to the community, and the Ft. Pierce Industrial Park has been able to do this. He showed the Board some pictures of businesses that have located in the park.

Mr. McBrier stated that the economics that were first put together was that the Trust would put the land in, the city would put up one-third of the capital in a loan, the power company would put up one-third of the capital in a loan, and the private parties would put up one-third of the capital. This was a pro forma that was put together at the beginning of the industrial park. They have an escrow account of about \$1.5 million in lieu of a bond.

They are projecting sales in 2007 to be consistent with the prior year of approximately \$20 million. The average price per acre sold is about \$80,000. It is projected to be about \$125,000 per acre in the next year or so. The selling price going into Phase 6 will be \$175,000/acre. The cost per acre for improvements has consistently gone down since the beginning of the park. They estimate returning to the Trust about \$6.5 million in 2006.. They estimate in 2007 it will stay about the same or increase just a little. They are proposing to add about 250 acres to the park by the River Road extension and in the White Dome area. They will come to the Board in a couple of months with a proposal.

Mr. Jennings stated they feel very good about this industrial park. They estimate about 1500 people work there; and, by the end of 2007, there might be about 3000 people employed there. The area has produced some great things for the community. They feel the Trust's partnership has been a very good one. Mr. McBrier stated he has commissioned an economic impact study of this area. They think that, by the end of 2008, there will be about \$50 million revenue from the real estate tax roles. This has helped us building better relationships with the county and the city.

The Board thanked Mr. Jennings for his presentation. Mr. Eardley stated he agrees that this has been a great benefit to the community, and they have had a great relationship with the Trust. The economy is growing in Washington County at about seven percent. Washington County grew \$470 million the last year in retail sales. Washington County will soon become the fourth largest economic entity in the state. Ms. Bird stated that, on behalf of the schoolchildren, she thanked Mr. Jennings for the fine product that this industrial park is.

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4. Director's Report (cont'd)

g. Development Group Report (cont'd)

II. Discussion of Timing of Ongoing Projects

A. Discussion of U-18 Snow Canyon Parkway

Mr. Pasley discussed this with the Board through a power-point presentation as follows:

- * We believe now is the time to sell this parcel.
 - * The commercial market is peaking in Washington County
 - * The parcel has several challenges that will make it difficult to develop.

- * Snow Canyon Crossing Challenges
 - * Access issues
 - * UDOT Right of way
 - * North access close to intersection
 - * Left-hand turns - if possible - will require major offsite improvements
 - * Water Issues - - spring located on property. Water rights to said spring belong to another party
 - * Topography
 - * Roughly four acres of parcel unable to be developed due to slope
 - * Substantial amount of grading work needed to make the parcel useable

- * The commercial market is peaking in Washington County
 - * Commercial property values in Washington County are strong
 - * Extremely low vacancy rates in office and retail sectors in Washington County
 - * Available commercial land in St. George is limited - investors on the prowl
 - * Commercial building permit numbers remain high
 - * Adjacent piece on the market

4. Director's Report (cont'd)

g. Development Group Report (cont'd)

II. Discussion of Timing of Ongoing Projects (cont'd)

A. Discussion of U-18 Snow Canyon Parkway (cont'd)

* Current Plan

* Propose a sale to market

- * Solicit offers until end of January - February, 2007. Marketed by location sign, mailers, and newspaper ads
- * Expected price \$1.5 - \$1.8 million
- * Appraisal work being completed on parcel
- * If price target not reached by end of January, the Trust takes the parcel to auction in the Spring of 2007.

Mr. McBrier indicated he feels we should sell this and not put our time and energy into solving all the problems on this property. Mr. Morris asked what differentiates this from other parcels like it? Mr. Pasley stated he feels it is the location of this property. Even with the problems, the time is probably right to sell it. Mr. McBrier stated that the environment within which to solve these types of problems is becoming increasingly difficult. Mr. Eardley noted that it is hard to know what the potential of the property is. They are seeing some leveling off of prices in that area now. Chairman Morris noted that he likes it because it is not a negotiated sale, and we are actually testing the market twice.

B. Discussion of Green Spring Office Project

Mr. McBrier showed the Board some maps of this area. This would be an area for office buildings, commercial, or other development. If we could get positioned with a well-qualified partner on this project, it will be a big project in 20 years or so. There are some risks. This will relate to the discussion of last month regarding how we get into transactions. This will be discussed further next month. This particular discussion today was an information item regarding timing, what can be done, etc. Mr. Morris noted that, when we are approached by someone about property that is not already on our radar screen, he thinks maybe we feel too honor bound to do something with them. He asked how Mr. McBrier feels about taking a concept like this and running a more competitive scenario? Mr. McBrier stated we are getting into a better position to

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4. Director's Report (cont'd)

g. Development Group Report (cont'd)

II. Discussion of Timing of Ongoing Projects (cont'd)

B. Discussion of Green Spring Office Project (cont'd)

be more competitive as we deal with properties that are better situated. If we have the competition about money instead of who is a good partner, it may not be the best partner in the long term. We might find the guy who offers the most money may not be the one who will make us the most money long term. This is an interesting discussion to have on larger projects.

Chairman Morris stated he is only talking about finding out what we don't know on a property and not necessarily the "choosing of the partner" process. Mr. McBrier stated there will be a process that invites competition. He noted we want to figure out the process on this project before proceeding with it. Several people are looking at this one.

Chairman Morris asked about his "honor bound" issue when a creative idea is brought to the Trust. Mr. McBrier stated that, even if the proposal is good, we will create a process that creates competition. Director Carter noted the Surface rules impose that we have to act on ideas that come to us. Development rules don't mandate that. Chairman Morris asked what the rest of the Board thinks about this concept. Mr. Ferry stated he thinks Surface is different than Development. In Development you are investing in people's ability to live up to a commitment. Director Carter noted there also is a failure to come to grips with the two concepts within the legislature. Some legislators think we should specifically notify competitors. Mr. McBrier stated this agency is not staffed heavily enough to spend too much time on projects. We are available to have competing offers come to our office and present a proposal, and we then get some competition out of it. Director Carter stated that, if our protocol says we have to notify others in the industry, how do you know who qualifies for that? If we miss someone, it could cause us problems. Chairman Morris stated he is not talking about a rule.

Ms. Bird noted that the record should show that the person proposing the office building on this property is her brother-in-law, and any discussion from the beneficiaries on this will come from Ms. Plant.

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4. Director's Report (cont'd)

g. Development Group Report (cont'd)

II. Discussion of Timing of Ongoing Projects (cont'd)

C. Parcel 3 - - Sienna Hills

D. Parcel 18 - - Sienna Hills

Mr. Howell discussed both of these issues with the Board through a power-point presentation.

- * Parcel 3
 - * Single-family; medium density parcel
 - * Design subdivision
 - * City approvals
 - * Preliminary plat
 - * Construction drawings
 - * Final plat
 - * Market "paper lots" late Spring, 2007

- * Parcel 18
 - * Multi-family; high-density parcel
 - * Multi-family land is scarce in market
 - * Other projects underway
 - * entry level
 - * higher-end
 - * Revisit in six months; what are other projects missing? Pricing?
 - * In the meantime, resolve undocumented landfill

- * Impact on Pro Forma
 - * Likely to close in FY 2007
 - * Parcel 2 (IHC)
 - * Substation
 - * Maverick Lease

4. Director's Report (cont'd)

g. Development Group Report (cont'd)

II. Discussion of Timing of Ongoing Projects (cont'd)

C. Parcel 3 - - Sienna Hills (cont'd)

D. Parcel 18 - - Sienna Hills (cont'd)

- * Likely to close in FY 2008
 - * Parcel 3
 - * Parcel 18/19

- * Parcel 15A2 (School) projected to close in FY 2007 - not likely. Possible transaction in FY 2008.

- * What does this mean?
 - * 32 percent MIRR instead of 33 percent

Mr. Howell noted we have spent about \$8 million on this and have generated about \$8 million. Parcel 4 is a development lease, and they are in the planning and development stages. Parcels 18 and 3 are the next in line to be exposed to the market. Ultimately Staff is suggesting that we put parcel 18 on the market in about five to six months. We will see what other projects are offering and if there are any gaps that need to be filled. Mr. McBrier stated we have in our budget this year sales of these parcels, but they will probably slide into next year. We want to bring them into the market at the right time. At the end of the fiscal year, we had projected to have received around \$7 million from Sienna Hills. Without these sales, we will have about \$2-3 million.

4. Director's Report (cont'd)

g. Development Group Report (cont'd)

III. Mile Post 2 - St. George City Agreements

Mr. McBrier discussed this with the Board through a power-point presentation. He showed the Board a master plan that is going to be filed next month with the city.

- * South Block Development Statistics
 - * 6500 acres
 - * 1900 residential acres - -1 4,000 units
 - * 475 employment acres
 - * 160 commercial acres
 - * 300 industrial acres
 - * 160 school acres, large college site
 - * 2,000 acres open space
 - * 900 future development acres

- * Trust Lands Commitments
 - * Value of rights of way
 - * Interchange/southern corridor/accesses
 - * Approximately 250 acres
 - * Values at \$17,500 per acre - - \$4,375,000 +/-
 - * Cash contribution - \$4,000,000
 - * Paid over two years - - FY 2008/FY 2009
 - * River Road Construction
 - * three-lane road - - two miles
 - * Approximately \$3,500,000
 - * \$100,000 for planning of Southern Corridor east of River Road
 - * Grading Support
 - * Grade City visitor center parcel in connection with overall grading program
 - * Valued at approximately \$500,000
 - * SITLA to sell milkvetch and Desert Bear Claw Poppy mitigation parcels to UDOT
 - * SITLA to support value-for-value exchange with City on existing visitor center parcel
 - * SITLA/UDOT to implement materials-sharing program
 - * Total value commitment - approximately \$12,500,000

4. Director's Report (cont'd)

g. Development Group Report (cont'd)

III. Mile Post 2 - St. George City Agreements (cont'd)

- * City Commitments
 - * \$6,000,000 impact fee credits
 - * To be taken over 10 years in South Block development
 - * May be sold/used by developers on trust lands
 - * Access point approvals
 - * Five access points onto Southern Corridor approved
 - * Prompt/supportive processing of planning approvals for South Block
 - * Specific plan/zoning approval - 400+/- acres at interchange
 - * General plan amendment for 6,000-acre tract
 - * Hillside approval processing for small butte/hill removal throughout South Block
 - * Materials coordination/approvals
 - * City to process application for wash relocation
 - * City to process grading plan for interchange, parkway, and SITLA-related properties
 - * City to process application for gravel pit, materials wasting site at agreed 30-50-acre site
 - * Future support for material withdrawal at more remote sites in South Block
 - * City match of \$\$\$\$ (exact amount unclear) to meet UDOT funding requirements
- * UDOT Commitments
 - * UDOT funding for interchange/Southern Corridor - \$28 million
 - * Construction to proceed when permitting complete and to be built two lanes to new River Road
 - * Road design to support wash relocation/hillside preservation plan
 - * Project to include bridges (\$4MM) at access Point 1
 - * UDOT to buy mitigation parcels for plants

Mr. McBrier noted he plans to come back in January with a final written understanding of this area that the Board can approve.

4. Director's Report (cont'd)

g. Development Group Report (cont'd)

III. Mile Post 2 - St. George City Agreements (cont'd)

Chairman Morris asked what the long-term cash capital expenditures for the Trust will be? Mr. McBrier stated we are looking at \$6.75 million right now. He thinks this fits within our budget and should leave us with money to do other things also. We plan in FY 2008 - FY 2009 to put in \$2 million each year. We probably will spend \$3-4 million per year over the next three years. Ms. Bird asked about the UDOT visitors' center and whether they actually totally own it? She was thinking that on the southern border of Utah there is also an Arizona trust lands section. Can we develop on both sides of the road, since we are putting so much money into it? Mr. McBrier stated there is a wash on part of it. The road that will be built will be a high-speed road with limited access.

IV. Update on Eagle Mountain

Due to the discussion of real estate values, Ms. Erler asked that the the Board discuss this issue in closed session.

Ferry / Lee. Motion approved.

"I move we go into closed session for the discussion of property values and ongoing negotiations."

Roll Call:

Lee - - yes	McKeachnie - - yes
Ferry - - yes	Scales - - yes
Eardley - - absent at vote	Brown - - yes
Morris - - yes	

The Board went into closed session at 1:10 p.m. Those in attendance were Board members (Mr. Eardley was absent), Elise Erler, Kevin Carter, Michelle McConkie, Rodger Mitchell, Ric McBrier, and Lynda Belnap. The Board returned to open session at 1:23 p.m.

4. Director's Report (cont'd)

g. Development Group Report (cont'd)

V. Update on Cross Hollow

Mr. Rodger Mitchell stated the closing on this deal did not happen. We requested the \$1 million in earnest money be returned to us. It was transferred from escrow to our account. We have terminated the contract. We think the people thought they were paying a large premium on this property. The most damage that was done is that the extension to the contract that would be another \$1 million did not happen. They had five days to put an additional \$1 million in escrow for an additional 30-day extension. We received confirmation that it was in the trust account. We then received a notice a couple of days later that they had released those funds. We were upset about that. The money had gone from a lender in exchange for a trust deed. When they went to record the trust deed, there were some encumbrances on it; and the bank wanted its money back. The escrow agent did not let us know there were some instructions on that \$1 million. We don't know how we are going to proceed yet. We also have a letter requesting that we compensate one of the bidders. We are looking at this further also.

Chairman Morris asked if we had any legal claims on the other \$1 million? This was an issue that would have to be discussed in closed session. The principals behind this are Cedar Land Development - - Matt Graff, Principal, and Dave Miller, Principal. Mr. McBrier noted this situation does get us back to the process questions on which we are working. Mr. Mitchell stated we still have a pretty good relationship with Cedar City. He noted the marketplace knows that it is a competitive situation and nothing actually happens until the Board approves it.

Mr. Lee stated he would like to see the Staff do an analysis as to whether we have a claim on the \$1 million. Chairman Morris stated he would like to see a better control on the entire earnest money process. He would like Staff to look at this as to how we can confirm the money is good and to our credit. Ms. Bird would also like to have the Staff write "lessons learned" down so that the Board and Staff can have a thorough discussion of the things we learned. Chairman Morris noted that, when we have a deal that is very, very good, we may need to require a larger earnest money deposit.

4. Director's Report (cont'd)

g. Development Group Report (cont'd)

VI. Demonstration of Development Accounting System

Ms. Alexa Wilson gave the Board an update and demonstration on the Development accounting system. Mr. McBrier noted it is not done, but we decided to demonstrate what is done at this point.

* Goals

- * Build a project accounting and cost-control system, integrated with currently existing accounting and land-management systems.
- * Project analysis and reconciliation with pro forma
- * Allocation of historic costs to subdivided parcels
- * Facilitate consistent project reporting to management, Board, and beneficiaries
- * Tools for day-to-day project management

Ms. Wilson noted Staff is still working on two of these, and three of them have been finished.

* Major Functions

- * Forecast and track individual project performance
- * Forecast and track investment budgets
- * Vendor contract management
- * Support cost allocation to parcels/lots
- * Facilitate allocation of investments to beneficiaries
- * Provide summary reports of Development Group activity and performance

* Phase I completed

- * Database design
- * Data collection
- * Phase I reports coded
- * Phase I maintenance screens coded
- * Ongoing report and screen testing

4. Director's Report (cont'd)

g. Development Group Report (cont'd)

VI. Demonstration of Development Accounting System (cont'd)

* Next Steps

- * Automate download of expense and investment information from FINET
- * Capitalization
 - * Load in asset position by project/beneficiary
 - * Build upkeep functionality
- * Allocation to sub projects
- * Invoice/procurement contact tracking
- * Decide how to allocate and to what extent to allocate agency overhead to projects and build it into the system
- * Staff training and access
- * Standardize analysis/pro forma tools

Ms. Wilson noted that the investment portion of the system is not quite done. We are working to get the State's FINET system to be able to dump information into our system. Mr. Brown asked who had access to the system and what kind of security is there on the system? Ms. Wilson stated right now the system is still in the development stage. There are very few who can get to it. When it is up and working, we can restrict who we want to get into the system and what they can do.

Ms. Wilson showed the Board how data can be put into more than one report. There are many types of reports. We consulted with the Legislative Auditors, and the auditors confirmed it would be what they would need. Ms. Wilson stated this still needs a lot of work. She stated the Development Group, ITS, and Accounting have all been working on this project. Mr. McBrier noted there has been an enormous amount of work done by everyone. There is still much to be done. Chairman Morris thanked Staff for a good project. He stated the payoff will be great when it is finished.

4. Director's Report (cont'd)

g. Development Group Report (cont'd)

VII. Purchase of Water - Moab, Grand County

Mr. McBrier discussed this issue with the Board. The Trust owns approximately 125 acres of land south of Moab to the east of Highway 191. This land is slated for residential development in the near future. The adjacent property to the north is currently under development by Rim Village, LLC. Wilson Farms has an agricultural special use lease on approximately 55 of the above-mentioned 125 acres. Wilson Farms has agreed to sell to the Trust 48 of its agricultural water shares (approximately 204 acre feet) for a fair-market value of \$2,900 per share. Fair-market value has been evidenced by adjusting dated sales comps and has been further confirmed through the presence of two parties (Bates and the Water District) who wish to purchase the water - from Wilson or us - at the stated price. This transaction will require a cash commitment from the Trust of \$139,200. Wilson Farms will lease the water back for the first few years at a rate of \$2,040 per year.

This agreement is in the best interest of the Trust for the following reasons:

- * Ken's Lake water shares are very rare to come by and there are many other interested parties in this same market. These shares will likely increase in value because of the limited number of Ken's Lake shares and the rarity that these shares become available.
- * Grand County is currently discussing the future requirement of developers to provide secondary water for new development projects. The County's logic is related to preserving culinary water for future development expansion. If acquired, these shares could provide the Trust with the secondary water necessary for its future development projects.
- * The Trust would be able to ask a premium for all development units that have secondary water available.
- * Wilson Farms has agreed to lease back the same shares at fair-market value.
- * The Ken's Lake water shares can be transferred and used for any of the Trust's other development projects.

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4. Director's Report (cont'd)

g. Development Group Report (cont'd)

VII. Purchase of Water - Moab, Grand County (cont'd)

- * The Trust has negotiated favorable terms with Wilson Farms. Wilson Farms has agreed to immediately transfer title to all 48 shares in exchange for three interest-free payments over three years.

Pursuant to Board policy, this transaction is presented to the Board, as it involves the investment of an amount in excess of \$100,000.

McKeachnie / Lee. Motion approved.

“I move we approve this proposal.”

Roll Call:

Lee - - yes	McKeachnie - - yes
Ferry - - yes	Scales - - yes
Eardley - - absent at vote	Brown - - yes
Morris - - yes	

5. Consent Calendar

There was no discussion on the following Consent Calendar items.

a. Sale of South Block Land to The Nature Conservancy

The Trust previously entered into a Letter of Intent (“Letter”) to create land preserves for Federally listed endangered plants on its South Block property in Washington County, Utah. This Letter helped foster understandings with the Utah Department of Transportation (“UDOT”), the U. S. Fish and Wildlife Service, the Federal Highways Administration, and others for the construction of the Milepost 2 Interchange and the Southern Parkway. It provided for mitigation needed by UDOT due to construction impacts on the endangered plants. The Trust also agreed to hold parcels of Dwarf Bear Claw Poppy habitat in the White Dome area available for purchase by The Nature Conservancy (“TNC”) until 2015. The UDOT mitigation parcels and additional preserves are included in the Trust’s preliminary master plan for the South Block property.

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5. Consent Calendar (cont'd)

a. Sale of South Block Land to The Nature Conservancy (cont'd)

Appraisals of the various parcels were delivered this year and approved by the Trust, UDOT, and TNC. The land values for the White Dome preserve parcels were placed at approximately \$3,100 per acre. The appraiser found that development of the parcels would be cost prohibitive due to the gypsum soils, concluding that open space and recreation are the highest and best uses. The parcels can potentially be used as open space credits to increase future development densities on the South Block, thus offsetting the low per-acre valuation.

Transaction: UDOT is moving toward acquisition of the mitigation parcels in order to begin construction of the Interchange and Parkway. At the same time, TNC obtained funding for its first acquisition of poppy habitat. Since the funding expires at the end of calendar year 2006, the Trust is working with TNC to complete the transaction of a 55.52-acre parcel adjacent to a 70-80-acre UDOT mitigation parcel in the White Dome area. A record of survey is currently being completed for the parcel. The Trust will administer fencing of the parcel in concurrence with the right of way for realigned River Road.

The transaction between the Trust and TNC will lead to the creation and management of an attractive natural area adjacent to future development parcels. This nature preserve is likely to add value to nearby land, thus increasing the return to the beneficiary (Schools). As part of the transaction, the Trust will retain a public-use easement for hiking trails in the parcel. A separate agreement between the Trust and TNC will ensure that (a) this land will be perpetual open space; (b) as development occurs, fencing will be aesthetically upgraded; and (c) TNC will create and implement a detailed management plan that is agreed upon by all involved parties and protects the interests of the Trust.

A follow-up appraisal considered value effects from the easement (and other factors now obsolete), resulting in a value reduction of approximately two and one-half percent from about \$172,500 to about \$168,000 due to the trail easement. This reduction is considered acceptable given the amenity value increase of a public trail system adjacent to development areas. As outlined in the Letter, all costs associated with the sale shall be shared equally by the Trust and the acquiring party.

5. Consent Calendar (cont'd)

a. Sale of South Block Land to The Nature Conservancy (cont'd)

Conclusion: The Trust is working with TNC to complete the transaction of a 55.52-acre parcel with an appraised value of approximately \$168,000 before the end of calendar year 2006. This will likely be the first in a series of transactions between the Trust and TNC in the White Dome area. In accordance with the Letter of Intent, this item is submitted to the Board for review and comment before completion of the sale.

The Board had no comments on this Consent Calendar item, so it is approved.

Board Notification

b. Amendment to SULA 1352 - Agricultural

Pursuant to Rule R850-30-1000(2), this is formal notice that the Agency intends to amend this special use lease by adding a provision which allows for the lease to be terminated at the end of any lease year. SULA 1352 is an agricultural special use lease issued to Michael J. Anderson and Kevin B. Anderson, P. O. Box 1234, Oak City, Utah, 84649. The lease contains 100.00 acres, more or less, in Section 35, Township 15 South, Range 5 West, SLM (School Fund). The purpose of the lease is the planting, cultivation, harvesting, and storage of alfalfa and any other crop typically planted in rotation with alfalfa. The beginning date of the lease was January 1, 2002. The expiration date of the lease will be December 31, 2021.

This lease was recently reviewed pursuant to Board policy and the provisions of the lease. In the course of the review, it was determined that the value of the subject property exceeded the value of the agricultural use of the property. The lessee was given the option to either pay the fair-market value of the lease or amend the lease to include a termination clause. The lessee elected to add a termination clause to the lease. The termination clause will read as follows:

Notwithstanding the expiration date as set in the lease above, after January 1, 2007, the Lessor shall have the right to terminate the Lease at the end of any lease year if Lessor determines it is in its best interest.

The agency believes that this action is in the best interest of the trust beneficiary . The Board had no comments on this Consent Calendar item.

Upon motion by Mr. Scales, the Board adjourned at 3:25 p.m.

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