

Ruland J. Gill, Chairman
David T. Terry, Director

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

DATE: MARCH 9, 2001

PLACE: SALT LAKE CITY, UTAH

ATTENDING: BOARD

Ruland J. Gill
Lonnie Bullard
John Harja
John Creer
Louise Liston
Vernal Mortensen
Robert Morris

STAFF

David T. Terry
Dave Hebertson
Kevin Carter
Ric McBrier
Tom Faddies
Ron Torgerson
Scott Chamberlain
Lou Brown
Dawn Soper
Justin Quigley
Lisa Schneider
Alexa Wilson
John Andrews
Will Stokes
Lee Schwendimen
Lynda Belnap

OTHERS IN ATTENDANCE:

Scott Robertson, Trust Lands Consultant
Paula Plant, Utah State Office of Education
Brian Wilkinson, Wilkinson Ferrari & Company
Royal Norman, Box Elder County
Melvin Brown, Trust Lands Consultant
Robert Adkins, Attorney
Don Peay, Sportsmen for Fish and Wildlife
Floyd Moulton
Frank Turner
Charles Evans, University of Utah
Jeff Flanders, Moab
Lola McElhaney, Moab, Grand County Citizen
Joe Christensen, State Auditor's Office

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Chairman Gill welcomed the Board members, Staff, and guests to the meeting.

1. Approval of Minutes

The Board approved the minutes of January 5, 2001.

Mortensen / Creer. Motion approved.

“I move we approve the Board minutes of January 5, 2001.”

Roll Call:

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|----------------------------|--------------------------|
| Bullard - - absent at vote | Liston - - yes |
| Morris - - yes | Creer - - absent at vote |
| Harja - - yes | Mortensen - - yes |
| Gill - - yes | |

Mr. Harja indicated that, on the minutes of January 29, 2001, on Page 18, in the paragraph following the motion, the reference to “Secretary of Interior” should be changed to “independent appraiser”. With this technical change, the Board approved these minutes.

Harja / Morris. Motion approved.

“I move we approve the Board minutes of January 29, 2001, as corrected.”

Roll Call:

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|----------------------------|--------------------------|
| Bullard - - absent at vote | Liston - - yes |
| Morris - - yes | Creer - - absent at vote |
| Harja - - yes | Mortensen - - yes |
| Gill - - yes | |

2. Review of Next Meeting Dates

The Board reviewed the upcoming meeting schedule and decided on meetings as follows:

April 5 - - no meeting

April 23 and 24 - - Board Retreat

May 10 - - Meeting in Salt Lake City.

3. Chairman's Report

a. Legislative Update

Director Terry indicated Staff felt the legislative session went well. The Appropriations Committee gave us everything the Governor's budget had recommended and also added \$250,000 for block management and added \$30,000 more for the incentive bonuses. The article in the Salt Lake Tribune regarding the bonus program didn't seem to hurt us. Representative Allen stated he had read the article and checked with private industry and thought the bonuses were well in line. Director Terry indicated Paula Plant and Mel Brown did great work, some of it to diffuse some proposals that would not have been good for us. One of the bills (HB 120) was a proposal by Representative Styler regarding our relationship with the Division of Wildlife Resources. This bill was withdrawn and intent language added directing us to enter into a MOU with the Department of Natural Resources regarding our working relationships with their divisions. We are working with each division. The proposed water bill that we were proposing was not pursued because there was controversy regarding it. We will be a part of the overall water study team in the upcoming year. Another bill that did not pass that will be studied is whether state lands and trust lands should be subject to local zoning. We felt it was a good session overall. Director Terry indicated that he and Mark Walsh are planning to get together with the members of the County Advisory Committee and work out a process to coordinate county comments with this advisory committee.

Mr. Gill also noted he had received a letter from Representative Bud Bowman regarding the Kanarraville sale. He has forwarded this letter to Staff. Mr. Terry noted this was actually discussed at Triage. We didn't put it on this agenda because we need to make sure we had advertised it properly. We have advertised it, and it will be on the May agenda. Chairman Gill also indicated he was approached by a representative for the Boy Scouts regarding their camp in the Beaver area. It does not have any infrastructure. They wanted the land for nothing, but we told them we couldn't do that. Staff is working on this issue and trying to solve it with an exchange. It involves 600 acres.

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3. Chairman's Report (cont'd)

a. Legislative Update (cont'd)

Mr. Gill indicated he had been asked by the developer of the Torrey property to meet with him. He also noted that the comment period for the pipeline that goes from Drunkard's Wash to Nephi is now up. He declared a conflict on this issue.

The Chairman stated the Board members and Staff had been invited to a meeting with the Department of Natural Resources at Soldier Hollow. Based on that meeting, he felt like there was an area we could do some work. He took it upon himself to ask some legislators to set aside some money for the Division of Wildlife Resources to buy trust land over time or have the Sportsmen for Fish and Wildlife buy it with that money. One million dollars was appropriated for DWR to buy lands that have previously been trust lands. Mr. Terry indicated Staff could not actively support this because it was not in the Governor's budget. The intent language of the bill was changed a number of times and ended up that DWR was given \$1 million to buy conservation easements on lands previously owned by the Trust that have been sold at auction after July 1, 2001. It was noted that Don Peay's group thinks only wildlife groups are able to get those easements. This makes the Farm Bureau industry nervous. It was noted that Kim Christy had indicated to Staff he was going to talk with the DNR regarding how this money would be spent. The land has to stay on the tax roles. Mr. Gill stated that hopefully this sends a strong message to DWR that we are willing to work with them.

Chairman Gill handed out a summary of legislation, which had been prepared by Paula Plant. The Board briefly discussed this summary. Director Terry noted that Ms. Plant needed to be thanked for the great job she had done in the Legislature this year. She was up there every day for PTA and called us many, many times on issues relating to trust lands. Ms. Plant noted that the coordinated effort of all working together was very effective. Mel Brown was extremely helpful on many issues.

Director Terry indicated he had explained some legislative issues to the Board in his cover letter to them with this agenda. He said the Senator Evans bill (SB 187) was troubling, and we are not sure who that was aimed at. We are not sure the Governor will sign it. Mr. Brown registered as a lobbyist, and that might have hurt us where others didn't register. This is a real grey area as to where do the "private information" to legislators and the "lobbyist information" differ. The overall results of the session were very positive, but Mr. Terry noted he feels there are individual legislators who hear things from their constituents and others and have some concerns about us.

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3. Chairman's Report (cont'd)

a. Legislative Update (cont'd)

There are some items on their study list that relate to us. This indicates there are some who have concern. Rumor and innuendo also cause concern. We shouldn't run our business on rumors and innuendo. The legislators we talked to on the exchange bill were concerned about the Board and Administration's processes in the exchanges. We do have things to work on in the interim before the next session. We need to work on issues all year.

Chairman Gill stated that historically on a 10-year average this agency has been "redone". We anticipated this would happen this year, and that is why we hired a contract lobbyist. We are going to have to deal with this. He had a number of legislators that said they really didn't like Trust Lands right now. Keele Johnson, Darin Peterson, and Mike Styler all had concerns with Trust Lands. Several others who are concerned are in leadership. Mr. Gill stated it was made very clear to him that the "lobbyist" bill was directed at Mel Brown. It turned out to be a much larger problem than originally intended.

Mr. Gill asked questions about Mr. Terry's letter and the statement regarding legislators having concern about "Board members lobbying" and whether they represent a corporation or the Trust. Mr. Terry stated he did have legislators raise the issue to him that some times there was a question as to who was being represented. He also noted that Senator Bev Evans had told him that her bill was directed at Higher Education. Mr. Morris noted he didn't understand "what the big deal was" with Mr. Brown. He has been very effective in many ways. Ms. Plant indicated that many legislators don't know and understand the mission of the Trust, but are experiencing how trust lands are impacting their personal lives. We need to do some education with these people. However, in the budgeting process, they overwhelmingly supported the budget and our direction, even though they may have issues with us in other areas. Mr. Gill noted that what he had reported regarding the lobbying bill before were "rumors" he had heard. He did talk to Representative Evans, and she said it was directed at Higher Education.

Mr. Bullard stated that Mr. Gill knows the Board is very appreciative of his efforts in the legislature and asked what the Board could do to help him in this area of controversy? Mr. Gill noted that he asked legislators if they would like him to resign from the Board, and they all told him no. Mr. Andrews stated he felt in talking to legislators that there is enormous distrust between Governor Leavitt and rural legislators, and the land exchange bill was a shot at the Governor that hit us. We have much work to do to make sure we meet with the counties to make

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3. Chairman's Report (cont'd)

a. Legislative Update (cont'd)

sure they are in the loop. Ms. Plant stated she does feel we need to do better planning for the next session. We should have been ready for the exchange bill. Director Terry did note that Representative Peterson did say some negative comments in a committee hearing. After the committee meeting, several of our people spoke with him; and he stated they were not true, and he was asked to say those things for another legislator that would not go public with those comments. Ms. Liston noted she feels we did better with the process in the West Desert Exchange that we did in the Monument Exchange. Mr. Gill noted we are still overcoming some of the hurdles we have.

a-1. Floyd Moulton Presentation

Chairman Gill noted that Mr. Floyd Moulton had called him and asked for time on our agenda. He is an exploration geologist. Mr. Moulton gave the Board a handout, including his resume. Frank Turner and Robert Adkins appeared with Mr. Moulton. He showed the Board a map showing wells that were found by wild cat drilling, including Drunkards Wash, the Anschutz well, etc. We are not getting wild cat wells drilled in the State under the present rules. There were 13 wild cat wells drilled last year. In 1992, there were 62 wild cat wells drilled. He stated if the State goes to 16 2/3 percent royalty and doesn't change the policy, he predicts only seven wild cat wells will be drilled in 2002. The test of the new lease program will be the availability of trust lands. Oil companies require solid lease blocks to drill their wild cat wells. In 1980, there was 92 percent of the trust lands that were drilled wild cat. This is because it was over-the-counter leasing. He noted this information has all been given to Congressman Hansen in the last few months. One-half of the oil and gas resources in Utah have been found thus far according to Mr. Moulton's work. He stated that the way they go about getting a solid lease block is to get the trust lands first. After that, they go after the federal land. Oil companies don't lease land where they can't get a solid lease block. The company will always drill on the state lease rather than the federal lease because of all the federal restrictions. He noted that, if companies can't get the state lease because it is not available, the companies won't lease the block in Utah, but will go to another state. He says the state lease under this current program is a liability. It is driving companies to other states. He stated the people here today and others that he works with will be 90 percent of the wild cat drilling people. They have talked to these people very often and know what they think. He noted that under the state program, one-third of the leases are put up for bid every three months. All the leases that are not bid on are not available over the counter. The

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3. Chairman's Report (cont'd)

a-1. Floyd Moulton Presentation (cont'd)

state lease is harder to get than the federal lease. The test of the new leasing program in the future will be the number of wild cat wells drilled. If you don't have wild cats that are replacing the wells that are depleting, the supply will not continue. He recommends that the Board direct the Director that a letter be prepared next Monday to be released by noon that says we are going to open all the trust lands to over the counter and not going to refuse any bid over \$1. The following day, giving the 24-hour notice, he would recommend a second letter be issued announcing all the trust lands are available over the counter at \$1 per acre at 12 ½ percent royalty. This will bring the oil companies to get their solid lease blocks. The State of Utah went to 16 2/3 percent royalty on their leasing program in 1983 and left it there for six years. They had so many complaints from the oil companies that they changed it back in 1990. If it is changed again, it will be counter-productive. The State of Utah is competing with international money for the drilling of wells. The new lease policy had better pull in the wild cat activity or our utility bills will continue to go up. Seventy percent of all the wild cats drilled in Utah are dry.

Mr. Robert Adkins, attorney in Coalville, Utah, stated that what Trust Lands Administration does affects everyone else. If the state lands are not leased, the other lands are not drilled either. Therefore, the counties that receive oil and gas monies for their tax bases would not receive this money. If Trust Lands Administration causes problems that reduces the amount of drilling, it will affect everyone. They feel that suspension of over-the-counter hurt the drilling. He also thinks that Other Business Agreements have the potential for the perception of fraud. If you can't get it over the counter, but can negotiate, it has the appearance that there are things that affect the deal other than the money. He would support Mr. Molton in what he said.

Mr. Frank Turner indicated he worked for Placid Oil Company and directed where they drill. Whenever there was a state lease in the blocks, they always drilled on it. The state was more cooperative, and he liked to see the revenue go to the state. There is no other state that has as much state land distributed as well as Utah has. We have an oil-rich state that is just barely being tapped.

Mr. Mortensen stated it seems these people have two issues: the royalty rate and the process for leasing. He indicated the charts are very interesting, but the price of oil has much to do with the changes. Mr. Morris asked if Mr. Gill and Mr. Faddies concurred with Mr. Molton's statements?

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3. Chairman's Report (cont'd)

a-1. Floyd Moulton Presentation (cont'd)

Mr. Gill stated he would like to do more research on what the market is doing. It is true that you want to take the dollars available and spread them over the state. There is high probability that the wild cat wells won't be successful. Mr. Molton explained that many times other things in the earth will distort the seismic data. Mr. Molton stated that, if he is invited to Washington, D.C., he will take this information and use Utah as an example. He stated that we shouldn't be surprised if the federal government goes totally "over-the-counter".

The Chairman thanked Mr. Molton for his presentation. Mr. Moulton gave Staff a handout that he asked be sent to Governor Leavitt.

b. County Advisory Committee Update

It was noted this County Advisory Committee now consists of Alan Gardner, Washington County; Randy Johnson, Emery County; Robert Steele, Juab County; Royal Norman, Box Elder county; and Cloyd Harrison, Uintah County. Mr. Royal Norman, of Box Elder County, was in attendance. Chairman Gill welcomed Mr. Norman and stated the counties will be players in our business. This committee is created by statute. Director Terry noted he and Mark Walsh, of the Association of Counties, are planning to get together with the members of the County Advisory Committee and work out a process to coordinate counties' comments with the Advisory Council for presentation to the Board. Commissioner Norman noted he has just been assigned to this committee and appreciates being here. Ms. Liston stated Commissioner Norman is a very genuine county commissioner with great integrity and she is glad to see the members of this committee assigned. Chairman Gill noted we have not had a chairman of this committee designated yet, but asked Mr. Norman to see if he could find out who this would be. He noted the Board would like the counties to meet with the Board every quarter.

c. Upcoming Retreat Items

Chairman Gill noted that the things that will the Board will try to accomplish at the Retreat will be:

(1) Look at what we have previously called the SWOT analysis and try to get a view of what is working and what is not. He noted that most of the Board have been contacted by the MBA team from the University of Utah and asked questions regarding the Board and Staff. He felt it was very insightful.

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3. Chairman's Report (cont'd)

c. Upcoming Retreat Items (cont'd)

(2) Look at our vision, mission, and critical success factors to see if they are still valid in light of what we now know. They might be just fine, but might need refining.

(3) Review Five-year plans and see if we are going in the right direction.

(4) Look at whatever business tools, incentives, plans, assignments, etc., are needed so that we can actually start implementing them.

The Chairman, Vice-Chairman, and the Director will meet and put together an agenda. The Retreat will be April 23 and 24, 2001, at The Canyons. He asked that the Board emphasize the "retreat" aspect and come prepared to spend two days here without phones, etc.

d. Audit Response

Mr. Joe Christensen, of the Auditor's Office, supervised this audit and was in attendance at this meeting to answer any questions the Board might have regarding it. All Board members had previously received a copy. It was noted that the adjustments that were necessary to be made put us on an accrual accounting basis. The most important thing is that the format of the audit is different that we usually see. This was discussed previously with the Board before the audit was done, and it is done to show the various funds in the agency. These different funds needed to be shown separately. In the Enterprise fund, it shows all the funds that were able to flow into it. The revenue distributed to the beneficiaries was deducted out and then the amount able to be spent was shown.

In addition, we have included a statement of cash flow that has not been there in prior years. This statement allows us to see the actual cash flowing through the fiscal year. This shows the cash flows from the different types of activities. This is very similar to a private sector cash flow. However, the private sector only has three columns. Mr. Christensen indicated we can't look at one individual statement and tell whether we are doing good or not. You have to look at all the package of statements to see the entire picture. You need to read the financial notes to see the entire picture also. On Page 15 of the audit, they have provided the detailed information that applies to each individual trust fund account. The totals of these columns agree with the total in

3. Chairman's Report (cont'd)

d. Audit Response (cont'd)

the balance sheet. The Auditor's Office opinion states they have audited this document. The information in it is only our relationship to the material that went into the document as a whole. This is an "in relation to" opinion to the combined report.

Chairman Gill noted that we are interested in generally accepted accounting principles applied uniformly over time. Mr. Christensen noted that the opinion in there is the standard "opinion". It is assumed that it is consistent unless otherwise noted. There are some adjustment that have been made because this is the first year we have been on the accrual system. It is our first financial audit as a going business concern.

It was noted we have an ongoing relationship with the Auditor's Office on issues that are a little out of the ordinary. Mr. Terry stated it is probably good for the agency to have these audits fairly often because of the difficult issues we have. Mr. Christensen indicated there were three mineral issues that were found of concern, but they did not even warrant a Management Letter. They included the bonuses (as to when they were recorded) in the letter. They were also concerned about the "agency" fund, which is shown on the balance sheet only. There seems to be some money that was be into this and not moved out in a timely manner. This is our "suspense" account where monies are first distributed when we receive them until we know exactly where the funds should be recorded. Monies that may be refunded at some point are also put into this fund. These issues had all been taken care of by the time the audit was completed.

The next audit will probably be done beginning in July, 2001, and they will be done annually. Ms. Paula Plant noted that there were some legislators that had wanted an annual audit done, and she asked if this had been forwarded to them. Mr. Christensen stated that they sent one to the legislative Fiscal Analyst Office, but not to individual legislators. The Chairman asked that a copy be sent to these legislators. Ms. Plant stated we had also talked about a performance audit. Mr. Christensen's office does not do these. She asked the Board if they had decided to do a performance audit? Chairman Gill noted that one of the issues is how the different people handle the cash. Mr. Christensen said they did actually look at this. Ms. Plant asked about whether the minerals' group would be look into? Mr. Gill noted the Board would think about this further as to how future audits should be done. Mr. Christensen commended the organization's staff and stated they were pleasant to work with and helped the auditors a great deal.

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4. Negotiated Sale to Sportsmen for Fish and Wildlife - Beaver County, Utah

Mr. McBrier briefed the Board on this transaction. In January of 2001, the Trust received a 720-acre parcel in Beaver County from the Federal government. This parcel was part of the West Desert Wilderness Exchange. As the exchange transaction was being prepared, the Trust learned that various wildlife interest groups were concerned about the transaction as they perceive the parcel as being high value winter habitat for deer. After investigation of the matter, the Trust met with representatives of the wildlife community on a number of occasions to discuss possible solutions to their concern. Recently, a tentative agreement was reached which provides for the sale of most of the tract to Sportsmen for Habitat, Inc., and the retention by the Trust of the most useable land for future development. The sale of the Sportsmen for Habitat parcel would be in the form of a private sale and requires Board approval. (Sportsmen for Habitat is the "purchasing" entity of Sportsmen for Fish and Wildlife.)

Transaction Summary: For purposes of this transaction, the parcel has been broken into two tracts based on topography. The smaller tract (Parcel 5, approximately 135 acres) located to the West is being retained by the Trust for future use. The larger tract (Parcels 1-4, approximately 585 acres) is to be sold to the Sportsmen for Habitat pursuant to a Certificate of Sale at a price of \$650 per acre. Sportsmen for Habitat has been advised that the minimum down payment acceptable upon closing is 10 percent of the purchase price. Interest will accrue at prime and any balance owing will be amortized over 20 years. The sale will be by a standard Certificate of Sale and will provide for delivery of the patent upon payment in full of all principle and interest.

Financial Analysis: The Trust has carefully researched values and comparable sales in the greater Beaver region in connection with this proposed transaction. The best comps were prior sales of trust land sections in the region, none of which were as well located as the parcel in question. The analysis identified four reasonably comparable sales that had an average sale price of approximately \$430/acre. It was recognized that these parcels were not as well located or as useable as the parcel in question and accordingly a substantial upward adjustment would be required, with values potentially ranging from \$750 an acre to \$1,000 an acre.

As the discussion with Sportsmen for Habitat, Inc., developed, it was clear that the potential \$1,000 price was a concern; and, after consideration of a variety of alternatives, it was suggested that the Trust not sell the most developable (i.e., the most valuable parcel), thereby reducing the cost of the parcel that would be sold. This approach met the Trust's desire to keep a portion of the property for future development.

4. Negotiated Sale to Sportsmen for Fish and Wildlife - Beaver County, Utah (cont'd)

The piece that the Trust would keep is far and away the most valuable piece. This is due to the fact that it is the closest to access and utilities of the entire tract. We value it at approximately \$2,000-\$2,500 per acre. Further, we recognize that the Beaver residential market is very small and the 135 acres will take a great deal of time to absorb if subdivided into one-two acre lots. This suggests that the remaining property being sold would not go into development for many years (say 20+). Given the value assigned to the front parcel, the value of the piece to the rear was reconsidered and set at \$650 an acre. Based on the information gathered, it is the conclusion of Staff that the \$650 per acre price for the 585 acres is equal to or exceeds fair-market value.

Accounting: It is recommended that this also be accounted at its face value. While the Buyer may pay as little as 10 percent down on this transaction, we are not dealing with a development situation; and there is good reason to believe that the Buyers will follow through on the purchase. This is not unlike surface property sales in which 10 percent down is taken and the full sale is accounted at the outset of the transaction.

Other Issues: The following additional matters are included in this transaction:

- * Sportsmen for Habitat has been advised that the conveyance of the sale parcel will be subject to a reversion in the event that the land is not used for open space/wildlife habitat.
- * The parcel is subject to a grazing lease, which pursuant to the West Desert Land Exchange, the Trust is authorized to terminate. A representative of the Sportsmen for Habitat is contacting the lessee to discuss continuation of the grazing lease.
- * For management purposes, the Trust will lease the land it is retaining to Sportsmen for Habitat so that it can be managed with the balance of the piece until the Trust is ready to do something else with it. The Trust will have a 30-day termination right on the lease.
- * The Trust conducted advertising regarding its intent to sell a portion of the Beaver parcel to Sportsmen for Habitat. It received a few phone calls, including one from a rancher who was interested in acquiring the parcel. The price was discussed, and the rancher concluded that the \$650/acre price was substantially above what he was willing to pay.

The sale to Sportsmen for Habitat is in the nature of a private sale and requires formal Board approval. The Administration would appreciate Board approval.

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4. Negotiated Sale to Sportsmen for Fish and Wildlife - Beaver County, Utah (cont'd)

Mr. McBrier noted he has been on the property, and it appears that it is critical wildlife habitat. The development group was reluctant to just "sell" the property because it was chosen basically for its location in this area. We have very little property in this area. Staff had a variety of discussions on the property with Mr. Peay and sent Staff to gather data on properties near this property. The properties identified as comparables had previously been trust lands. We only used four of the sections as being comparables after reviewing the data and locations. Sportsmen for Habitat felt the \$1,000 per acre was quite high and discussed holding back some of the acreage. Therefore, Staff crafted a "hybrid" deal where we would keep some of the land and sell some of the land. Mr. McBrier reviewed a map of the entire area with the Board and noted the parcel we would keep for later development. There was a discussion of location of values as the trust kept half and we sold other parts. It was decided a fair price for the back piece would be \$650/acre. Staff discussed with Sportsmen for Habitat that we would not be inclined to sell the property if there was not a clear understanding that it had to be used as wildlife habitat. Therefore, the sale would include that it be kept as open space. We would inherit a grazing lease, and Mr. Peay has been working with the grazing permittee to work out a deal that will allow the grazing lease to stay.

Mr. McBrier stated that he was in Beaver last week and received a petition regarding concern of citizens over selling this property. He met with eight of the citizens and found they did not understand the transaction and the fact that Sportsmen for Habitat would maintain the land in its original habitat. They also were concerned that it not be fenced so they can continue to "walk" the property. Sportsmen for Habitat didn't have a concern with these issues. The county commissioners have written a letter to the Trust supporting the transaction.

We are selling approximately 585 acres. It is a 720-acre section. There is one road that goes through it that is a county road, and that road will continue to be used. The transaction will have a reversion clause that will not allow the land to be developed, even if it is sold to another party. Mr. Peay stated private people put up money to buy land to protect the wildlife habitat. They will buy the lands and hold them in private ownership, pay taxes, etc., but will basically hold the property as private property and let people go on it, etc. They may approach the county commission to let them close it during some of the winter months in order to protect the wildlife.

Mr. Creer asked about their financial capability. Mr. Peay stated he gets his money from the contributions of members and is confident they can pay for the land. There will be a conservation easement that will not allow them to develop it. In 20 years they may sell it to Nature Conservancy or some type of land trust organization. Mr. Mortensen asked if "no

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4. Negotiated Sale to Sportsmen for Fish and Wildlife - Beaver County, Utah (cont'd)

development” means to them only “one person development”, etc.? Mr. Peay stated they don't plan to put any buildings on it at all. They do plan to do some improvements of the habitat on the land. Mr. Peay stated they will work with the Bureau of Land Management and others to make the entire land around it better. Ms. Liston asked if it would be a burning. Mr. Peay stated it probably would not be a burn, but would be removing the juniper, etc. Mr. Mortensen asked if this property was pretty close to the town and shouldn't the animals be back up in the mountains further? Mr. Peay stated the wildlife are already there, and the land behind it is really steep. Mr. McBrier stated this is a part of a large bench that is part of an area that is critical for wildlife habitat. John Harja stated he has looked at this land and feels it is in fact critical for this herd.

Ms. Soper stated the Certificate of Sale and the Patent will both have the stipulation regarding the reversion of the property if it is used for other than wildlife habitat. Chairman Gill stated that the buyer cannot grant any more than they have to anyone else and it could not be violated by further transactions. Mr. Peay indicated they will pay property taxes on this property. It was noted these taxes will be less than the PILT payments now being paid on this land. (Mr. Bullard arrived at this point.) Mr. Gill asked if this property would still be open for the hunting permit process or will the organization sell hunting permits on it. Mr. Peay stated their organization will not sell permits because the deer are not on this land during the hunting season. John Harja asked Ric McBrier and Dave Terry if this is in the best interest of the Trust? Mr. McBrier stated he does feel it is. Mr. Terry stated he feels it is, based on Mr. McBrier's information. He doesn't know what the variance is on the selling price. Mr. McBrier has done much research and work on it and feels comfortable with the price. Mr. Morris stated this is a chance for us to get some good PR with what we are doing with this organization and balancing the interests of the trust and other issues. It was noted that this sale should be closed within the next two weeks or so. Mr. Terry noted that we need to look at how the sale is booked based on the risk involved. On negotiated sales we decide on a case-by-case basis.

Creer / Mortensen. Motion approved.

“I move we book this on a cash basis sale and approve the sale as negotiated.”

Roll Call:

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|--|-------------------|
| Bullard - - abstained as he missed much of the discussion. | Liston - - yes |
| Morris - - yes | Creer - - yes |
| Harja - - yes | Mortensen - - yes |
| Gill - - yes | |

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5. Sale of Sand and Gravel Estate - Summit, Iron County

Mr. Faddies reviewed this issue with the Board. On Contract of Sale No. S-358 on March 16, 1939, the State Land Board reserved all coal, oil, and gas, mines, metals, gravel and all other minerals on the following lands:

Township 34 South, Range 10 West, SLM.

Section 26 and 35: Within commencing at a point 2 rods South of the Northwest corner of the Southwest Quarter of the Southeast Quarter of Section 26; thence South 124 1/3 rods; thence East 29 rods and 8 feet; thence North 124 1/3 rods; thence West 29 rods and 8 feet to the point of commencement, containing 22.4 acres, more or less. Iron County; Miners Hospital Fund

The current surface landowners wish to clear title to the sand and gravel portion of the estate by purchase of the sand and gravel rights from the Trust Lands Administration. The offered price is \$15,000. The subject lands were inspected by Mr. Faddies and an estimate of the Net Present Value of the sand and gravel resource was made. The following assumptions apply:

- * A conditional use permit could be obtained from Iron County to operate a pit.
- * It was assumed that quality gravel was actually present. The surface is cultivated land and the nearest exposure of gravel is 3/4 mile to the east.
- * Topsoil cover was estimated at five feet thickness. No value was assigned to the topsoil.
- * The property is a narrow strip of land, and it was assumed a slot cut could be mined with slopes at a ratio of 2:1 and a pit depth of 25 feet. A buffer 30 feet wide was allowed around the pit and an allowance for an existing right of way along the west margin of the property was made.
- * Prices for borrow @ 40 cents and crushed or screened road base @ 65 cents per cubic yard were used to estimate value.
- * Reject rates of 20 percent were used for borrow and 40 percent for screened or crushed product.
- * A discount rate of 15 percent was used.

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5. Sale of Sand and Gravel Estate - Summit, Iron County (cont'd)

- * A mining life of 10 years and a lead time of five years were estimated.
- * It was assumed that the surface landowner would desire a pit on the subject lands. No cost to Trust Lands Administration was allowed for this access.

The most practical scenario for this pit would be for a very small operator who would not be constrained as much by the physical limits of the parcel. Another possibility would be for a one-time sale of the bulk of the material for a project: i.e., highway paving. Trust Land Administration's attempts to market sand and gravel in this area the past two years have not met with success. Reserves in the Cedar City area are large and competition is well established in the sand and gravel market. A net present value of \$21,913 was arrived at for the sand and gravel resource. No impact to other Trust Land Administration's mineral rights is anticipated as a result of this action. The Staff recommends that the Board accept the \$15,000 for the sand and gravel rights to these lands.

Mr. Gill asked if it is the opinion of Mr. Faddies that this is in the best interest of the Trust? He asked Ms. Soper if she agreed with the legal issues of selling this? Ms. Soper indicated she did agree, and Mr. Faddies stated he feels it is in the best interest of the Trust.

Liston / Morris. Unanimously approved.

"I move we approve this sale."

Roll Call:

| | |
|-----------------|-------------------|
| Bullard - - yes | Liston - - yes |
| Morris - - yes | Creer - - yes |
| Harja - - yes | Mortensen - - yes |
| Gill - - yes | |

6. R850-50-400(2) - Modification of Grazing Fee Due Date and Amendment of Grazing Application Permit Process

Mr. Carter introduced Lou Brown to the Board. Mr. Brown is the supervisor of the grazing program. He also introduced Ron Torgersen and Scott Chamberlain, who work in the grazing program. Mr. Carter then explained to the Board the rule proposal.

With the conversion to an accrual accounting system, it seemed appropriate to consider whether to modify leasing/permitting procedures so that income could be received and applied within a single fiscal year. One of our largest billing cycles is the annual grazing permit collection. Currently, grazing permits are almost all on a May 1 - April 30 cycle. This results in the grazing fee being spread over two fiscal years. The only known reason for the existing cycle is the inability to get federal grazing fee information earlier in the calendar year.

The competitive grazing application process is tied to the May 1 - April 30 cycle. Currently, when a grazing permit is at the end of its 15-year term, there is a window from January 2 to March 1 wherein competitive applications are accepted. The Administration is proposing to shift the grazing permit period from the current May 1 - April 30 cycle to a July 1 - June 30 cycle. A corresponding change to the competitive application window is also proposed. Changing the competitive application window will require a modification to existing rules. The specific change is provided below:

R850-50-400. Permit Approval Process.

Applications shall be accepted on lands available for permitting under R850-50-300 or upon termination of an existing permit as follows:

1. On trust lands that are available for grazing, but are not subject to an existing permit, applications may be solicited through advertising or any other method the agency determines is appropriate, including notification of adjacent landowners and other permittees in an allotment.
2. On trust lands subject to an expiring grazing permit, competing applications shall be accepted from ~~January 2 to March 1~~ April 1 to April 30, or the next working day if either of these days is a weekend or holiday of the year in which the permit terminates.
3. If no competing applications are received, the person holding the expiring grazing permit shall have the right to renew the permit by submitting a completed application along with the first year's rent and other applicable fees.

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6. R850-50-400(2) - Modification of Grazing Fee Due Date and Amendment of Grazing Application Permit Process (cont'd)

4. Persons desiring to submit a competing application shall do so on forms acceptable to the agency. Forms may be acquired at the offices listed in R850-6-200(2)(b). Applications shall include payment in the amount of the non-refundable application fee, and the one-time bonus bid. Bids shall be refunded to unsuccessful applicants. Upon establishment of the yearly rental rate, the successful applicant shall be required to submit the first year's rental and other required fees.

5. Applications shall be evaluated by the agency and shall be accepted only if the agency determines that the applicant's grazing activity shall not create unmanageable problems of trespass, range management, or access.

(a) For purposes of this evaluation, adjoining permittees and lessees, adjoining property owners, or adjoining federal permittees shall be considered acceptable as competing applicants unless specific problems are clearly demonstrated.

(b) Applicants not meeting the requirements in (a) above, whose uses would not unreasonably conflict with the uses of other permittees of trust lands in the area, shall nevertheless be accepted if the size of the grazing area, the access to the grazing area, and other factors demonstrate that the applicant is able to utilize the area without adverse impact on the range resources, adjoining lands, or beneficiaries of affected trust lands.

6. An existing permittee shall have a preference right to permit the property provided he agrees to pay an amount equal to the highest competing application.

This proposal has at least two significant consequences:

(1) Changing the due date at this time will essentially defer grazing fee payments beyond this fiscal year, resulting in a one-time earnings diminishment of approximately \$65,000. This figure is derived as follows: The typical annual grazing program income is approximately \$400,000. Using the current accrual system, 1/12th of that amount would be booked in this fiscal year (May and June). The balance would accrue to FY 2002. By deferring the payment to July 1, the entire amount will be booked in FY 2002.

(2) The Administration is proposing to shorten the competitive window from two months to one month. There is no evidence that the length of the window is a factor in encouraging or inhibiting competitive applications.

6. R850-50-400(2) - Modification of Grazing Fee Due Date and Amendment of Grazing Application Permit Process (cont'd)

This proposal was submitted for review by the livestock industry. No written comments were received, but representatives from the Farm Bureau indicated that they had discussed the proposal with their members and had no adverse comments.

Mr. Mortensen asked questions regarding changing the due date and how it would affect the "turn out". It was noted Staff has run this by the Farm Bureau and they didn't have a problem with it. Chairman Gill asked Mr. Brown if, in his professional opinion, will this harm the grazing industry. Mr. Brown stated it will not affect it negatively and may affect it positively because we are shortening the competitive window. Ms. Liston stated she doesn't feel it will affect the "turn out" date. There are many options that cattlemen can follow.

Harja / Liston. Unanimously approved.

"I move we concur with the proposed change in the fee due date and the rule change for the permit approval process to allow a different window for competitive applications."

Roll Call:

| | |
|-----------------|-------------------|
| Bullard - - yes | Liston - - yes |
| Morris - - yes | Creer - - yes |
| Harja - - yes | Mortensen - - yes |
| Gill - - yes | |

7. Setting of FY 2002 Grazing Fee

Mr. Carter gave the Board some information regarding setting the grazing fee based on information that has been furnished in the past. With the action the Board has just taken in changing the due date, we have an opportunity to delay setting the fee and possibly get more information that the Board would require. Mr. Creer stated cattle prices are as high as they have ever been. Ms. Liston noted this is based on the Salina prices. Mr. Carter stated we recently had some of our Staff attend a grazing conference. One of the discussions was on the PARIA formula. The rental floor for the PARIA was set at \$1.35/AUM. Based on the indices in the formula, the federal government will never change its grazing rate based on the PARIA rate.

7. Setting of FY 2002 Grazing Fee (cont'd)

Mr. Mortensen asked if we spent money to develop water, do improvements, etc? Mr. Carter noted we do in some instances, most of which are in regard to fire rehabilitation. We allow the permittee to do this with prior approval from us. We do have some areas that are better grazing lands, but most if it is not very good range. Our AUM rates are established through exchange of use rates with the federal government. There was discussion regarding blocks of our land and could we do better than we are doing on the scattered sections. Mr. Torgersen noted some of the blocks are subleased, and we charge \$1/AUM more for than. The Board had many questions regarding these grazing issues, and it was suggested that this issue should be discussed at the upcoming Board Retreat. Director Terry noted that this will also be further looked at in our block management study.

Ms. Liston stated she would argue adamantly against comparing private grazing and public land grazing, and we are considered public land grazing. Mr. Creer said his company does both. The problem is not in comparing them, but the traditions involved and what a lessee gets out of the lease. He feels we should at least think about the land we do control and how to work with the grazers to increase their return and our return. The Board felt this should be discussed further at the Retreat; i.e., which blocks we could manage as a stand-alone unit separate from the scattered sections. (Chairman Gill turned the Chairmanship over to Mr. Bullard at this point.) There is also an issue of how the number of staff needs to be considered on any changes. Also, fire rehabilitation could be added to the discussion.

The Board agreed they would not take action on this issue at this meeting, but will wait and discuss it further at the Retreat and act on it at the May meeting. Mr. Carter noted we did receive a few competitive bids - - one from a neighboring grazer and two from the Utah Environmental Congress. The permittees have the option to match these bids. It was noted we do not have a prohibition of a non-grazing entity acquiring a permit. (The chairmanship was turned back to Mr. Gill.)

8. Accounting Policy for Land Sales - Policy 2001-01

Ms. Schneider presented the following policy to the Board for consideration on land sales:

Policy Statement No. 2001-01

*Subject: Revenue Accounting
For Installment Sales*

The Board of Trustees of the School and Institutional Trust Lands Administration met in open, public session on January 5, 2001, and by majority vote declares the following to be an official policy of the Board.

Based upon the facts that:

- * The Administration regularly sells real property as part of its normal business activity
- * Such real property purchases are financed by the Administration at a variable interest rate of prime plus 2.5 percent
- * The Administration requires down payments between 10 percent and 50 percent of the sale price
- * The financed portion of the sale price is secured by a first mortgage lien against the real property and described by a certificate of sale issued by the Administration
- * The certificate of sale is a note receivable carried by the Administration as an asset of the respective Permanent Fund
- * The historic rate of foreclosure for rural land sales, financed by the Administration with a 10 percent down payment, is estimated to be less than one percent of all sales

8. Accounting Policy for Land Sales - Policy 2001-01 (cont'd)

- * The Administration incurs no tax liability upon the sale of real property
- * The rate of foreclosure by the Administration at Leigh Hills Phase I (a negotiated development real estate sale) on sales financed with only a 10 percent down payment was greater than 10 percent of such sales.

It is, therefore, the policy of the Board of Trustees to direct the Trust Lands Administration to:

- * Require down payments of at least 25 percent of the sales price for negotiated development real estate sales.
- * On auction sales, the Administration shall report 100 percent of the sales revenue in the fiscal year during which such sale occurs, regardless of the method of financing
- * On other negotiated sales, the Administration will present the proposed accounting structure, based on generally accepted accounting principles, for the transaction at the time the negotiated sale is approved, and the Board and Administration will review any transaction, other than those listed above, on a transaction-by-transaction basis for reporting of the sales revenue.

Ms. Schneider noted this policy is an extension of existing policy that recognizes sales on a full accrual basis with four exceptions. When we look at the development sales, we will be looking at the risk involved. Looking back on some of the sales, we will record them differently based on the risk that has been involved. Staff recommends that the policy be approved.

Mr. Joe Christensen, of the State Auditor's Office, stated the revenue part is like a cash basis, but the deferred part is on the accrual basis. The four criteria have to be such that you are basically sure you will get the money. Mr. McBrier noted that some of the sales are set up where we would get a "balloon" payment and asked if it is possible to change accounting methods on one sale. Mr. Christensen stated it is possible, but is generally not done. He noted there is still an

8. Accounting Policy for Land Sales - Policy 2001-01 (cont'd)

“allowance” for uncollectable sales that are booked all at once. These will be looked at on a case-by-case basis. He stated they agree with the policy as long as the auctioned sales continue to have the successful return we now have.

Bullard / Morris. Motion approved.

“I move we approve this policy as recommended.”

Roll Call:

| | |
|--------------------------|--------------------------|
| Bullard - - yes | Liston - - yes |
| Morris - - yes | Creer - - absent at vote |
| Harja - - absent at vote | Mortensen - - yes |
| Gill - - yes | |

9. Director's Report
a. Financial Report

Ms. Schneider gave the Board a balance sheet for FY 2001 year to date (Jan 31, 2000) and a Net Contribution Report ending January 31, 2000. Chairman Gill asked some questions regarding the revenue/FTE ratio. Ms. Schneider noted some of the numbers on these charts and in the book the Board was recently sent are not totally complete because some of the revenue has not yet come in this fiscal year. Chairman Gill suggested that possibly another column be added that shows when the money is expected to come in, etc.

b. Surface Unit Report

Mr. Carter gave the Board a notification on an amendment to SULA 527. Pursuant to rule, Staff has to give the Board notice when amending a special use lease agreement. This SULA is issued to the University of Utah for a parking lot. The land involved in the lease is University of Utah grant land. The Utah Enabling Act granted land to the University with additional authorization to use the land for University purposes. This 20-year lease will expire at the end of April. The University has requested an amendment to the lease providing for an extension of the term of 51 years. They have also requested that the fee, currently at \$500/year, be eliminated, since they are the beneficiary and the money, minus our administrative costs, simply returns to them. The Staff intends to honor their request. Mr. Carter noted Staff is continuing to work with Wayne County regarding a large legislative exchange in the next year or two. We are still working on the Desert Tortoise Exchange.

9. Director's Report (cont'd)

c. Mineral Unit Report

Mr. Faddies noted he has no unit report this month.

d. Development Unit Report

I. Sale of Two Acres in Dixie Downs Area - Washington County

Mr. McBrier noted this is for information to the Board. The City of St. George has been looking for a fire station location in the Dixie Downs area. We have a four-acre piece in this area in a subdivision that is being developed. We pulled two acres out of this for a fire station. It is about \$70,000 for 1.9 acres. The City Manager of St. George, Gary Esplin, has stated they are prepared to buy it at that price. As soon as it is finalized, we will send the Board the material. It is not an action item, but only an informational item.

II. Discussion of Sale of Fee Interest in Shadowridge - Washington County

Mr. McBrier discussed this issue with the Board. He noted that it is his recommendation that we sell the Trust's fee interest in the Shadowridge development transaction in Hurricane, Utah, to the lender of the project who has foreclosed upon our former lessee. He noted that he and Director Terry have not agreed as to the course to be followed in this instance; and, after their discussion, they agreed that it would be helpful if the Board would look at this situation and give Staff guidance as to its perspective on the matter.

The following is the background of this transaction:

1. July 1991 - - The Trust entered into the Sant Master Lease Agreement for the Gateway project. It includes the 46.87-acre parcel (30.5 acres useable and 16.37 open space), which subsequently became the Shadowridge project.
2. 1994 - - Sant requests the Trust to approve Phae 1 and Phase 2 of the Shadowridge subdivision, to be developed by Sant. The Trust approves, and the plats are processed.

9. Director's Report (cont'd)

d. Development Unit Report (cont'd)

II. Discussion of Sale of Fee Interest in Shadowridge - Washington County

3. 1995 - - Sant subjects his leasehold to a SID (special improvement district) to bring water and sewer to Shadowridge and other lands. The Trust does not subordinate to the SID. The Shadowridge leasehold is assessed \$54,000 at year through 2006. Balance as of 2/2001 is \$270,000, principal outstanding.
4. 1995 - 1996 - - Sant initiates the project as a twin-home subdivision (i.e., two homes attached); constructs four homes. Sant sells only four homes by end of 1996.
5. Spring 1997 - - The Trust determines that the entire Gateway transaction (2,000+ acres) needs to be restructured with a new developer.
6. Spring 1997 - - Sant locates an investor/developer group to take over the Shadowridge project (i.e., Shadowridge LLC); requests Trust approval.
7. May 1997 - - In connection with the restructuring of the Sant lease to prepare for the Suncor transaction, the Trust agrees to terminate the Sant lease on the Shadowridge property and to enter into a new development lease with Shadowridge LLC. New lease is for five years, with a three-year conditional option, expiring May, 2005. Sant releases all interest in the project to the Trust.
8. 1997 - 1998 - - New developer invests to initiate Phase 2 & build spec homes in Phase 1.
9. 1997 - 1998 - - New developer sells 17 lots/homes in Phase 1. Compensation to the Trust is at 20 percent of \$19,000 lot value. Total proceeds to the Trust from 17 lots, four Sant lots previously sold and rents/late fees are \$94,773.
10. March, 1998 - - Developer refinances with Stonefield, Inc., a private lender from Nevada. Proceeds invested (sic) into Phase 2 infrastructure.
11. Summer, 1998 - - New developer fails to pay rent, SID on time. Developer ceases construction of infrastructure for Phase 2 midstream.

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9. Director's Report (cont'd)

d. Development Unit Report (cont'd)

II. Discussion of Sale of Fee Interest in Shadowridge - Washington County

12. Fall, 1998 - - Developer defaults on loan and lease; Lender cures default under lease and commences foreclosure.

13. January, 1999 - - Lender purchases interest in development lease at Trustee's sale. Meet with Trust Lands to discuss cooperation.

14. 1999 - 2000 - - Lender attempts to market the project to local developers and is unsuccessful. The Trust discusses project with approximately 10 different development groups - sends them to lender - but none follow through. Interested parties are bottom feeders and don't like complexity of development lease structure.

15. Summer, 2000 - - Stonefield asks Trust to sell fee position; offers \$300,000 cash.

16. November, 2000 - - Trust counters at \$425,000.

17. January, 2001 - - Phone conversation suggests potential agreement at \$400,000.

Summary of real estate: This parcel consists of 46.87 acres of land located at the northeast corner of Highway 91 and SR 9 in Hurricane, Utah. The parcel is located across the street from the 50-acre commercial site in the Suncor project.

Phase 1 infrastructure is complete; 21 of 50 lots are built upon and sold; 29 lots have no structures and remain in inventory. Phase 2 (56 lots) infrastructure was initiated in 1998 and is incomplete. It now has been deteriorating for two years. Its value, if any, is unclear. Phase 3 (55 lots) and Phase 4 (two 16-unit buildings) remain undeveloped.

Notwithstanding the default, the Trust's position remains the same. The fee is not subordinate to anything, and the lease has an original term which expires in May, 2002. The lease can be extended for three additional years, but the developer is required to have completed 50 percent of the lots and to be actively developing and marketing. This is not currently the case, and it is quite probable that the extension will not be able to be exercised.

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9. Director's Report (cont'd)

d. Development Unit Report (cont'd)

II. Discussion of Sale of Fee Interest in Shadowridge - Washington County

Discussion: There has been internal debate within the agency as to the course that should be followed in this case. The question is simple: is it best to sell out for \$400,000 today or wait and attempt to obtain great returns? The latter strategy - waiting - will develop in one of two ways: (1) the Lender will find a developer to actively work the project, obtaining the three-year extension and pursuing the project through the balance of the term; (2) the Lease will expire in May, 2002, and the Lender's interest will terminate. In this scenario, the land will be unencumbered and could be marketed by the Trust. Set forth below is a speculative analysis of each of these possibilities:

- * Sale: This is straightforward, with the Trust being cashed out at \$400,000 in the next few months.
- * New developer found: This scenario seems unlikely as the Lender has worked hard to try to find a developer and has failed to date. However, if this were to occur and the developer were found in the next six months, Staff would expect that the lender would seek more term so that full development would be possible and Staff suspects that we would cooperate.

A successful development would take nine - 10 years to build out; and, depending on absorption and pricing, the Trust would receive a net present value ranging from \$350,000 to \$550,000. This outcome, in light of the difficulties to date (the competition from nearby Suncor, the difficulty to date in finding a new developer), seems highly improbable.

- * Lease expires in May, 2002. The advisability of this outcome is strictly a function of our perception of potential values (and costs) that can be recovered by the Trust through a subsequent liquidation of the lots (29) in Phase 1 and the useable acreage (24 acres) in Phases 2-4. It is clear that the Shadowridge project is not a highly desirable real estate investment. If the Trust decides to move to cash promptly, liquidation of the lots would be at distressed values. If they were sold at \$10,000 per lot, the gross would be \$290,000 for the lots. The remaining

9. Director's Report (cont'd)

d. Development Unit Report (cont'd)

II. Discussion of Sale of Fee Interest in Shadowridge - Washington County

acreage will also not command high prices. The land is located adjacent to the existing project and is planned to be included in the project. While it is possible the land use could be changed, that scenario will also lead to discounted pricing unless the Trust is to spend the time and energy to develop a new program. For useable land, the price would be good in the \$15,000 per-acre range or \$360,000. This shows a potential of \$650,000 in the aggregate. The NPV of these values are not clear, as timing in achieving the liquidation is speculative, but could be perceived as being in the range of \$550,000.

This scenario also must deal with the implications of the SID. Currently, the SID is being paid by the Lender at the rate of approximately \$55,000 a year. This will continue until March, 2006. It is true that the lease, not the fee, secures the SID, but the Trust should be very concerned with the implications of not paying the SID should the lease terminate. This obligation is potentially \$200,000+ in aggregate (NPV of \$175,000 in 2002) and could either become a cost to the Trust or a drag on the value of the sale of the remaining project.

A final cost in this scenario is the management time that would be involved in working through the details of taking the project back and then marketing the lots and acreage. Staff and consultant time would run in the tens of thousands of dollars.

Accounting: If the fee is sold, it will be a cash sale with all proceeds accounted at closing. If a new developer is found, proceeds will be taken into revenue on a cash basis, as is currently the practice. If the lease expires, there will be no revenue impact on the Trust. As the Trust seeks to initiate new transactions (sales or otherwise), these transactions will be accounted based on their own structure.

9. Director's Report (cont'd)

d. Development Unit Report (cont'd)

II. Discussion of Sale of Fee Interest in Shadowridge - Washington County

Recommendation: It is clear that the situation is not simple and that different attitudes might develop as to how we should proceed. The development group, who inherited this project from Sant and has worked with it over the last five years, believes that the best solution is to take the cash purchase price and be done with the project. Mr. McBrier asked for the Board's consideration of the different approaches and insight as to how the Board believes we should proceed. The property is a development property and therefore is able to be sold through negotiation with Director approval and review with the Board.

Mr. Bullard asked about the infrastructure and could the sewer, etc., be turned off by the City to these properties if the payments to the SID are not made? Staff didn't know the answer to this. Mr. Morris asked if Suncor would be interested in obtaining this? Mr. McBrier stated he has talked with them regarding this, and it appears the only part they would be interested in is the "tail" part of the project that is next to their lands. The Board discussed this at some length. Mr. Terry suggested that possibly we should look at this in the individual phases. Mr. McBrier thinks the lease is an inhibitor to the Lender to selling the lands. We will not subordinate to anyone on this. If we took the property back, we would have a SID payment of \$55,000/yr for four years. There is a potential for a development in the area. Mr. Gill indicated he thinks the absorption rate is going down and developers are decreasing. Mr. Terry explained he feels the developer had a lease to us with due diligence, the Lender knew what they were loaning money on, and he is not sure we should sell this. Possibly, we will be in a better position after the lease expires.

Mr. Bullard stated he feels there is one analysis that is missing; i.e., what happens if the development is finished and what it would take to complete the development. Staff will continue to look at this. Mr. Gill noted that he would like some feedback on what the City of Hurricane would like to see done and how they feel about it. (Mr. Creer left at this point.)

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9. Director's Report (cont'd)

d. Development Unit Report (cont'd)

III. Proposed Spec Building at Ft. Pierce Industrial Site - Washington Co.

Mr. McBrier indicated to the Board that Gilbert Jennings is in the process of putting a spec building up in this industrial park. This will be one of the deals in the LLC. Mr. Terry stated he is concerned somewhat with Mr. Jennings' involvement in the managing partnership and his equity in the land and building. He would like to discuss the entire Ft. Pierce industrial park issue with the Board at some time. Mr. Gill would like to have the entire Board here for such a discussion.. Mr. McBrier would like to involve Mr. Jennings. This will be done at a later meeting.

IV. Presentation by Citizen Group - Grand County

Chairman Gill introduced Ms. Lola McElhaney and Mr. Jeff Flanders from Grand County, who represent a citizens group with concerns in this county.

Ms. McElhaney noted she moved to Moab in 1955, went to Grand County High School, has family in Moab, is a graduate from Westminster College, lives in Moab and does real estate work. She has three sons in construction work. She does not come from an anti-development background. She is in love with her community and the people there. They care passionately about the place where they live. They have become more educated on trust lands in the last few months. There are over 300,000 acres of trust lands in Grand County. Recently, the citizens have been somewhat surprised that the development group is in the area. There are 9,000 acres identified as development potential in the Grand County area. They are here today for basically one reason: to ask for and work on communication and dialogue with their county.

They understand the Trust is the biggest landowner in Grand County and rural Utah. They are at a crossroads in development in their county. This leads to the fact that the communication needs to be better. They are human beings, not blue squares on a map. They are not here to complain, but to ask us to talk to them in the beginning of projects - - let them work with Staff in assessing the lands and what to do with them. That allows them the time to actually try to get help in trying to preserve some of the lands. They also might have ideas for some of the lands and could work with Trust Lands. Ms. McElhaney noted she is also a grandmother and wants her grandchildren to have a great education and receive money from the trust lands. They are not

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9. Director's Report (cont'd)

d. Development Unit Report (cont'd)

IV. Presentation by Citizen Group - Grand County (cont'd)

asking to take less money for our lands. but to work with them in the use of these lands. There are many people who are dedicated to doing the hard work necessary to be a part of this process. They just are asking to be included in the planning at the onset of the process. Most of the lands that are owned by the Trust are in rural Utah. The fact that the Trust is exempt from planning and zoning laws gives them concern. They have tried hard to understand our mandate, and they feel that what they are asking in no way compromises that. They are asking for communication, dialogue, and consideration. They feel better communication would be a benefit to all. She hopes that the Board considers deeply what they have asked.

Mr. Gill noted the Board has a Retreat scheduled in April and felt it important to hear this type of dialogue before this Retreat. We have solved many hurdles, but have many more to solve. The Director noted Ms. McElhaney expressed their concerns very well and thanked them for coming and presenting this. Ms. McElhaney stated that she is the one that asked their council to designate two council members as liaisons to work with Trust Lands. There are two groups - - Pro Maob and Moab Citizens Alliance - - that are working on research and planning in that community. They may have differing opinions, but their hearts are in the right place.

The Chairman noted that there is some dialogue going on that many people in Moab are very unhappy. He noted that, even though legally we are not subject to zoning, we have never used that as leverage in any way because we realize we need the community also. He asked them for input and an assessment of their feelings there.

Mr. Jeff Flanders, of Moab, stated he can tell there is a lot of discussion that happens on this Board. He stated he read in the paper last August that 2,000 acres had been sold to a Canadian company. They wondered how this happened. Communication needs to be better. Some of the ways could be: (1) a letter to the County Council that could be read to the people; (2) the 2000-acre "package" would exclude the people in Moab. so possibly break it down into smaller tracts; anything Trust Lands can provide to the county master plan would be beneficial - - what is available and what can be "left alone". Ms. McElhaney noted that. if you never ask, the answer is always "no". With that in mind. one of the things Moab is wanting to have is a four-year college. If there is any way the Trust could help in that, it would be appreciated. There are many things the community could use and benefit from.

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9. Director's Report (cont'd)

d. Development Unit Report (cont'd)

IV. Presentation by Citizen Group - Grand County (cont'd)

Mr. McBrier noted that the Lemon Lane property was originally considered by Trust Lands for affordable housing. Because of the infrastructure unavailability, the developer backed out. That could have been a very helpful project to the community. Mr. Morris noted he knows there is money available for low-cost housing, but our Staff can't come up with the proposals, but could work with the community on them as they are identified. It appears to him that the Johnson Up On Top is a great development, and Mr. McBrier has been able to get the developer to do things that they had not originally wanted to do. Mr. Mortensen stated he appreciated the citizens' input and observation. We are rather short on Staff and need the help of everyone. He suggested that they come to us with ideas, and we will work with them. We need the people's help also. Ms. McElhaney stated the hard working and dedicated individuals in Moab are willing to work on these issues. Some of the larger parcels do somewhat discriminate against some of the smaller developers. She asked if smaller acreages are considered? Mr. McBrier indicated that smaller developments have been proposed, and the counties and cities need to be careful with incremental development. It was noted that we have had public meetings in Moab in the past and no one came. Ms. McElhaney stated perhaps they have been less than vigilant in their participation in the past, but they want to do better with the communication and they ask Trust Lands Administration to do so also. Mr. Flanders acknowledged the points that have been made and now know that they need to be more pro-active. It was noted that Jerry McNeily and JoAnn Mangelese are the council members designated as liaisons. Ms. McElhaney thanked the board for letting them appear. (Ms. Liston left at this point.)

Mr. Gill asked Commissioner Norman who the Board should deal with on projects, etc., in counties? Commissioner Norman stated the Grand County Council has not been active in the Association of Counties; and, therefore, the Advisory Council really doesn't have much input into this issue with them. Mr. Terry noted that the council liaisons have contacted Mark Walsh and want to become more involved. Mr. Gill asked the Commissioner what the notification should be in order to get the most people notified. It was noted that many of the developments are compromised if they are discussed in public too early. It is also easy to get involved with developers who are undercapitalized. Commissioner Norman stated he feels you have to notify the permitting agency. They do the master plans, etc. Mr. Bullard stated he feels every school board member should have in their job description that they need to take a map to the counties, etc., and tell them where the trust lands are and that some day they might be sold or developed.

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9. Director's Report (cont'd)

Other:

Mr. Gill noted that, when he was interviewed by the MBA students, he asked them who the client was and was told that the Administration was the client. Mr. Gill thought the Board was the client. Director Terry stated they can be if they want to be. He thought the Board asked Staff to contact the MBA students for the SWOT analysis. It was decided when they make their draft presentation, Mr. Gill and Mr. Bullard will be invited. Mr. Gill noted that in the private sector, he has to have a physical exam every two years, submit his tax return, and other things. He is wondering if we should expand into that. Mr. Terry noted that this group probably could not deal with that, but it could be discussed further at the Retreat.

Mr. Mortensen made the motion to adjourn.

Adjourned at 2:55 p.m.