

John Y. Ferry, Chairman  
Kevin S. Carter, Director

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

DATE: NOVEMBER 12, 2009

PLACE: SALT LAKE CITY, UTAH

ATTENDING:

BOARD

John Y. Ferry  
John Scales  
Michael Brown  
Dan Lofgren  
Steve Ostler  
Amanda Smith

STAFF

Kevin S. Carter  
Doug Buchi  
Lisa Schneider  
Ron Carlson  
Tom Faddies  
Stephanie Barber-Renteria  
Michelle McConkie  
Elise Erler  
LaVonne Garrison  
Eric Baim  
Rodger Mitchell  
Kay Burton  
Kim Christy  
John Andrews  
NormaLee McMichael  
Lynda Belnap

OTHERS IN ATTENDANCE:

Karen Rupp, State Office of Education  
Paula Plant, State Office of Education  
Laurel Brown, State Board of Education  
Tim Donaldson, State Office of Education  
Ivan Djambov  
Sue Carey, Utah PTA  
Heidi Valdez  
Jennifer Going, Highland Park PTA

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C. Acquisition Opportunity to Acquire SunCor's Equity Interest in Coral Canyon Town Center Buildings I & II	

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

1. Welcome and Swearing in of New Board Member

Chairman Ferry welcomed Mr. David Ure to the Board. He administered the oath of office to Mr. Ure.

2. Approval of Minutes

The Board approved the Board minutes of October 15, 2009.

Brown / Scales. Unanimously approved.

“I move that we approve the Board minutes of October 15, 2009.”

Roll Call:

Mr. Scales - - yes	Mr. Brown - - yes
Mr. Lofgren - - yes	Mr. Ostler - - yes
Mr. Ure - - yes	Ms. Smith - - yes
Mr. Ferry - - yes	

3. Confirmation of Upcoming Meeting Dates

The Board, without motion, confirmed the following upcoming meeting dates:

December - - No meeting  
January 7 - - Salt Lake City  
February - - No meeting  
March 11 - - Salt Lake City

It was noted there will be an Audit Committee meeting on December 15, 2009.

4. Chairman's Report

a. Election of Vice-Chairman

Chairman Ferry noted with regret that Vice-Chairman Scales has resigned from the Board effective November 15, 2009, as he is moving out of state. Therefore, it is necessary to elect a new Vice-Chairman.

Lofgren / Ostler. Unanimously approved.

“I nominate Mr. Mike Brown as Vice-Chairman.”

There were no other nominations, so the rules were suspended and Mr. Brown was put in by acclamation.

Roll Call:

Mr. Scales - - yes	Mr. Brown - - yes
Mr. Lofgren - - yes	Mr. Ostler - - yes
Mr. Ure - - yes	Ms. Smith - - yes
Mr. Ferry - - yes	

b. Presentation to Mr. John Scales

Chairman Ferry noted that Mr. Scales has been a member of the Board since 2006 and served as Vice-Chairman for the last year and a half. He expressed the Board and Staff's appreciation for Mr. Scale's vision to the Trust through his leadership and his planning efforts and setting of Board objectives.

Ms. Bird expressed appreciation on behalf of the beneficiaries for Mr. Scale's service to the Trust. They are grateful for his service. The schoolchildren in the State are better off because of his efforts.

Chairman Ferry, Director Carter, and Ms. Bird presented Mr. Scales with some gifts in recognition of his service. Mr. Scales stated he appreciates the kind words and being able to serve on this Board. Chairman Ferry also thanked Mr. Scale's wife Rosemary for sharing him with the Board over the last few years.

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4. Chairman's Report (cont'd)

c. Beneficiary Report

Chairman Ferry welcomed Ms. Laurel Brown, a member of the Utah Board of Education.

Ms. Bird reported that a few months ago she and Ms. Garrison met with the National Energy Foundation regarding funding an educational program for the schools to educate the schoolchildren on energy issues. Ms. Garrison had money put in the budget this year to help with this program. The proposal would fund 145 teachers every year. Ms. Bird doesn't think this is enough. She and her staff have looked at the schools' curriculum to see where it could be inserted. They have looked at training teachers through the Core Academy Training that the schools already do. Between four and five thousand teachers can be adequately trained through this forum. Our Staff, Ms. Bird, and other education Staff will continue to meet on this project. Ms. Bird noted all of this is a result of Ms. Garrison's persistence in trying to educate the schoolchildren on energy issues.

d. Chairman's Update on Issues

The Chairman had some issues that needed to be discussed in closed session.

Scales / Brown. Unanimously approved.

"I move that we go into closed session for the discussion of personnel issues and potential litigation."

Roll Call:

Mr. Scales - - yes	Mr. Brown - - yes
Mr. Lofgren - - yes	Mr. Ostler - - yes
Mr. Ure - - yes	Ms. Smith - - yes
Mr. Ferry - - yes	

The Board went into closed session at 9:57 a.m. Those in attendance were Board members, Director Carter, Lisa Schneider, and Margaret Bird. Director Carter and Ms. Schneider left closed session at 11:03 a.m. The Board returned to open session at 11:19 a.m.

4. Chairman's Report (cont'd)

d. Chairman's Update on Issues (cont'd)

Brown / Ostler. Unanimously approved.

"I move we return to open session."

Roll Call:

Mr. Scales - - yes	Mr. Brown - - yes
Mr. Lofgren - - yes	Mr. Ostler - - yes
Mr. Ure - - yes	Ms. Smith - - yes
Mr. Ferry - - yes	

5. Director's Report

a. Director's Update on Issues

Director Carter gave the Board an update on some of the current issues and meetings that have occurred recently through a power point presentation summarized as follows:

- \* Recent Meetings:
  - \* Governor's Office
  - \* State Board of Education
  - \* Utah Association of Counties
  
- \* Legislation
  - \* Utah Generated Renewable Energy Electricity Network Authority
  - \* Land Exchange Distribution Account
  
- \* Real Estate Advisory Committee
  - \* Five-year Strategic Plan - - Planning & Development
    - \* II. Strategy (Page 6-3)
      - \* Recommendation: Create an internal Real Estate Advisory and Investment Committee

5. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

- \* FY 2010 Objectives: Planning & Development Group
  - \* Objective #7 - - Create Real Estate Advisory and Investment Committee to review major and minor real estate transactions before submitting to full Board for final approval.
  
- \* Extra-curricular Activities
  - \* Constitutional Defense Council
  - \* Utah Conservation Commission
  - \* Board of the Utah Geological Survey
  - \* Governor's Cabinet Council
  - \* Resource Development Coordination Council
  - \* Southern Utah Planning Authorities Council
  - \* Canyon Country Partnership
  - \* Urban Land Institute - Affordable Workforce Housing Council
  - \* Western States Land Commissioners Association - Past President

Regarding the Real Estate Advisory and Investment Committee, Chairman Ferry appointed the following members to be on the committee: Dan Lofgren, Chairman; Steve Ostler; a member of the Planning & Development Group; and a representative from the beneficiaries. Staff will get in touch with Mr. Lofgren to get this committee operating.

b. Land Exchange and Exchange Implementation Update

Mr. Andrews stated we have been working with the Bureau of Land Management (BLM) to get the implementation of the exchange going. The most concerning issue is that BLM is asking for guidance on is whether they are required to do a full environmental impact statement for wildlife species, etc., which would hold the exchange up for years. We have provided some very detailed legal analysis to the Solicitor's Office regarding this issue in that we think the exchange can move forward at this point without the level of multiple studies the BLM is worried about doing. They received that commitment from the Regional Solicitor's Office last week.

We are now building a team of advisors for our side. The big issue will be the appraisal issue and how to appraise the diverse properties. There will be 45,000 acres of trust land go to BLM and 36,000 acres will come to the Trust from BLM. There are oil and gas lands and

5. Director's Report (cont'd)

b. Land Exchange and Exchange Implementation Update (cont'd)

development lands, unique natural features, etc., all of which will require appraisals. We have been working with someone to look at how to procure these services and what they should be. He thinks the total appraisal cost (our half) will be in the range of \$250,000. Our consultant fees will be in the \$50,000 - \$100,000 range. The legislation may require us to pay some survey costs. We may have some dispute resolution costs also.

Mr. Brown asked if BLM is in agreement regarding the environmental assessment. Mr. Andrews stated they are on board largely. Mr. Brown asked if there is risk of a third party coming in and suing over this? Mr. Andrews stated there is some risk, but probably not much because the environmental groups were on board with this exchange. He believes our legal position on the exchange is good.

Ms. Bird noted that the Utah Supreme Court states we have to get independent appraisals as trustees. We now have the situation where we have to have appraisals. Are we hiring someone that will be an independent appraiser to look at appraisals from our standpoint? Mr. Andrews stated the legislation states that BLM and Trust Lands have to jointly choose an independent appraiser. However, that appraisal has to be reviewed by an independent appraiser on both sides. Mr. Scales asked if Ms. Bird and Mr. Donaldson are comfortable with that? They stated they are. Mr. Donaldson stated there is an arbitration issue that could become troubling to him. Ms. Bird asked what time frame we are looking at? Mr. Andrews stated he thinks appraisals could be finished by late summer next year.

Mr. Andrews noted we are maintaining an intra-net with exchange documents on it. If anyone from the Board would like to have access, let Mr. Andrews know; and he will set them up.

Mr. Andrews briefed the Board on some other exchanges, including the following:

- \* St. George administrative exchange with a total combined value of \$25 million. We are acquiring a 400-acre property close to the St. George airport. We are getting ready to close. We are giving up desert tortoise and some plant habitat.

5. Director's Report (cont'd)

c. Development Group Report

I. Briefing on Sale of Coral Canyon Properties

A. Sale of Home Building Assets and Consent Agreement  
Transferring Development Lease Rights From SunCor to Shea  
Homes

B. Acquisition Opportunity to Acquire SunCor's Equity Interest  
In Coral Canyon Golf Course

C. Acquisition Opportunity to Acquire SunCor's Equity Interest in  
Coral Canyon Town Center Buildings I & II

Mr. Buchi briefed the Board on these items. He noted last month the Board took a tour of the St. George properties. One of the major things at that time was the pending sale of the Coral Canyon master-planned community, with the proposed buyer as Shea Homes. He briefed the Board on the time schedules, etc., of the transactions. He reviewed this through a power-point presentation summarized as follows:

- \* Engaged Barclay's of New York to aggressively market the property assets
  - \* More than 100 initial respondents
  - \* Narrowed down to 10 qualified players
  - \* Shea Homes emerged as preferred buyer (October 9, 2009, letter)
- \* Shea is under contract and on schedule to close by December 31, 2009
- \* Transaction Structure for TLA is through Assignment and Consent (John Andrews is working to modify language acceptable to TLA).
- \* Agreements
  - \* Sale of Homebuilding Assets / Consent to Assignment and Estoppel Certification on Coral Canyon - Development Lease #610 (October 30, 2009, Letter)
  - \* First Rights of Refusal (FRR) for TLA to acquire the equity interest in certain assets related to the Sale of Homebuilding and Related Assets

5. Director's Report (cont'd)

c. Development Group Report (cont'd)

I. Briefing on Sale of Coral Canyon Properties (cont'd)

A. Sale of Home Building Assets and Consent Agreement  
Transferring Development Lease Rights From SunCor to Shea  
Homes (cont'd)

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B. Acquisition Opportunity to Acquire SunCor's Equity Interest  
In Coral Canyon Golf Course (cont'd)

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C. Acquisition Opportunity to Acquire SunCor's Equity Interest in  
Coral Canyon Town Center Buildings I & II (cont'd)

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\* Equity Interest in golf course assets and Ground lease #631 (October 27, 2009) TLA has 30 days to exercise its FRR - -  
\$3,500,000 offer from Vanguard Golf Management;  
\$2,300,000 back-up offer from Shea Homes

\* Equity interest in two commercial office buildings  
\* Town Center I - - \$175,000 for 25 percent interest  
\* Town Center II - - \$600,000 for 50 percent interest

\* Sale of Homebuilding Assets/ Consent to Assignment and Estoppels Certificate on Coral Canyon - - Development Lease #610 does not require Board approval

\* First Rights of Refusal (FRR) for TLA to acquire the equity interest in golf course and two commercial office buildings does require Board approval.

\* Staff Recommendation:

\* TLA has no interest in the golf course

5. Director's Report (cont'd)

c. Development Group Report (cont'd)

I. Briefing on Sale of Coral Canyon Properties (cont'd)

A. Sale of Home Building Assets and Consent Agreement  
Transferring Development Lease Rights From SunCor to Shea  
Homes (cont'd)

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B. Acquisition Opportunity to Acquire SunCor's Equity Interest  
In Coral Canyon Golf Course (cont'd)

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C. Acquisition Opportunity to Acquire SunCor's Equity Interest in  
Coral Canyon Town Center Buildings I & II (cont'd)

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\* Because of the favorable pricing for the equity interests in the office buildings, TLA should seriously consider this opportunity. Following completion of all due diligence on the two buildings and, in the event Staff favorably recommends moving forward with acquiring the equity interest, a special Board meeting would be necessary between now and December 27, 2009, to obtain approval (could be done via teleconference).

Mr. Lofgren noted that, even though we don't want to operate the golf course, our interest in the rest of the property is affected by what happens on the golf course. Mr Buchi stated the lease still has clauses in it that would allow SunCor to still be a guarantor on the golf course. We will need to look at where we can get the money to buy this part of the building interest if we decide to do it. Mr. Buchi feels this is a good deal on the buildings. Director Carter stated he thinks this is a great opportunity for the Real Estate Advisory Committee to look at.

Mr. Lofgren stated his firm has had prior business dealings with Shea Homes, but does not have any dealings with them now. He doesn't feel this is now a conflict on his dealing with us now on this.

Mr. Andrews noted that these are on Miners' Hospital properties. This gives them more opportunity to re-invest funds and will have to be arranged through the Miners' Hospital at the University of Utah.

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5. Director's Report (cont'd)

c. Development Group Report (cont'd)

I. Briefing on Sale of Coral Canyon Properties (cont'd)

A. Sale of Home Building Assets and Consent Agreement  
Transferring Development Lease Rights From SunCor to Shea  
Homes (cont'd)

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B. Acquisition Opportunity to Acquire SunCor's Equity Interest  
In Coral Canyon Golf Course (cont'd)

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C. Acquisition Opportunity to Acquire SunCor's Equity Interest in  
Coral Canyon Town Center Buildings I & II (cont'd)

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Mr. Rodger Mitchell reviewed the equity position on each of the buildings with the Board. Coral Canyon Building I - - Staff doesn't have a recommendation yet, but will do more study on it and get back to the Board with further information. Mr. Scales asked if we have had an independent appraisal on the building? Mr. Mitchell stated we have not. We do want Shea as a partner. We have discussed Shea managing these building for us if we decide to buy them.

We will need to have a Board meeting before December 27, 2009. Staff will bring a recommendation to the Board about the first week in December. The Real Estate Advisory committee will meet on this before that time.

Upon motion by Mr. Lofgren, the Board adjourned at 12:17 p.m.