

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

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

DATE: JUNE 10, 2010

PLACE: SALT LAKE CITY, UTAH

ATTENDING: BOARD

John Y. Ferry
Mike Brown
Dave Lambert
Mike Mower (By telephone)

STAFF

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

OTHERS IN ATTENDANCE:

Tim Donaldson, Utah State Office of Education
Margaret Bird, State Office of Education, University of Utah, Utah State University
Paula Plant, State Office of Education
Karen Rupp, State Office of Education
Steven H. Peterson, USBA/USSA
David Wolfgramm, Ivory Homes
Darrin Haskell, Ivory Homes

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Chairman Ferry welcomed Board members, Staff, and guests to the Board meeting. He noted that Mr. Lofgren, Mr. Ostler, and Mr. Ure are excused today. Mr. Mower is attending by telephone.

1. Presentation of National Highway Award

Director Carter introduced Mr. James Christian of the Federal Highway Administration. Mr. Christian noted that every year they go nation-wide looking for projects that have exemplary human initiative, as well as exemplary environmental initiative. Last year there were three projects across the nation that won those awards. The Southern Parkway Corridor was one of those awards. Mr. Christian read from the award exactly what the project included: "In recognition of outstanding commitment to environmental stewardship for their analysis, planning, and implementation of sustainable development strategies within the Southern Corridor highway plan and the South Block master plan in St. George, Utah. These plans provide nature preserves that protect critical habitats for wildlife and rare plants."

Through the coordinated efforts of Trust Lands Administration, St. George City, the Utah Department of Transportation, The Nature Conservancy, the US Environmental Protection Agency, the Bureau of Land Management, and the US Fish and Wildlife Service, this was a very successful project in protecting the corridor there, as well as the environment and also was a great coordinated effort.

Mr. Christian stated he was pleased to award the agency this award for its participation in this project. The Board thanked Mr. Christian for coming to present this award.

2. Approval of Minutes

The Board approved the Board minutes of May 13, 2010.

Brown / Lambert. Unanimously approved.

"I move we approve the Board minutes of May 13, 2010."

Roll Call:

Brown - - yes
Mower - - yes

Lambert - - yes
Ferry - - yes

3. Confirmation of Upcoming Meeting Dates

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

July - - no meeting
August 5 - - Salt Lake City
September 9 - - Salt Lake City
October 13, 14 - - St. George
November 18 - - Salt Lake City
December - - no meeting

4. Initial Consideration of Petition for Appeal of Final Agency Action - - Dry Canyon Homes, LLC - - Villas at Sienna Hills

Director Carter noted that we received a petition challenging an action we had taken on a contract with Dry Canyon Homes, LLC. Ms. Michelle McConkie explained the agency's position. The Trust Lands Administration and Dry Canyon Homes have been working on a settlement agreement. It is not complete at this time, however. She would ask the Board to decline this petition as it is a contract dispute. This matter includes some perimeter walls in this project. There are also some drainage issues that the agency is concerned about. The agency maintains that they are illegally done and sent a letter to Dry Canyon Homes to that effect.

Ms. McConkie noted that the agency feels this is a fact-intensive contract dispute issue. We are asking that the Board decline to exercise jurisdiction and let it be heard in District Court. If the Board doesn't decline to hear it, Staff asks that it be heard before September 9 when the lease of the ground expires.

Brown / Lambert. Unanimously approved.

"I move we go into closed session for the purpose of discussing legal issues."

Roll Call:

Brown - - yes Lambert - - yes
Mower - - yes Ferry - - yes

The Board went into closed session at 9:25 a.m. Those in attendance were Board members and John Andrews. The Board returned to open session at 9:30 a.m.

4. Initial Consideration of Petition for Appeal of Final Agency Action - - Dry Canyon Homes, LLC - - Villas at Sienna Hills (contd)

Brown / Lambert. Unanimously approved.

“I move that the Board not exercise its jurisdiction for adjudication in this case.”

Roll Call:

Brown - - yes Lambert - - yes
Mower - - yes Ferry - - yes

Chairman Ferry asked that John Andrews prepare an Order and circulate to the petitioner.

5. Chairman’s Report

a. Beneficiary Report

Ms. Bird introduced Mr. Steven Peterson from the Utah Superintendents’ Association. They appreciate his support of the Trust.

Ms. Bird discussed water issues with the Board and requested that possibly the Board discuss water further at an upcoming meeting.

Utah is the second driest state in the nation. Our mountains receive about 50 inches of water per year, but the average in Utah is 13 inches. She discussed water sheds, the state water agencies, etc. She noted she always thought that the Division of Water Rights was the ultimate authority on water rights in Utah. Actually, the water rights recorded by the county recorder are considered the actual water rights record. In theory, nothing should be recorded at Water Rights that is not already recorded in the county recorder’s office.

With 3.4 million acres of trust lands, water is extremely important to us. She reviewed all the Division of Water Rights’ records to see how many water rights we have. She found many, many water rights that we have in the name of the agency. We have a total of 9,108 acre feet of water. We have 23.5 cu.ft/sec of water. All the 23.5 cu. ft. were acquired before the creation of the agency. When she went to the 9,108 acre feet of water, she found that 100 percent of this was acquired since we have become an agency. She thanked Rick Wilcox for his efforts in this water acquisition. We are starting to get very focused on water, but probably need to get more focused on water over the next few years.

5. Chairman's Report (cont'd)

a. Beneficiary Report (cont'd)

Director Carter stated that many of our state counter parts have had challenges to their grazing program because they have chosen not to allow conservation groups to participate in their grazing program. We do allow them to participate, but we give the current grazing permittee some advantages in keeping the permit. One of these advantages is the use of the water right. This helps maintain the water rights and the tenure of the grazing permit.

Chairman Ferry asked Mr. Wilcox to tell them how we protect these water rights. Mr. Wilcox stated we check to make sure the water rights are being used, have an engineer check them, and keep them in effect. There are very few that are not being put to beneficial use.

b. Report of the Audit Committee

Chairman Ferry noted that the audit committee did not meet, but will meet in August. Therefore, there is no report at this time.

6. Director's Report

a. Director's Update on Issues

I. Status Report on FY 10 Objectives

Director Carter reviewed the FY 10 objectives with the Board and showed them the format that will be used next month when Staff reports on completion of objectives. There are several that we don't believe we will be able to get done by the end of the fiscal year. There were 78 pages of objectives, but more than one objective on some pages. We have been working on many things this year.

- * Items not likely to be completed are:
 - * Five editorial Board visits
 - * Visit 15 counties and present TLA 101
 - * Community council visits
 - * Cultural Resource rule rewrite
 - * Parowan Exchange
 - * Statewide forest resource assessment
 - * SULA marketing plan
 - * Evaluate more active participation in oil and gas

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6. Director's Report (cont'd)

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

I. Status Report on FY 10 Objectives (cont'd)

- * Reserve report
- * Mini block plans
- * Four marketing/feasibility studies
- * Evaluate models for escalation and diligence
- * New Trust Lands video
- * Block signing program
- * Business System refresher courses

Chairman Ferry stated he feels we should continue to do the editorial board visits because it does help us. Director Carter noted that it makes sense to visit the counties after the elections. Regarding the cultural resource rule rewrite, there are some legal issues that we need to review further so that it will probably be sometime in early Fall before we have a proposed rule.

The group objective committee meetings met or are scheduled as follows:

Oil and Gas – met June 2
Mineral - - met June 2
Development - - not scheduled yet
Surface - - met June 4
Audit - - not scheduled yet
Finance - - meeting later in June
PR - - not yet scheduled
Legal - - not yet scheduled

We will keep working on these Board committee meetings. We have a meeting scheduled with Speaker Clark on June 23 and hope to meet also with President Waddoups. Chairman Ferry noted he met last month with the Board of Education. Director Carter stated Staff took some members of the Board of Education and Staff of the Office of Education and some of the beneficiaries to Washington County recently to look at what we are doing there.

6. Director's Report (cont'd)

b. Associate Director's Report

I. County Land Bill Update

Mr. Andrews gave an update on the county land bill process. A combination of legal issues, politics, and Senator Bennett's defeat have thrown the possibility of there being any county land bill this year in doubt. Efforts are ongoing in three county areas: Beaver/Piute, Emery, and San Juan.

Mr. Andrews noted that Senator Hatch's staff is leading the effort in Beaver and Piute Counties. In Beaver county, the citizenry thought that their county commissioners had gotten ahead of themselves with the environmental community; and they are not moving forward as fast now. There is some discussion that Piute County might act to move ahead with some proposal. There might be a mini-county bill there. We do have some ideas of some small-scale exchange. In San Juan County, there are still discussions going on about some proposed legislation. We are somewhat doubtful that this will make much progress this year.

We have communicated with Senator Bennett's Staff the Board's policy on county land bills. Every county's public lands' group is moving forward with working on wilderness boundaries, etc. We are in a wait-and-see mode on these bills.

We have talked with the delegation regarding a non-county land bill on an overall basis. Counties in the southwest part of the state do not have consensus on wilderness, but we are talking to them about doing a land exchange that will upgrade our land position.

Director Carter noted he was in Washington, D.C., earlier this week and visited with the delegation members and staff. There is interest with Senator Hatch's office in pursuing a Piute County exchange that would involve only one section of trust land. He noted that our meeting with Congressman Bishop's office, as a result of the policy the Board adopted on county land bills, gave him an opportunity to wade into this issue and is protecting TLA's interest on these issues. Congressman Bishop has not had much input in the process because of his district, etc. Director Carter also visited with Senator Bennett and asked about doing an off-county land bill proposal, and he said that it would not happen. He is hoping to at least set the stage for his successor in San Juan County if he is not successful in getting it completed before he leaves office. He had met with Mr. Bridgewater the day before. We don't know where he will be on these county land bills.

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6. Director's Report (cont'd)

c. Surface Director's Report

I. Concurrence in Changes to R850-110 - - Off-Highway Vehicle Designations

Kim Christy and Chris Fausett reviewed the proposed rule changes with the Board and explained the process of how we have come to receive \$1.50 per registration for OHV's. The Board discussed this briefly. Mr. Brown asked why we are actually concerned about "safe" operation and not just concerned about the way they leave our land? He thinks that the notation of "safe space" may indicate we have a responsibility, and we do not. Staff will look at this further.

Mr. Brown asked if we make any consideration for handicapped people to retrieve their game on an OHV? If we don't allow this, it may be in contradiction with some other laws. Staff will check into this and look at it more closely. Director Carter stated he has a concern that, once someone goes off the road with a vehicle, there is a road; and other people will continue to go off. Mr. Brown stated he likes the prohibition in the rule, but would just like someone to look at the handicapped issue.

Staff will make some corrections to this rule and bring it back to the Board in August for concurrence.

d. Development Director's Report

I. Water Update for Eagle Mountain

Ms. Erler reviewed this with the Board through a power-point presentation:

- * Eagle Mountain Mid-Valley Parcel Water Holdings
 - * 1,750 AF total in Trust's control
 - * 1,000 AF contract with Eagle Mountain City
 - * 2009 contract for CWP water
 - * 750 AF banked with Eagle Mountain City
 - * 500 AF - water rights bought in 2000
 - * 250 AF - water rights bought in 2009

6. Director's Report (cont'd)

d. Development Director's Report (cont'd)

I. Water update for Eagle Mountain (cont'd)

* Takedown Schedule - Acre Feet

	<u>FY2011- FY2015</u>	<u>FY2016- FY2020</u>	<u>FY2020- FY2024</u>	<u>FY2025 & after</u>	TOTAL
Mid-Valley require.	55	610	910	1225	2800
less Trust's water	(55)	(610)	(910)	(175)	1750
Remaining Need:				1050	1050

* Water Availability

- * City requires developers to provide water rights
- * Limited water rights in Cedar Valley
- * City contracted for 14,000 AF from CWP
 - * Procedure for development sign-up
 - * Will publish in summer 2010

* Water Strategy

- * Acquire additional water IF costs are reasonable
 - * CWP water
 - * Water rights
- * Work with Eagle Mountain City to reduce water needs
 - * Residential/landscape
 - * Water duties

Ms. Erler stated that her recommendation is that we wait to purchase more water until there is a better discount rate.

6. Director's Report (cont'd)

d. Development Director's Report (cont'd)

II. Status Report on SunCor

Mr. Buchi reviewed the Coral Canyon transaction with the Board as follows:

- * Closing:
 - * May 20, 2010
 - * Recorded - May 21, 2010
- * Post Closing:
 - * Washington City (WC) Council Development Agreement approval - - June 9, 2010
 - * Equivalent Value Agreement in lieu of Taxes with Washington County - in process. To be completed by November 30, 2010
 - * Beneficiary Transaction allocation

SITLA assumes role of master developer:

- * High-altitude strategy
 - * Residential - undeveloped parcels 3, 4, 5, 6, 7, 8, & 9
 - * Third-party residential partner (Develop lots, build homes, or both)
 - * Duane Black & Consortium of former SunCor people
 - * Shea Homes
 - * Pulte Homes
 - * Perry Homes
 - * Residential - 172 finished lots
 - * Recruit stable of quality builders (RFP process and face interviews)
 - * Participating building master agreement
 - * Participating builder multiple lot purchase agreement
 - * Local & regional home builders
 - * Ivory Homes
 - * Ence Homes
 - * S & S Homes
 - * Bangerter Homes
 - * SunRiver
 - * Mike Gardner & Rick Bussberg

6. Director's Report (cont'd)

d. Development Director's Report (cont'd)

II. Status Report on SunCor (cont'd)

- * Commitment and hold to Coral Canyon vision
- * Price Point product diversification
- * Architectural and design compatibility
- * Marketing and sales - individual builder responsibility
 - * Sales office
 - * Real estate agency representation
 - * Advertising
 - * Lease project billboards to home builders
- * Architectural and Design Committee approval
 - * None required for SunCor-approved house plans
 - * Required for custom homes and non-SunCor-approved plans

Commercial properties:

- * Design conceptual land-use plan for remaining commercial
 - * Retail
 - * Office
 - * Mixed-use
- * Engage national/regional commercial developers
- * Work with UDOT to upgrade SR-9/I-15 Interchange
- * Sell and/or ground lease smaller pads to end users
 - * Food
 - * Hospitality
 - * Entertainment
 - * Other

Homeowners' Association:

- * Evaluate performance of current HOA manager and management company
 - * Conduct resident satisfaction survey
 - * Review and respond to resident concerns
- * Meet with other HOA management companies

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6. Director's Report (cont'd)

d. Development Director's Report (cont'd)

II. Status Report on SunCor (cont'd)

- * Reconstitute board members & advisory resident members
 - * Declarant appoints
 - * Brent Bluth
 - * Kyle Pasley
 - * Doug Buchi
 - * Advisory Resident Members (non-voting)

Project Management:

- * In-house resource to oversee project maintenance and landscaping
- * Possible hiring of Mike Gardner to oversee all home building and other development projects

Chairman Ferry congratulated Mr. Buchi and Mr. Andrews for putting this deal together in record time and protecting what we own.

III. Ivory Southern Transaction Update

Mr. Buchi reviewed the Ivory Southern Transaction through a power point as follows:

- * Annual Meeting - - March 9, 2010
- * Project update and market overview
 - * 18 units sold in 2009
 - * Profitability report - - net loss of \$431,211
 - * Home market for sales has further deteriorated
 - * Pending elementary school site sale
 - * Appraisal: \$1,145,000
 - * 50/50 split on net proceeds from sale - - estimated at \$425 - \$450,000
- * Evaluating potential site for more Villa product

6. Director's Report (cont'd)

d. Development Director's Report (cont'd)

III. Ivory Southern Transaction Update (cont'd)

- * Ivory's proposed/requested relief to offset losses:
 - * Minimum pricing adjustment on models currently selling
 - * Estate homes: reduce from \$200,000 to \$185,000
 - * Casita homes: reduce from \$170,000 to \$155,000
 - * Land price reduction of \$5,000 per unit sold in 2010
 - * Ivory to retain entire proceeds of sale from school site
 - * Increase lease term from 10 years to 15 years with five-year option

- * SITLA Response:
 - * Need time to evaluate and assess
 - * May or June Board meeting before taking response to full Board
 - * Likely to require audit report to assist in this process (RFP required)
 - * Audit report completed by Lake, Hill & Myers
 - * Conclusions of report - - Ivory's performance substantially conforms to amended and restated development lease
 - * Direct and indirect costs are appropriate

- * Meetings with Real Estate Committee Members:
 - * Options:
 - * Mothball project until market recovers
 - * Continue to work with Ivory to maintain some level of momentum and activity in an otherwise poorly performing market
 - * Agreed that it is in the best interests of the Hidden Valley Community, Ivory, and SITLA to keep the project in "active" status
 - * We can agree to more time
 - * We can agree to land payment "holdback" of \$5,000 per unit, capped at 30 units for 2010 - - seek payback provision
 - * No to Ivory retaining SITLA's share of net proceeds of sale from school site

6. Director's Report (cont'd)

d. Development Director's Report (cont'd)

III. Ivory Southern Transaction Update (cont'd)

- * Meeting with Ivory to negotiate mutually acceptable terms to modify the lease - - June 2, 2010
 - * Conveyed SITLA's commitment to work with Ivory to maintain "active" status of project
 - * SITLA agrees to 15-year lease term with five-year option
 - * SITLA does not agree to Ivory retaining SITLA's share of school site sale (\$425,000 - \$450,000)
 - * SITLA agrees to \$5,000 "holdback" in land payments due on each unit sold in 2010, capped at 30 units, with payback provision
 - * Ivory balked at payback. They are not requesting a loan; they are requesting relief to offset substantial operating losses at Hidden Valley
 - * Ivory reminded SITLA of its commitment to Hidden Valley and capital investment, including:
 - * Community park: \$1,600,000
 - * Completion and opening of Club Ivory #1 community pool
- * Terms agreed to, subject to Board approval:
 - * Modify lease term to 20 years with no options
 - * Agreed to no retention of SITLA's share of school site sale
 - * Agreed to modify minimum selling price on Estate and Casita homes
 - * Forgive \$5,000 per unit on 2010 sales, capped at 30 units
 - * Ivory has agreed to seek no further concessions going forward
- * Conclusions
 - * Ivory has been a good partner and remains committed to the market and completion of the project - - it will just take longer
 - * Staff's opinion is that preservation of the Hidden Valley asset, as a community, can best be achieved by Ivory finishing the project
 - * Opportunity for Ivory to build in Coral Canyon
 - * Follow the advice of The Gambler - - "know when to hold 'em, know when to fold 'em"
 - * Staff recommends Board approval

6. Director's Report (cont'd)

d. Development Director's Report (cont'd)

III. Ivory Southern Transaction Update (cont'd)

Mike Mower noted at this point that his mother-in-law owns two of the Ivory units and is in the HOA.

Mr. Buchi noted that the Real Estate Committee has agreed to the terms recommended. Staff recommends the Board approve this as recommended. Chairman Ferry stated he worries about our walking away from this. Mr. Brown noted this is the second time in his tenure that we have had a discussion on these issues. If in the next five to 10 years the real estate market comes back very strong, what does the Trust lose and are there reverts that give us back what we have lost? Mr. Buchi stated there are some provisions that give us back-end profitability. While there is not profitability in the market right now, there are second and third-generation lands that the builder can build on and make a profit. That doesn't occur with this project, even with the amended agreement in place. Ivory is still paying well above market basis for the land. The other thing we have to realize is, when the market goes down, it impacts us; but it also impacts us when the market goes up. We want to achieve whatever the market will allow. We believe that the market will come back gradually. There have been 130 units sold thus far out of 980. We get back what we are losing because the market has changed. We have not given away our profit margin.

Ms. Bird asked if the lower price for the Estate and Casita homes is only for 2010 or for the rest of the project? Mr. Buchi stated we didn't put a time limit on it. He would recommend it only be for no more than two years. There is already a provision in the agreement that the unit price can be approved lower on a case-by-case basis. Ms. Bird clarified that the \$5,000 per lot is only for 30 lots for the rest of this year. Mr. Woolfgram, of Ivory Homes, stated that in their annual meeting they always discuss the floor price. Ms. Rupp asked what happens at the end of the 20-year term if the project is not completed? Mr. Buchi stated that, if they are 75-85 percent completed, it would be in both of our best interest to do an extension and let them finish the project. The purpose in having the 20 years is to give them a time line in which to complete it.

6. Director's Report (cont'd)

d. Development Director's Report (cont'd)

III. Ivory Southern Transaction Update (cont'd)

Brown / Lambert. Unanimously approved.

“I move we go into closed session for the discussion of the valuation of property.”

Roll Call:

Brown - - yes	Lambert - - yes
Mower - - yes	Ferry - - yes

The Board went into closed session at 11:54 a.m. Those in attendance were Board members, Kevin Carter, Doug Buchi, Margaret Bird, John Andrews, and Tim Donaldson. The Board returned to open session at 12:10 p.m.

Brown / Lambert. Unanimously approved.

“I move we approve the proposal as presented.”

Roll Call:

Brown - - yes	Lambert - - yes
Mower - - yes	Ferry - - yes

7. Election of Chairman and Vice-Chairman

Chairman Ferry noted that his term as a Board member ends June 30, 2010. Nominations were held for a chairman and vice-chairman.

Lambert / Mower. Unanimously approved.

“I move that we nominate Mike Brown as chairman.”

Roll Call:

Brown - - yes	Lambert - - yes
Mower - - yes	Ferry - - yes

Brown / Lambert. Unanimously approved.

“I move that we nominate Dan Lofgren as Vice-Chairman.”

Roll Call:

Brown - - yes	Lambert - - yes
Mower - - yes	Ferry - - yes

8. Presentation to John Y. Ferry

Mr. Brown noted that he has always wished we could have people in leadership with “rancher’s wisdom”. Mr. Ferry has that wisdom and always exhibits it well. He expressed, on behalf of the Board and Staff, our appreciation to Mr. Ferry for his dedicated service as a Board of Trustees member for six years. Director Carter presented some gifts to Mr. Ferry. Ms. Bird gave some appreciative remarks on behalf of the beneficiaries.

Mr. Ferry noted he doesn’t feel like he is leaving the Board, but just joining that “emeritus” group of Board members. It is a privilege for him to look forward to continuing to be of any needed service.

9. Consent Calendar

- a. Other Business Arrangement - - Oil Shale Competitive Lease Sale - -
Seep Ridge Oil Shale Land Block

There were no comments on this, so it is approved as recommended.

Upon motion by Mr. Brown, the Board adjourned at 12:24 p.m.