

*The Board of Trustees
of the
School and Institutional Trust Lands Administration*

Subject: Written determinations concerning March 18, 2021 Board Meeting

Roger Barrus, as Chairman of the Board of Trustees (the "Board") of the School and Institutional Trust Lands Administration, pursuant to Utah Code Section 52-4-207(4), hereby makes the following determinations concerning the need to hold an electronic meeting of the Board, without an anchor location, on March 18, 2021.

Facts upon which determination is based:

- Federal, State and local authorities have recommended that individuals limit public gatherings and that individuals experiencing symptoms of COVID-19 self-isolate to prevent and control the continuing spread of COVID-19.
- The public monitoring and participation requirements, and the anchor location requirement, in the Open and Public Meetings Act, Utah Code Section 52-4-101 et seq. will gather interested persons, members of the public, and members of a public body in a single, confined location where the risks of further spreading COVID-19 are far greater.

Determination concerning conduct of March 18, 2021 Board meeting:

- In light of the facts referenced above, conducting the March 18, 2021 meeting with an anchor location presents a substantial risk to the health and safety of those who may be present at the anchor location;
- The Board, consistent with its recent practice under Utah Executive Order 2020-5, will therefore hold an electronic meeting without an anchor location, and will provide an electronic means by which the public may hear the open portions of the meeting, as well as an electronic means by which members of the public may provide comment to the Board;
- The above findings will be included within the public notice of the March 18, 2021 meeting, and will be read into the record at the beginning of that meeting.

Entered this 8th day of March, 2021.

BOARD OF TRUSTEES, FOR THE UTAH
SCHOOL AND INSTITUTIONAL TRUST
LANDS ADMINISTRATION



Roger Barrus, Chairman

Agenda



Board of Trustees Meeting Agenda

Thursday, March 18, 2021

9:00 a.m.

VIRTUAL ELECTRONIC MEETING

Notice regarding special restrictions for this electronic meeting.

In light of federal, state and local COVID-19 guidelines, and consistent with the Board chairperson's written determination dated March 8, 2021, this Board of Trustees meeting will be held via electronic means only. No anchor location will be used, and members of the public will not be allowed to attend this meeting in person. The Board chairperson's March 8, 2021 determination concerning the conduct of the March 18, 2021 meeting included the following:

Facts upon which determination of need to hold an electronic meeting of the Board, without an anchor location, on March 18, 2021, is based:

Federal, State, and local authorities have recommended that individuals limit public gatherings and that individuals experiencing symptoms of COVID-19 self-isolate to prevent and control the continuing spread of COVID-19.

The public monitoring and participation requirements in the Open and Public Meetings Act, Utah Code Section 52-4-101 et seq. will gather interested persons, members of the public, and members of a public body in a single, confined location where the risks of further spreading COVID-19 are far greater.

Determination concerning conduct of March Board meeting:

In light of the facts referenced above, conducting the March 18, 2021 meeting with an anchor location presents a substantial risk to the health and safety of those who may be present at the anchor location;

The Board, consistent with its recent practice under Utah Executive Order 2020-5, will therefore hold an electronic meeting without an anchor location, and will provide an electronic means by which the public may hear the open portions of the meeting, as well as an electronic means by which members of the public may provide comment to the Board;

The above findings will be included within the public notice of the March 18, 2021 meeting, and will be read into the record at the beginning of that meeting.

This meeting will be conducted via Zoom. Interested parties, including members of the public or representatives of county governments or Utah Tribes, may attend the meeting through the following registration link: https://zoom.us/webinar/register/WN_qPxFM1BUR1mNkejuW4WEKQ. We recommend registering by 8:50 a.m. to avoid missing the beginning of the meeting. Those wishing to provide public comment will be asked at the beginning of the period designated for such comment to use the "raise hand" feature at the bottom of the screen within the Zoom meeting so they may be called upon to provide comment. Please call Lisa Jones at 801-538-5110 or email ljones@utah.gov any time before 8:00 a.m. on March 18, 2021 with questions.

1. Welcome
2. Approval of Minutes

February 18, 2021.

3. Confirmation of Upcoming Meeting Dates

April 15, 2021 Regular Meeting

May 20, 2021 Regular Meeting

June 17, 2021 Regular Meeting

4. SITLA Funds in the Schools by Deena Loyola, Public Information Officer
5. Public Comments

SITLA welcomes comments from the public. The Board sets aside 15 minutes at each Board meeting to hear from anyone wishing to speak. Each presenter is allowed one opportunity to speak and, depending on the number of commenters, has up to three (3) minutes for remarks. Any member of the public who desires to make a comment shall use the "raise hand" feature during the Zoom meeting. The public comment segment of the Board meeting is not the time for a question and answer discussion. SITLA staff are available for dialogue outside of Board meetings.

6. Advocate's Report by Tim Donaldson, Land Trusts Protection & Advocacy Office

7. Chair's Report by Roger Barrus, SITLA Board Chairman

--- Report regarding signing of modified Magnum Contract ML 51573-OBA which was approved by the SITLA Board at the February 18, 2021 Board meeting

8. Director's Report by Dave Ure, SITLA Director

--- Update on 2021 Legislature

9. Notification Items

--- Aaron Langston, Deputy Assistant Director, Planning & Development – St. George

Notification items do not require Board action and are only informational. Staff is prepared to discuss any of the items if a member of the Board requests it.

- a. Notice of Minor Development Transaction – Sale of 1.83 Acre Commercial Parcel in Sienna Hills, Washington City, Washington County
- b. Notice of Minor Development Transaction – Disposal of Approximately 2 Acre "Aspiration Trail" in St. George, Washington County
- c. Notice of Minor Development Transaction – Sale of 1.99- & 2.00-Acre Parcels (Lots 3 & 10) in Big Water, Kane County

- d. Notice of Minor Development Transaction – Sale of 1.29-Acre & 1.31-Acre Parcels in Big Water, Kane County (Shelter Cove Lots 13 & 19)
- e. Notice of Minor Development Transaction—Disposal of 1.0-Acre Parcel in the Red Cliffs Desert Reserve for Coral Canyon in Washington City, Washington County
- f. Proposed Change to DEVL 1128, a Major Development Transaction, encompassing 40 acres of commercial property in Sienna Hills in Washington City, Washington County

10. Board Action Items

- a. Proposed Deal Points for the 570 +/- Acre Development Lease in Green Springs, Washington City, Washington County
 - Aaron Langston, Deputy Assistant Director, Planning & Development – St. George
- b. Proposed Helium, Oil, Gas, and Associated Hydrocarbons OBA with JC Petroleum Holding, Grand County
 - Wes Adams, Assistant Director, Oil & Gas
- c. Proposed Non-Competitive Lease of Potash and Mineral Salts Lease OBA with A1 Lithium, Grand County
 - Jerry Mansfield, Resource Specialist, Mining
- d. Proposed 2021 – 2022 Grazing Assessment Rates
 - Ron Torgerson, Deputy Assistant Director, Surface – SW Area
- e. Proposed Amended & Restated Surface Group Sales Rules
 - Michelle McConkie, Assistant Director, Surface

11. Adjourn

Items may be heard in any order, at any time, at the Board's discretion.

Please be aware that the public portions of this meeting may be broadcast live over the Internet. Also, be aware that an audio recording of the public portions of this meeting, along with any materials presented or distributed in the public portions of this meeting, will be posted on Utah's public notice website. Witnesses with questions, concerns, or handouts should contact staff.

In accordance with the Americans with Disabilities Act, persons needing auxiliary communicative aids and services for this meeting should contact Lisa Jones at 801-538-5110, or by email at lsjones@utah.gov, at least three (3) days in advance.

I, Lisa Jones, SITLA Board of Trustees' Executive Assistant, hereby certify the foregoing agenda was emailed to the Salt Lake Tribune, was posted on the Utah State Public Notice website, <https://www.utah.gov/pmn/index.html>. SITLA's website at <http://trustlands.utah.gov>, and was posted at SITLA's Offices, 675 East 500 South, Suite 500, SLC, Utah 84102. Posted and dated on Monday, February 8, 2021.

9a

Minor

Development

Transaction:

Sienna Hills

1.83 Acres

Memorandum

TO: Board of Trustees, School and Institutional Trust Lands Administration

FROM: Aaron Langston, Project Manager, P&DG Utah South

DATE: March 18, 2021

RE: *Notice of Minor Development Transaction—Sale of 1.83 Acre Commercial Parcel in Sienna Hills, Washington City, Utah*

BENEFICIARY: Schools

Site History

The subject commercial parcel was recently acquired through Exchange 375 (30.72 acres for \$6.25 per foot). However, this isolated parcel is oddly shaped, is west of the RV Park, and was the only parcel from that exchange not included as part of the auto mall.

Late October, an offer to acquire those lands for \$4.00 per foot was received. Staff rejected the offer, but a revised LOI was received from the same group for \$6.25 per foot, or appraised value, whichever is higher.

An appraisal was received late in November, valuing the parcel at \$540,000 (6.77 per foot). The buyers agreed to pay the appraised value and now wish to move forward.

The Offer

Black Ace Holdings, LLC, wishes to pay appraised value for the 1.83-acre parcel for a storage unit and possibly a car wash for the adjacent RV Park. Buyer paid earnest money of \$5,000 and will pay the balance within 120 days of the Board of Trustees meeting.

Return to the Trust

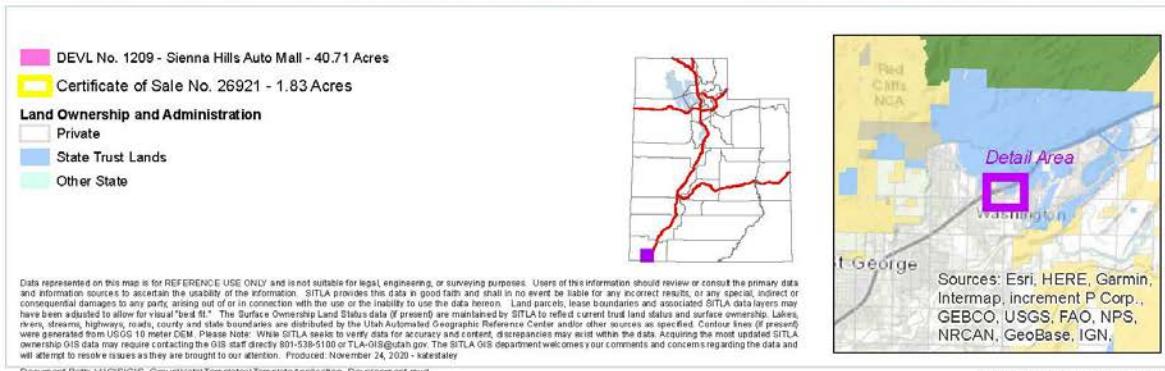
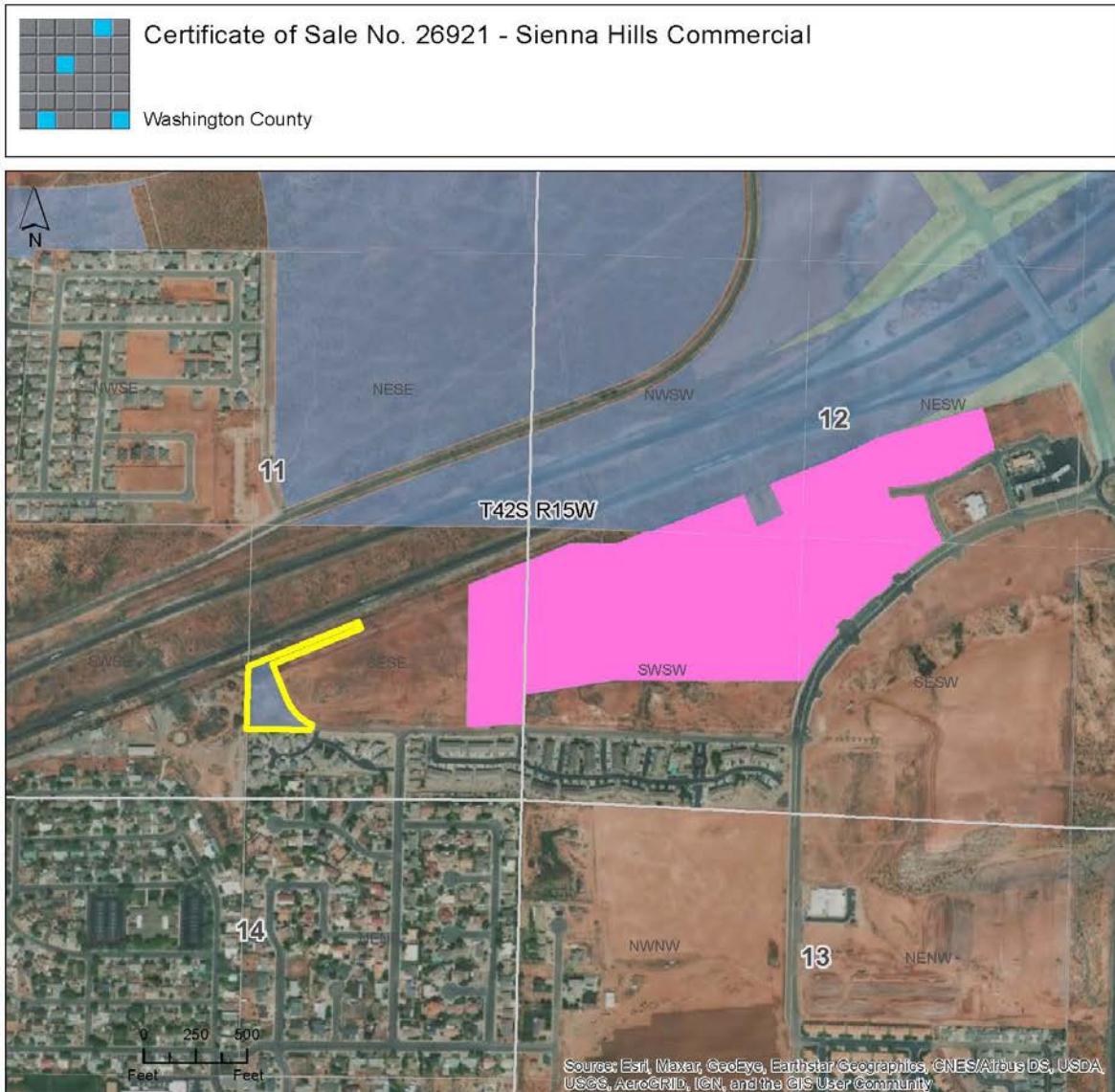
The Trust will meet its fiduciary responsibility by selling this property at market value.

Intended Action

Staff will make arrangements with the buyer for a timely closing.

This item was vetted by the Real Estate Committee on January 25, 2021.

Exhibit A



9b

Minor

Development

Transaction:

Aspiration Trail

Approx. 2 Acres

Memorandum

TO: Board of Trustees, School and Institutional Trust Lands Administration

FROM: Aaron Langston, Project Manager, P&DG Utah South

DATE: March 18, 2021

RE: *Notice of Minor Development Transaction—Disposal of approximately 2 Acres in St. George, Washington County, Utah*

BENEFICIARY: Schools

Site History

Early in 2019, Staff became aware of an unpermitted trail in the South Block area. The trail, known as Aspiration Trail, started near the Calvary Chapel in Bloomington on the west side of I-15, went through a box culvert under I-15 to the east side of the freeway, and from there up onto Trust lands in between two major development leases (Desert Color and Hidden Valley). The trail split from there, with the lower portion heading into the Hidden Valley lease, and the upper portion heading south into the Desert Color lease. In addition, hikers not wanting to start near the Calvary Chapel became accustomed to driving to the water tanks near the flag monument, parking on native vegetation and destroying the open space. When Staff became aware of the trail, it was becoming very popular, was showcased in several social media platforms, and was apparently included in many trail apps for smart phones.

Happily, the trail alignment had been cleared culturally prior to signing leases with our two development partners, and the City expressed a willingness to adopt the trail. Unfortunately, however, portions of the trail interfere with the future development plans of our development partner near the flag monument. Consequently, sections of the trail need to be realigned and a proper parking lot will need to be provided. The revised alignment (now being planned in consultation with both development partners and the City) will be approximately 2 acres, most of which will fall inside the Hidden Valley development lease.

Intended Action

Staff anticipates moving forward with a dedication plat to the City for the revised trail and the corresponding small parking lot.

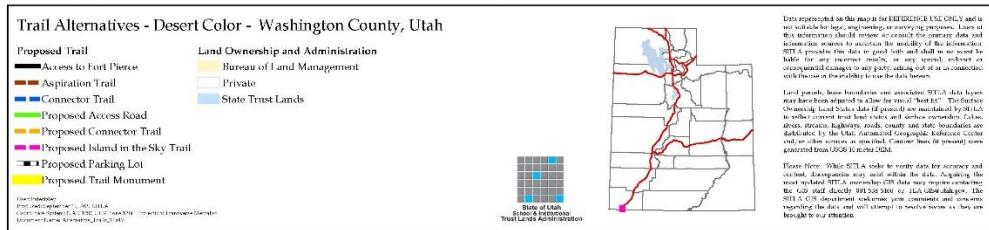
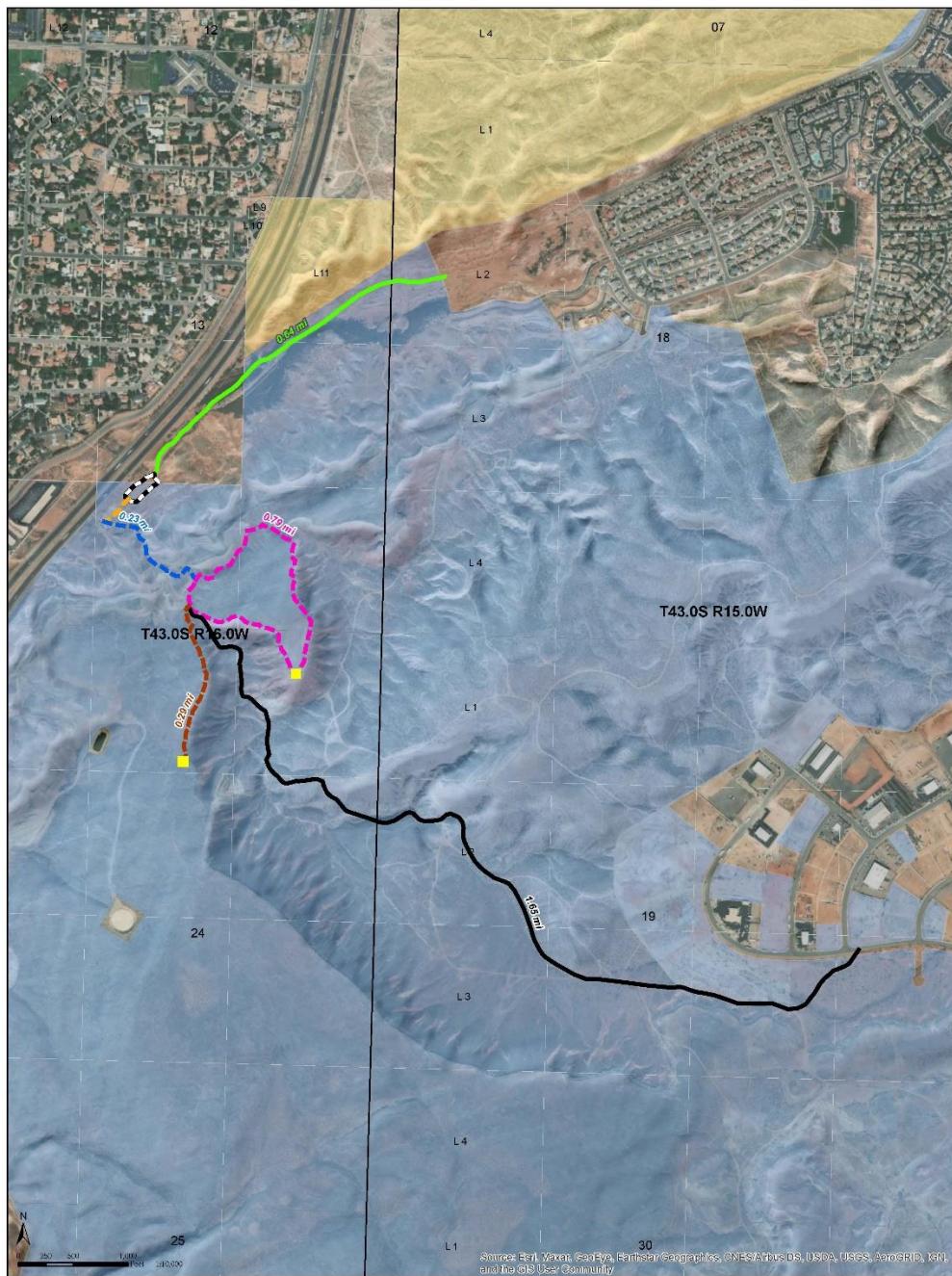
Return to the Trust

The Trust will meet its fiduciary responsibility by providing lands for this amenity, which is expected to propel home sales for both the Hidden Valley and Desert Color development leases. In addition, making the trail part of the City's trail system will stop ongoing destruction of open space.

This item was vetted by the Real Estate Committee on January 25, 2021.

Exhibit A

Concept plan of re-aligned Aspiration Trail



9c

Minor

Development

Transaction:

Big Water

1.99 & 2.0 Acres

Memorandum

TO: Board of Trustees, School and Institutional Trust Lands Administration

FROM: Aaron Langston, P&DG Utah South

DATE: March 18, 2021

BENE: Schools

RE: *Notice of Minor Development Transaction—Sale of 1.99- and 2.00-Acre Parcels in Big Water, Utah*

Introduction

The subject lots are the last two lots in an area north of the highway. The offer on these lots came from a Big Water resident who owns several of the surrounding lots (all of the lots in this subdivision are vacant). The buyer's proposed acquisition is a speculative hold. To Staff's knowledge, SITLA has not had any inquiries or development interest on these two lots.

Wherein these are the only two SITLA lots in this subdivision, it is unlikely that these lots will be part of a unified development. As such, Staff feels the best use of these lands is to monetize the assets at market rates.

The Offer

The buyer proposed paying a total of \$30,000 for the two lots (\$15,000 each). A desktop appraisal was ordered at the time of the LOI. The appraisal, received 2/11/2021, valued the two lots at \$33,000 (\$16,500 each). The buyer is willing to pay the appraised value.

Return to the Trust

The Trust will meet its fiduciary responsibility by selling this property at or above market value.

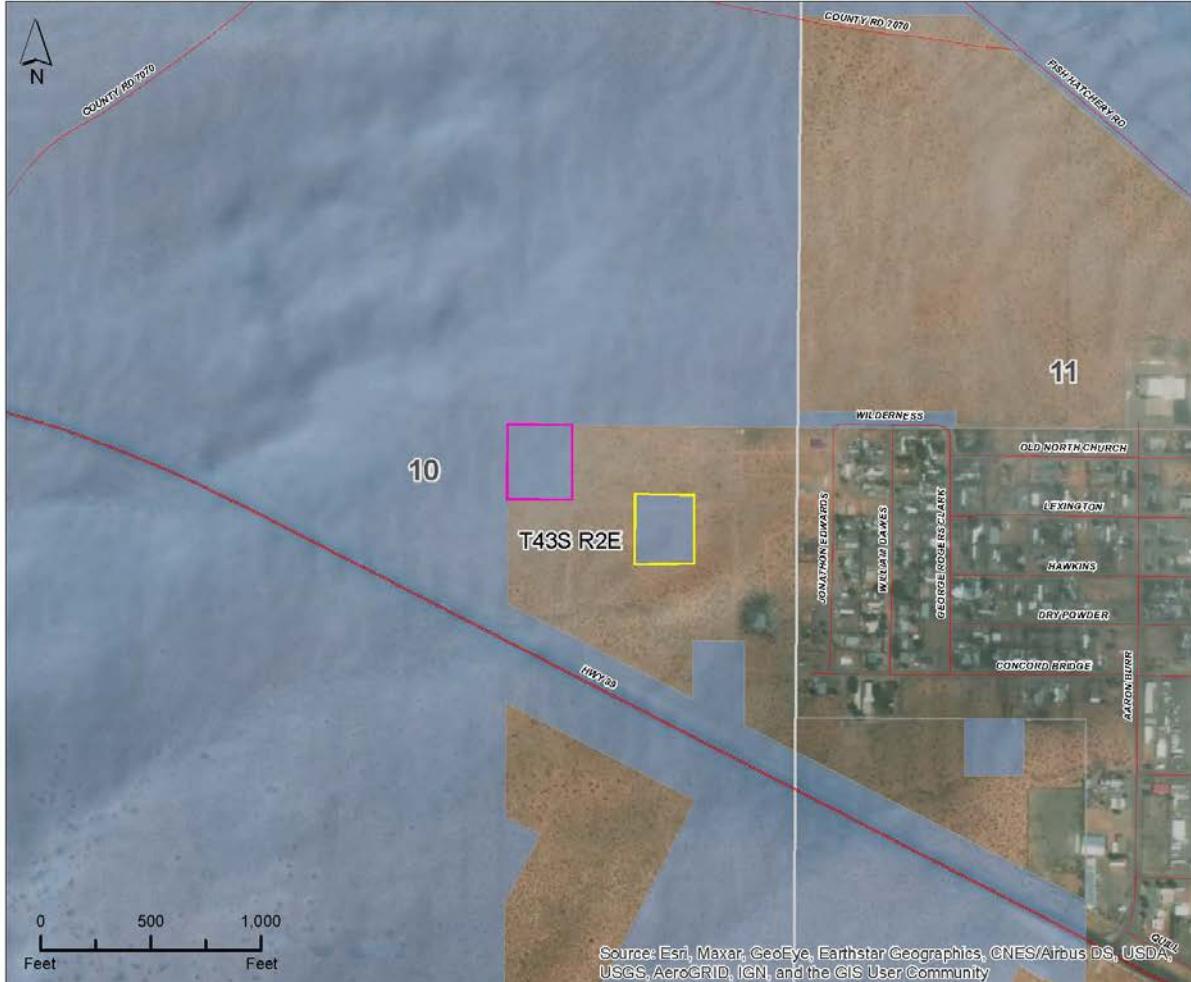
Intended Action

Staff will work with the buyer for a timely cash closing.

This item was vetted by the Real Estate Committee on February 22, 2021.

Exhibit A

Depiction of disposal parcels



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Coordinate System: NAD 83 UTM Zone 12N

9d

Minor

Development

Transaction:

Shelter Cove

Lots 13 & 19

Memorandum

TO: Board of Trustees, School and Institutional Trust Lands Administration

FROM: Aaron Langston, P&DG Utah South

DATE: March 18, 2021

BENE: Schools

RE: *Notice of Minor Development Transaction—Sale of 1.29 Acre and 1.31 Acre Parcels in Big Water*

Introduction

In 2003, SITLA engaged in a self-development project in Big Water known as Shelter Cove. The Shelter Cove plat has 19 lots, all of which essentially sold as soon as they hit the market. SITLA financed a few of these lots. Most of the buyers proved to be investors and a few of the lots came back to the Trust for non-payment (lots 1, 14, 13, and 19). Only two houses on the sold lots were originally constructed and occupied. A third home was started several years ago but is still unfinished. Despite a very slow start, 2020 was a great year for development in Shelter Cove – many of the lots which have remained vacant now have homes under construction. In addition, SITLA sold two of its four lots:

Lot 1 is 2.14 acres and sold for \$43,709.08,

Lot 14 is 1.29 acres and sold for \$41,500.

Both prices were based off a 3% annual escalator from the 2017 listing prices.

The Offer

The buyer proposed \$40,000 for lot 13 and \$35,000 for lot 19. Using the 3% escalator that was used for lots 1 and 14, lot 13 would be valued at \$43,894.84 and lot 19 would be valued at \$42,769.33. Staff let the buyer know the offer prices are significantly under market value and that an appraisal would be required to establish current market rates. Buyer increased his offer to \$50,000 for lot 13 and \$45,000 for lot 19, or appraised value, whichever is higher. The appraisal came in lower than anticipated, but the buyer will honor his revised offer prices and will pay \$95,000 for both lots.

Lot	Original Offer	Revised Offer	3% escalation	Appraisal
13	40,000	50,000	43,894.84	36,500
19	35,000	45,000	42,769.33	36,000
	75,000	95,000	86,664	72,500

Return to the Trust

The Trust will meet its fiduciary responsibility by selling this property at or above market value.

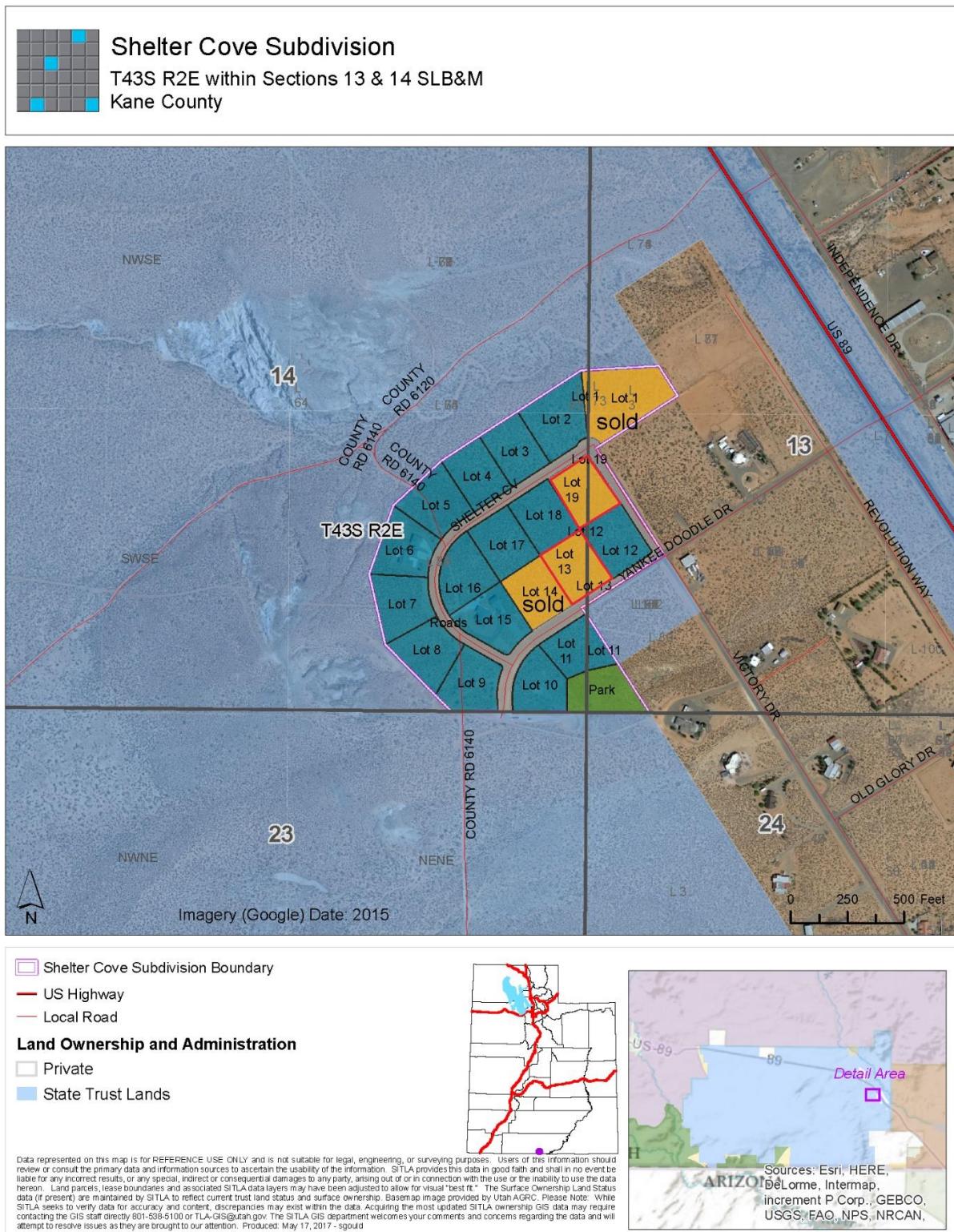
Intended Action

Staff feels the proposed offer will enable the Trust to dispose of the last of its Shelter Cove lots at market value and thereby supports this transaction.

This item was vetted by the Real Estate Committee on February 22, 2021.

Exhibit A

Depiction of lots 13 and 19



9e

Minor

Development

Transaction:

Coral Canyon

1.0 Acre

Memorandum

TO: Board of Trustees, School and Institutional Trust Lands Administration

FROM: Aaron Langston, P&DG Utah South

DATE: March 18, 2021

BENE: Coral Canyon is Miners Hospital; Tank site is in Schools.

RE: *Notice of Minor Development Transaction—Disposal of 1.0 Acre Parcel in the Red Cliffs Desert Reserve for Coral Canyon*

Introduction

In 2016, SITLA entered into Development Lease 1075 with Jack Fisher Homes (now Cole West) for the development of Coral Canyon. Cole West has subsequently developed several of the vacant parcels within their development agreement and are now ready to develop area 3. However, development of area 3 is not possible without additional water capacity.

The proposed location for the water tank is a 1-acre parcel of land located inside the Red Cliffs Desert Reserve. Provisions within the Washington County HCP allow for certain types of infrastructure, among which includes water tanks, water wells, and waterlines.

Section 7.5 of DEVL 1075 reads: “As part of the development of the Premises, the Offsite Project Improvements, the Offsite Roadway Improvements, and the Water Tank Site, along with any easements associated therewith, may need to be conveyed and/or dedicated to Washington or Hurricane City, governmental instrumentalities, and/or utility service providers.”

In compliance with DEVL 1075 and according to the provisions thereof, Cole West is ready to move forward with the development of area 3 and Washington City is ready to construct the proposed offsite water tank.

Area 3 will be a 234 single family detached residential community called Solis. The Trust expects to receive an estimated \$11,000,000 for its landholdings for this development. SITLA does not need to participate in the costs associated with the water tank.

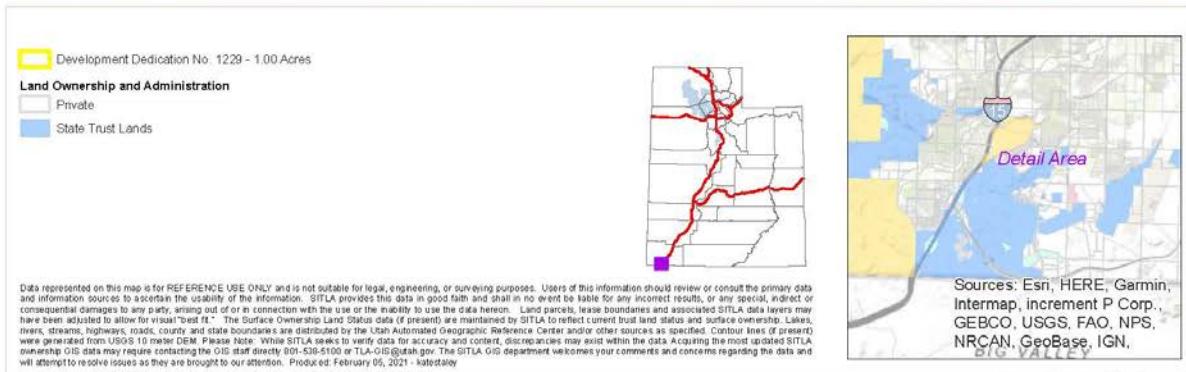
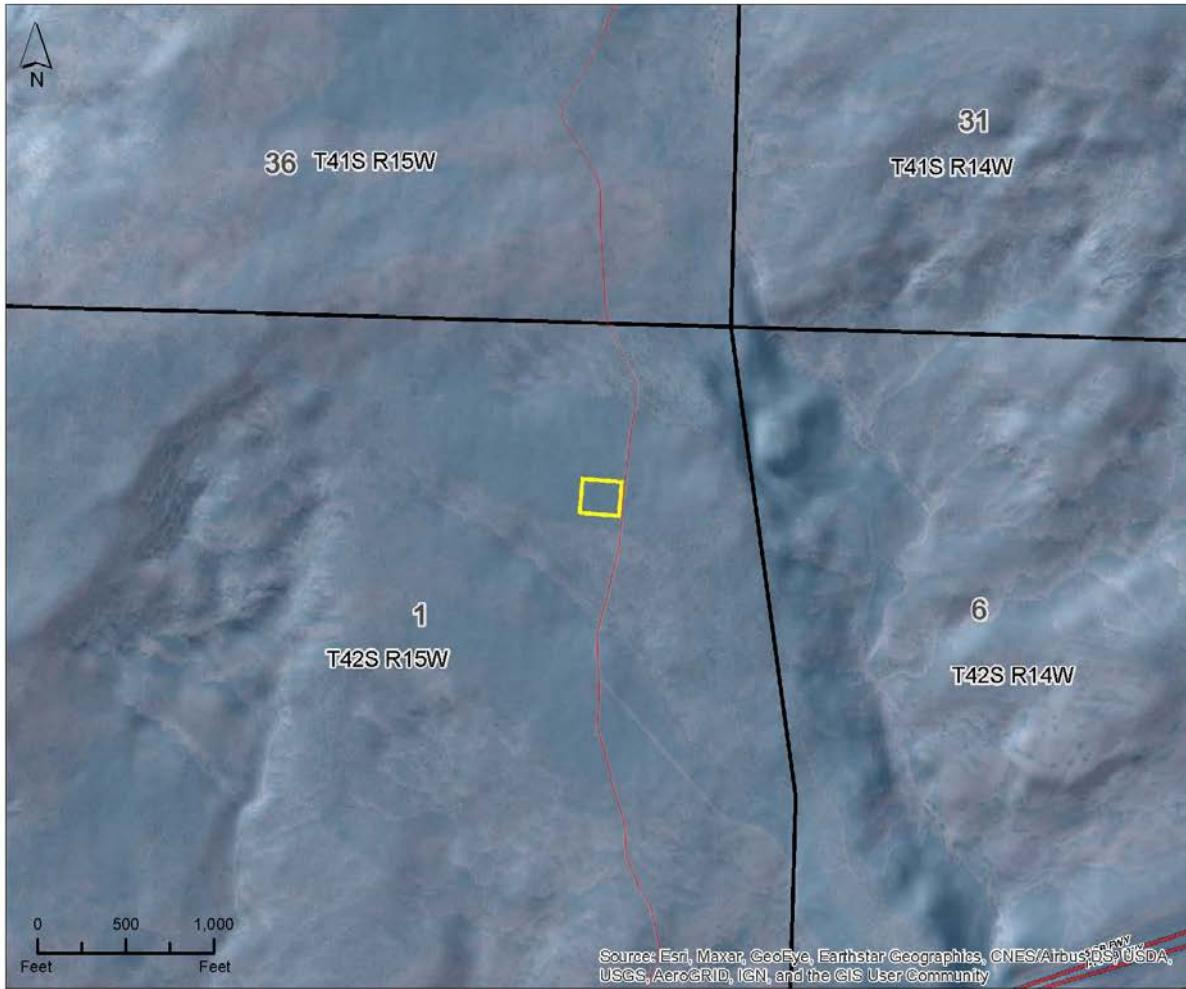
Intended Action

A patent for the 1-acre site will be generated so the disposal of this property can allow the City to build the water tank necessary for our development partner to proceed with the development of Area 3 in Coral Canyon.

This item was vetted by the Real Estate Committee on February 22, 2021.

Exhibit A

Depiction of disposal parcel



9f

Minor

Development

Transaction:

Proposed Change to DEVL
1128, a Major Development
Transaction, encompassing 40
acres of commercial property in
Sienna Hills.

Notification

TO: Board of Trustees, School and Institutional Trust Lands Administration

FROM: Kyle Pasley – Assistant Director P&DG

Aaron Langston, P&DG Utah South

DATE: March 18, 2021

BENE: Schools

RE: ***Proposed Change to DEVL 1128, a Major Development Transaction, encompassing 40 acres of commercial property in Sienna Hills.***

Introduction

Parcel 10 is comprised of approximately 93.3 acres and is designated as freeway commercial in the Sienna Hills PCD. In 2017, the Trust entered into a Board-approved development lease with Dynasty Development Group, LLC (DEVL 1128) to develop up to 40 acres within Parcel 10. Dynasty Development Group, LLC has been working with various groups to secure an anchor(s) for the project. Ongoing negotiations came to a halt in early 2020 with the pandemic.

With the current pandemic and uncertainty in the commercial world, Dynasty Development Group, LLC has decided to move forward with backbone infrastructure and the development of nine pads in their 10-acre initial takedown parcel. As these plans were being discussed, conversations about joint venturing took place, where SITLA would receive 30% of the net proceeds. After further discussion and input from the Real Estate Committee, the terms of the agreement were adjusted to accommodate a 1/3 split for SITLA.

Proposed Project

The themed shopping project has not changed. However, instead of SITLA receiving the appraised value from Dynasty Development Group, LLC for the initial 10-acre takedown parcel, SITLA would supply its land holding as its contribution to the joint venture entity. Dynasty Development Group, LLC would supply everything else from horizontal to vertical development, project management, and then eventually for the sale of the property or management of it. Each group would receive its percentage of net revenue, SITLA receiving its one third. The intent of the developer is a leasehold, but they recognize the leasing model may not work with all businesses wishing to come into the project.

Current appraisals for each of the 9 pads, with the extraordinary assumption that the pads are completely developed with all utilities stubbed, show valuations of approximately \$21-\$22 per foot, or \$8.4 million. Once build, our partner intends to build buildings and lease them out, SITLA getting 1/3 of the net revenue. If the partnership elects to sell one or more of the pads, SITLA would get 1/3 of the gross selling price. If SITLA's share is less than what the Trust would have otherwise realized in absence of the partnership, the Trust will receive instead the same amount it would have without the partnership.

Once the shells are constructed, the buildings would be worth an estimated \$20 million. Our partners anticipate a 25 year note on the permanent financing. Either party would have the option of buying the other party out at any time. Our financial analysis shows the probability of generating more revenue

to the beneficiaries under this model, with the added safety net that guarantees the Trust will receive at a minimum what it would have in absence of the proposed JV arrangement.

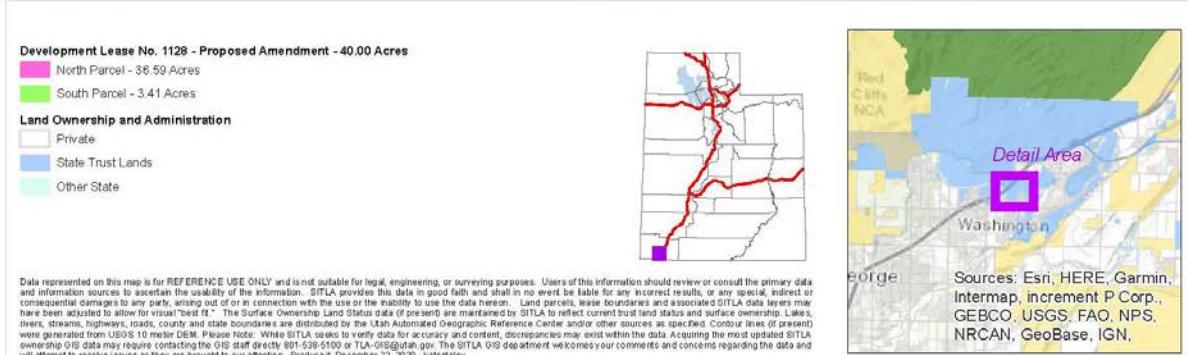
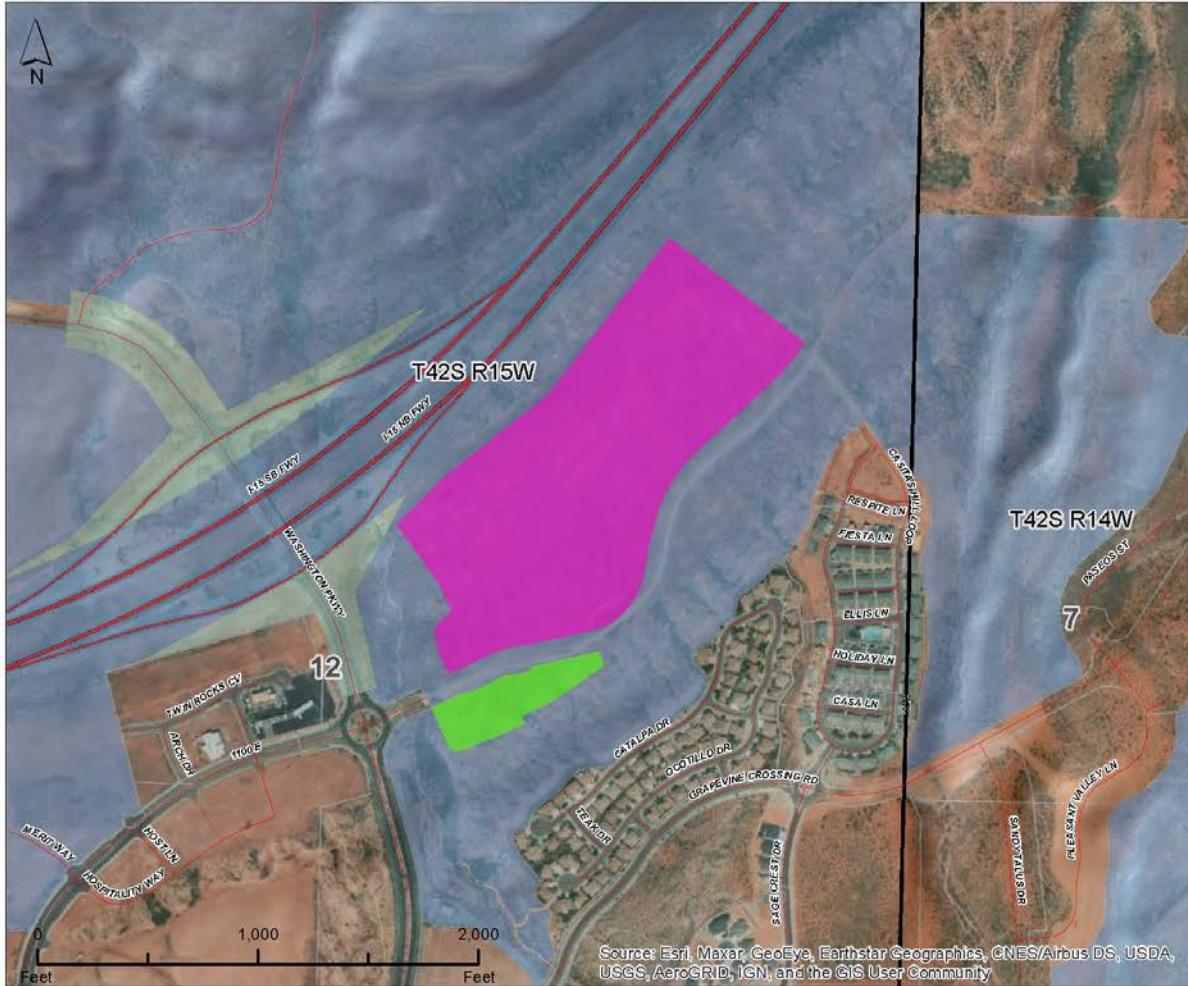
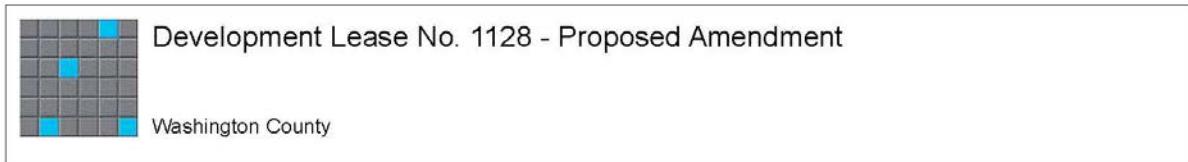
Intended Action

Staff shows that the proposed JV arrangement where the Trust gets 33% of the net proceeds from the project has the potential of generating more revenue than our existing agreement and will allow the Trust to have more control in this project. Based on Board of Trustees approval, Staff will amend the existing 40-acre Option Agreement to take out these first 10-acres for the joint venture arrangement minus an approximate 1.5 acres +/- that had already been purchased in a partial take down. The remaining 30 acres of the original 40-acre Option Agreement will be open for a possible JV arrangement, or to continue with the original negotiations where the Trust simply receives cash for its landholdings based off appraised values.

This item was vetted by the Real Estate Committee on January 25 and February 22, 2021.

Exhibit A

40-acre Option Agreement Lands

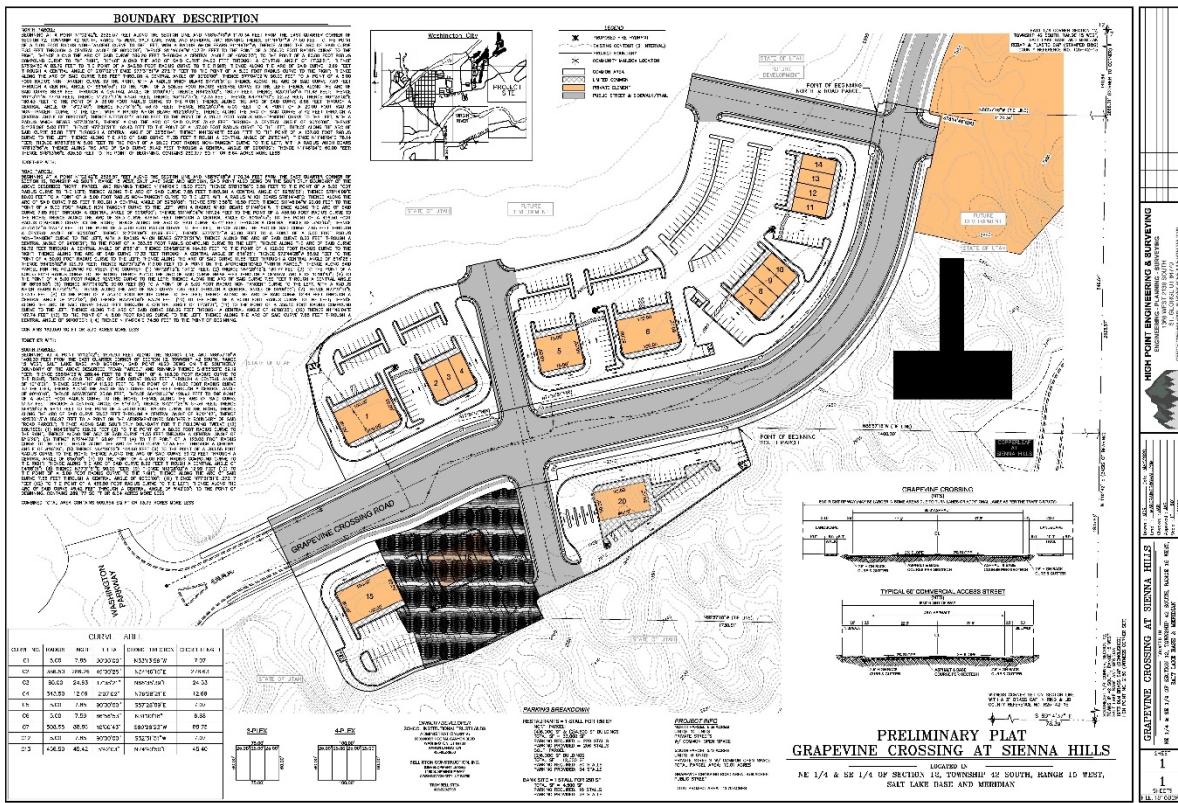


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Coordinate System: NAD 83 UTM Zone 12N

Exhibit A

Proposed 10-acre Initial Development



10a

Major

Development

Transaction:

Green Springs

570 +/- Acres

Memorandum

TO: Board of Trustees, School and Institutional Trust Lands Administration

FROM: Aaron Langston, Project Manager, P&DG Utah South

DATE: March 18, 2021

RE: *Notice of Major Development Transaction - Greens Springs (+/-570 acres).*

BENEFICIARY: Schools

Background

The RFP for 570+/- residential acres in our Green Springs block, which ended on September 25, generated 6 responses. In the November 2020 Board meeting, the Board of Trustees directed Staff to move forward with negotiations with the highest bidder, GWC Capital, based on the following results:

	NPV Analysis			Net Revenue		
	Conservative	Moderate	Proposed	Conservative	Moderate	Proposed
Offer 1	56,931,219	62,308,410	63,450,737	134,640,626	96,072,983	90,151,232
Offer 2	27,414,677	31,764,964	39,721,265	57,497,590	57,497,590	57,497,590
Offer 3	33,718,303	39,538,114	43,656,836	57,601,875	57,601,875	57,601,875
GWC Capital	91,102,060	104,852,157	109,454,426	180,213,496	180,213,496	180,213,496
Offer 5	33,574,095	32,082,207	39,944,390	60,540,722	37,000,000	55,459,196
Offer 6	52,093,008	59,607,411	65,443,289	113,777,170	113,777,170	113,777,170

The Offer

GWC Capital proposed approximately 1,488 single family dwellings ranging in lot sizes from 4,000 to 32,000+ sf (subject to governmental approvals). Finished lot prices will range from \$190,000 to \$600,000. Average home values will range from \$715,000 to \$2.75 million, depending on lot sizes and neighborhoods. There will also be approximately 907 units comprising of ownable and leasable hotel rooms and resort accommodations. GWC Capital anticipates a 15-year absorption. The Trust may choose to grant a time extension if necessary.

SITLA will receive an average of 34% of the proceeds from lot sales and 9.25% of the gross selling price of the homes that GWC Capital builds. It is anticipated that GWC Capital will primarily act as the master developer where an abundance of the homes will be built by custom home builders.

To build value into the project, GWC Capital proposes investing in the parcel by spending millions of dollars within the first couple of years in the backbone infrastructure, the hospitality sector, and the amenities, which may include tennis, golf, swimming, farms, studios, trails, spas, etc. Home sites will not be available for purchase until much of this heavy lifting has been accomplished.

Negotiated Deal Points

- Term. The project is anticipated to be a 15-year project, but if our partner is hitting certain benchmarks (percentage developed, lot and home valuations and sales, etc.) GWC Capital would be able to request an extension(s) in writing and Staff would have the ability to manage the contract and grant an extension(s).
- Development Parcels – Partner to pay \$40,000 per acre base payment with a 2% annual escalator. Minimum pricing and percentage splits set forth below:

Negotiated Minimum Sales Prices		
Lot Size/Type	Improved Lot	Lot and Home
SF 4000-7000	133,000	500,500
SF 7000-9000	192,500	809,025
SF 9000-11000	220,500	945,000
SF 11000-21000	257,950	1,155,000
SF 21000-32000	315,000	1,370,600
SF 32000+	420,000	1,925,000
Casitas Garden Studio	37,800	189,000
Casitas 1 Bedroom	56,700	283,500
Casitas 2 Bedroom	81,900	409,500
Casitas 3 Bedroom	113,400	567,000
Casitas 4 Bedroom	151,200	756,000
Resort Stacked Flats	52,500	306,250
Resort Attached	101,500	472,500

-
- Lease Year Lot Split Home Split

Lease Year	Lot Split	Home Split
1-6	33%	8.5%
7-10	34%	9%
11+	35%	10%
- Hotel not to be sold for less than \$ 29,000 per room.
- Commercial and institutional lots will take a 50/50 split.
- Non-useable open space to be purchased for \$1,500 per acre.
- Offsite Washington Parkway Improvements. In the unlikely event that our partner is mandated to build a portion of Washington Parkway, SITLA can contribute up to 50% of the partner's obligations for these improvements. This can be accomplished by either contributing cash or receiving a temporary reduction on percentage splits until SITLA's contribution is fulfilled.

Return to the Trust

The Trust will meet its fiduciary responsibility by entering into a development lease that will generate approximately \$180 million for the beneficiaries.

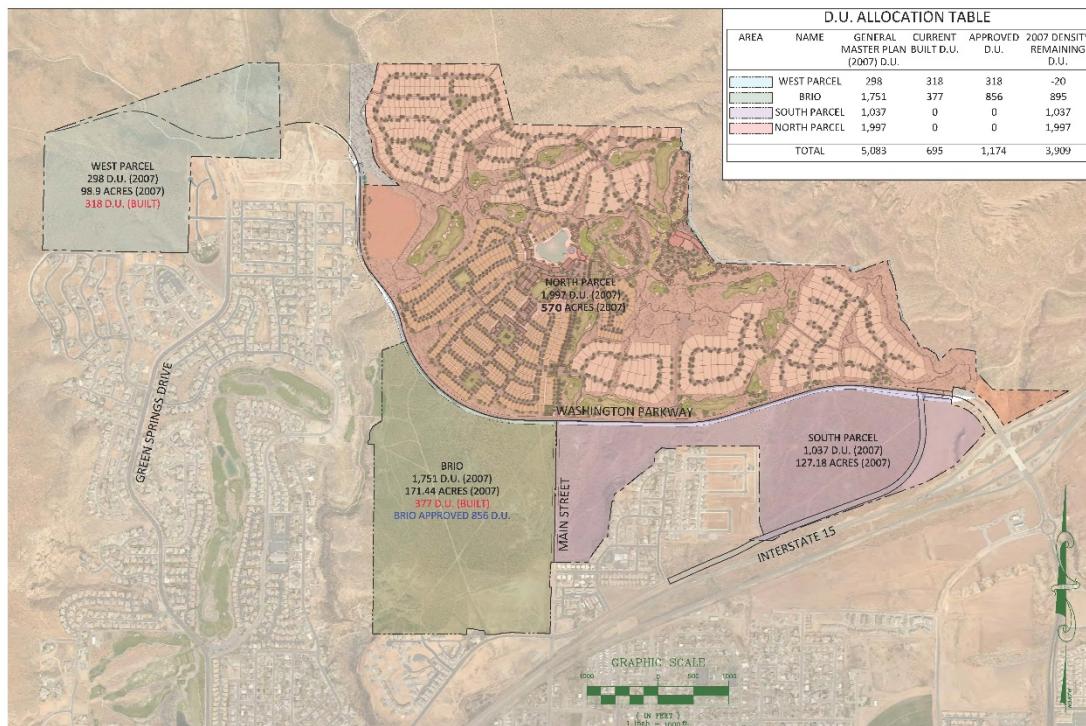
Intended Action

Move forward with the development lease with GWC Capital for development on the Green Spring 570-acre parcel.

This item was originally vetted by the Real Estate Committee in October 2020 and the Board of Trustees authorized Staff to enter negotiations at the November board meeting. The negotiated deal points were vetted during the February 2021 Real Estate Committee meeting.

Exhibit A

Density Map



GREEN SPRINGS

DEVELOPMENT DENSITY

B4

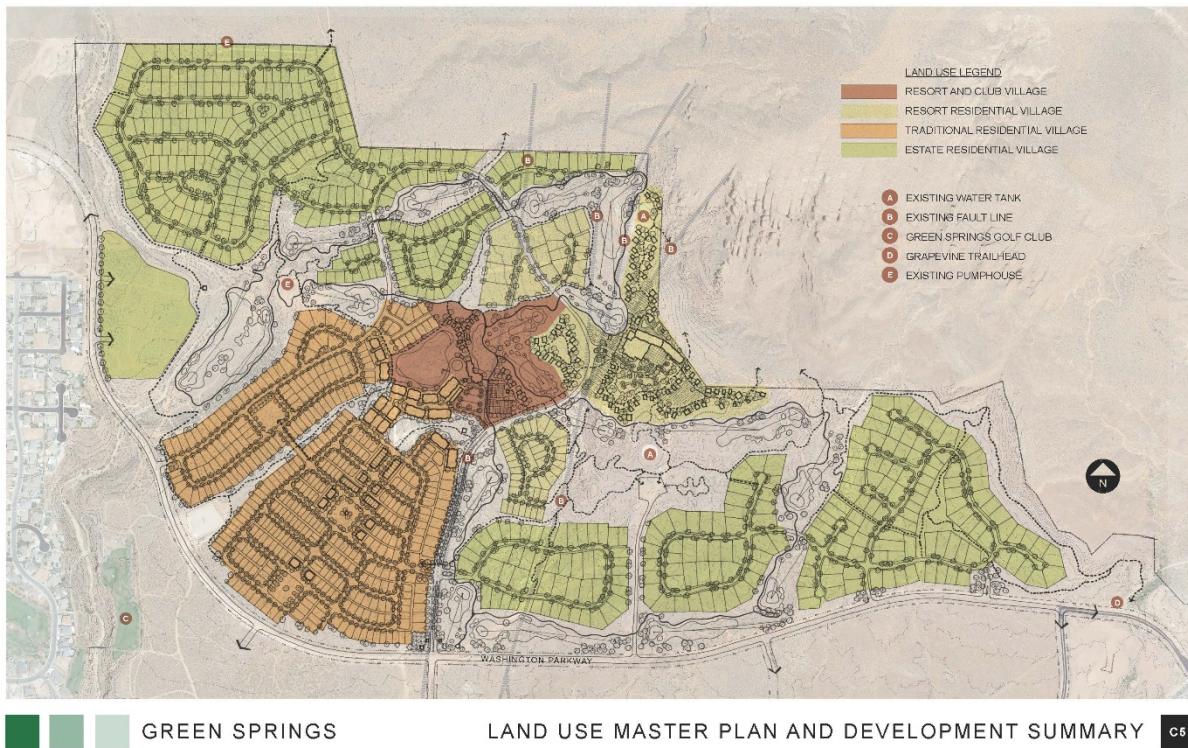
Exhibit B

Proposed Master Plan



Exhibit C

Development Plan Summary



10b

Major Oil & Gas

Transaction:

JC Petroleum

OBA

BOARD MEMORANDUM

DATE: March 4, 2021

TO: Board of Trustees, Utah School & Institutional Trust Lands Administration (SITLA)

FROM: Wesley Adams, Assistant Director – Oil & Gas

RE: Buck Canyon OBA; Grand County, UT.

LANDS PROPOSED:

T18S-R23E, SLB&M, Grand County, UT

Section 2: All
Section 16: All
Section 36: All

1,907.56 Acres (shown on attached Exhibit A)

FUND: School 100%

APPLICANT:

J.C. Petroleum Holding, LLC
ATTN: Jake Harouny, Manager
3300 N. Triumph Blvd. #100
Lehi, Utah 84043

REQUIREMENT

As provided for under Utah Code Annotated 53C-2-401(1)(d)(ii), which permits the SITLA Board of Trustees to approve “Other Business Arrangements” (OBA), J.C. submitted a proposal to SITLA for leases covering helium, oil, gas and associated hydrocarbons on February 4, 2021.

This proposed OBA was reviewed by the SITLA Board Mineral Committee on March 4, 2021. The committee has provided a recommendation for approval before the full Board of Trustees.

PROPOSAL

J.C. is proposing a helium-based exploration concept and will be seeking grant funding from the Department of Energy and Department of Defense to help promote domestic helium production. J.C. has offered to pay SITLA a bonus of \$3/ acre, \$2/ acre rentals for three (3) year primary terms with an option to extend primary terms three (3) years at \$5/ acre bonus and \$2/ acre rentals. J.C. is seeking a step-up royalty rate as follows: 6.25% royalty through 80% payout; 10% royalty from 81% - 99% payout and 12.5% royalty at / after 100% payout.

RECOMMENDATION

The SITLA Oil & Gas team reviewed J.C.'s proposal and recommends that the SITLA Board of Trustees grant approval to issue an OBA as outlined below and as further agreed to in writing by J.C.

1. Issue new leases covering three (3) Sections (shown on Exhibit A) effective April 1, 2021, with \$9/ acre paid-up bonus due by March 31, 2021 (\$17,168.04). The leases will have a three (3) year primary term extension option at \$11/ acre paid-up bonus if a test well is drilled pursuant to paragraph 2 below. Royalty for all leased substances will be as follows: 6.25% until the earlier occurs; (i) payout (as defined in the OBA) or (ii) sixty (60) months after production, at which point royalty will escalate to 12.5%. Post-production costs will be allowed, pursuant to standard lease language in the current oil and gas lease form. Total lease burdens are capped at 20% or the difference between existing royalty and 20%.
2. J.C. must commence a test well on any of the leases, within three years of April 1, 2021 to earn the three (3) year option to extend and provide SITLA with the intended geologic formation/ concept prior to commencing operations. Failure to drill the test well will result in the automatic cancelation of the leases at the end of the original three-year terms.
3. J.C. must pay SITLA an assignment fee, equal to 10% of the difference in price paid per acre to SITLA during the primary term and extended primary term of any undeveloped lease and the price paid by any unaffiliated assignee (i.e. the difference between \$9 during the primary term and \$11 during the extended primary term).
 - i. Assignment of the OBA and leases requires SITLA's written consent.
4. SITLA has the right to review scientific data collected under leases earned in this OBA upon request, including information that may be held confidential for proprietary reasons or interpretive risk.

Respectfully submitted,

Wes Adams
Assistant Director – Oil & Gas

March 1, 2021

J.C. Petroleum Holding, LLC
ATTN: Jake Harouny, Manager
3300 N. Triumph Blvd. #100
Lehi, Utah 84043

Sent via email to

Re: Buck Canyon Other Business Arrangement
Grand County, UT

Dear Mr. Harouny:

The School and Institutional Trust Lands Administration (“*SITLA*”) has reviewed J.C Petroleum Holdings, LLC’s (“*J.C.*”) letter, dated February 4, 2021, regarding a proposal to lease through an Other Business Arrangement (“*OBA*”) and sets forth the following terms for your consideration.

RECITALS

WHEREAS, SITLA holds certain lands in trust identified on the attached Exhibit A, in Grand County, Utah, covering approximately 1,907.56 acres (collectively, the “*Property*”), and

WHEREAS, SITLA and J.C. desire pursuant to Utah Administrative Code R850-21-300(1) and (4), to enter into an other business arrangement for the development of helium resources from the Property.

AGREEMENT

NOW THEREFORE, SITLA and J.C. enter into this OBA on the following terms and conditions:

1. **Leases:** SITLA agrees to issue J.C. new leases on the Property in order to explore, develop, produce and sell oil, gas and related hydrocarbons, helium, nitrogen, carbon dioxide, and associated non-hydrocarbon gases. The leases will provide for a step-up royalty rate, commencing at 6.25% and remaining at this rate until the first productive well drilled on any of the SITLA leases granted herein achieves 100% payout. Royalty will escalate to 12.5% once the said well has reached payout (6.25% before payout and 12.5% after payout). “Payout” will be reached on the earlier to occur of: (i) once the gross sales of all leased substances, less all royalties paid to SITLA, equal the following expenses: the tangible costs of site construction, drilling, completing, and operating the well, and (ii) sixty (60) months after initial production. J.C. must provide SITLA, for its approval, with the costs set forth in subsection (i), which may be shown on a standard authorization for expenditure or similar report. The amounts in such report will be used in calculating payout.
 - i. The leases will have a primary term of three (3) years, paid-up bonus payment of \$9 per acre, which include the rentals for the first three years (\$._____ estimated), and will be due on or before March 31, 2021, or this OBA will automatically expire and be of no further force and effect.
 - ii. The leases will be issued effective April 1, 2021 or upon Board approval, whichever is later. The leases will give J.C. an option to extend the primary terms for an additional three (3) years if a test well as described in paragraph 2 below is drilled. To exercise the option, J.C. must provide SITLA with written notice and proof of performance along with a paid-up bonus payment of \$11 per acre, (which will include three years of rentals for the extended primary term), on or before the expiration of the primary term.
 - iii. J.C. shall not grant an overriding royalty interest on any lease that exceeds (i) a total lease burden of 20% for each lease, or (ii) the difference between the royalty burden and 20%.
2. J.C. must commence or caused to be commenced one test well on any of the leases within three (3) years of the lease’s effective date and provide SITLA with its target formation and geologic concept prior to the commencement of any operations. Failure to drill the test well will result in the automatic cancelation of the leases.
3. **Assignment.** J.C. shall pay SITLA an assignment fee for any lease assigned during the primary term of the lease(s), including the extended primary term, for all leases which are undeveloped (containing no tangible assets in the form of facilities, or wells, so long as the leases granted under the OBA remain in full force and effect. The assignment fee will be equal to 10% of the total difference in the per acre fee charged

by SITLA for the leases (e.g. \$9 per acre during the original primary term and \$11 per acre during the extended primary term) and the price paid per acre for all acres assigned from J.C. to any unaffiliated party.

- i. J.C. shall not assign or sublease all or any part of this OBA or the leases without prior written consent of SITLA.
4. Within 45 days of a written request from SITLA, J.C. shall provide SITLA with any and all data collected on the leases granted under this OBA (whether collected by or on behalf of J.C. or any third party), including, but not limited to, well logs, mud logs, cuttings, assays, lithology, and drilling activity. J.C. may request that information shared with SITLA remain confidential by complying with the necessary aspects of Utah law, including, but not limited to, Utah Code Annotated Title 53C, Title 63G, Chapter 2, and Utah Administrative Code R850. SITLA reserves the right to request seismic interpretations for lands or wells drilled pursuant of this OBA, with limitations set by data license restrictions of J.C.
5. The terms and conditions of this OBA govern each of the leases. In the event of a conflict between the terms and conditions of this OBA and the terms and conditions of the Leases, the terms and conditions of this OBA will control.
6. This OBA is governed by the laws of the State of Utah without regard to its choice or conflicts of laws principles that may refer the interpretation of this OBA to the laws of another jurisdiction. SITLA and J.C. agree that all disputes arising out of this OBA may only be litigated in the Third Judicial District Court for Salt Lake County, Utah, and J.C. hereby consents to the jurisdiction of such court. J.C. may not bring any action against SITLA without exhaustion of available administrative remedies and compliance with applicable requirements of the Utah Governmental Immunity Act. SITLA does not waive, limit, or modify any sovereign immunity from suit except as specifically provided herein.
7. This OBA, together with the leases, set forth the entire agreement and understanding between SITLA and J.C. with respect to the subject matter of this OBA. No subsequent alteration or amendment to this OBA is binding upon SITLA or J.C. unless in writing and signed by each of them.

THE TERMS OF THIS OBA ARE SUBJECT IN ALL RESPECTS TO APPROVAL BY THE SITLA BOARD OF TRUSTEES. THE BOARD RESERVES THE RIGHT TO APPROVE, ALTER, AMEND, OR DENY ANY TERMS HEREIN OR THE ENTIRE THE OBA REQUEST IN THEIR SOLE DISCRETION. Should these proposed terms meet with your approval, please so indicate by signing, scanning and returning this OBA to wesadams@utah.gov on or before March 5th, 2021.

Sincerely,

Wesley Adams
Assistant Director/ Oil & Gas

The parties intend to allow for the electronic execution, imaging and storage of this OBA and the admissibility into evidence of such an image in lieu of the original paper version of this OBA. The parties agree that any computer printout of any such image of this OBA shall be considered to be an "original" when maintained in the normal course of business and shall be admissible as between the parties to the same extent and under the same conditions as other business records maintained in paper or hard copy form. The parties agree not to contest, in any proceeding involving the parties in any judicial or other forum, the admissibility, validity or enforceability of any image of this OBA because of the fact that such image was stored or handled in electronic form.

ACCEPTED AND AGREED TO THIS ____ DAY OF MARCH 2021.

J.C. Petroleum Holdings, LLC

By: _____

Name: _____

Title: _____

Enclosures: J.C. February 4th, 2021 Letter
OBA Exhibit A Map



J.C. Petroleum Holdings, LLC

February 4, 2021

Utah Trust Lands Administration
675 E 500 S
Suite 500
SLC, UT 84102

Attn.: Mr. Wesley Adams
Assistant Director, Oil & Gas

Re.: Proposal to Lease

Mr. Adams,

Pursuant to our previous communications regarding this proposal, JC Petroleum Holdings, LLC “JCP”, a Utah Limited Liability Company, hereby formally proposes to obtain lease/leases on certain SITLA Sections of land as described herein below for the purpose of exploring for and production of Noble Gases and Oil and Gas based on the terms proposed hereby.

1. Lands:

- Section 36, T18S, R23E, SLBM, Grand County, Utah
- Sections 2 and 16, T19S, R23E, SLBM, Grand County, Utah

2. Term:

- Initial term of 3 Yrs. with an option to extend for another 3 Yrs.
- Initial \$3.00/acre bonus & \$2.00/acre annual rental
- \$5.00/acre Option bonus and \$2.00/acre Option annual rental
- Step-Rate Royalty starting at 6-1/4 to 10 to 12-1/2 of 8/8th
(6.25% royalty until 80% payout, 10% royalty at 80%-99% payout, 12.5%
Royalty at 100% payout.) Payout determined during annual review 12 months
after first production. Payout calculations to include Assessment, Planning,
Geological, Geophysical, Subsurface Work, Preparation, Drilling & Completion,
Testing and Production, Surface facilities/all Equipment, all Services and Admin.
Overhead.

Additional Terms:

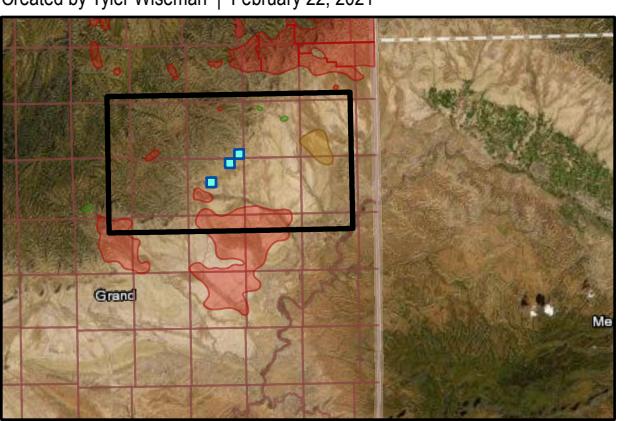
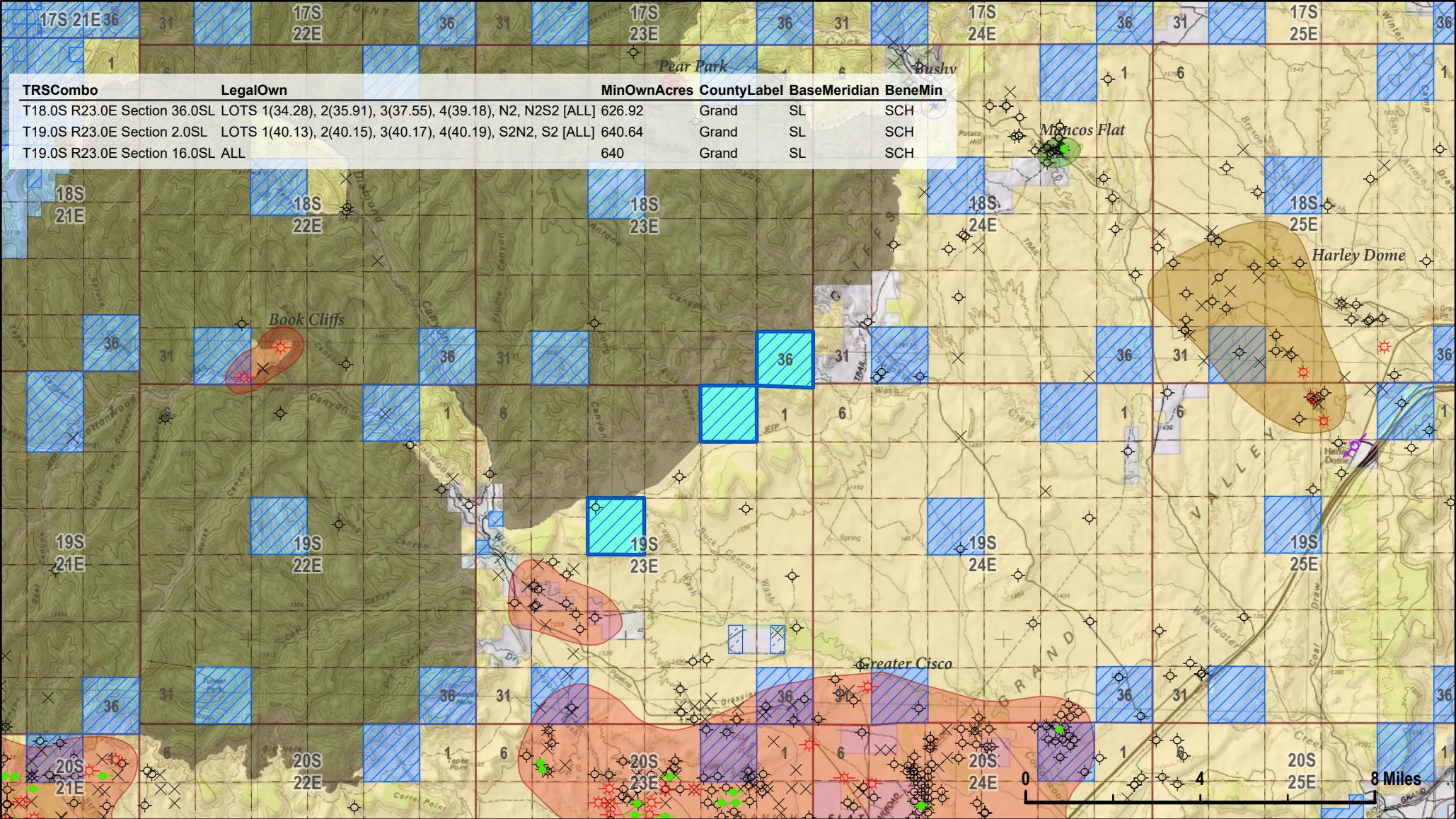
- JCP or its designee shall cause a well to be drilled to test for all substances under the lease based on Utah Code and DOGM approved procedures during the primary term of the lease/leases.
- JCP shall provide annual payout status to accommodate Royalty Rate determination.
- JCP to share all non-sensitive and non-proprietary information to SITLA for SITLA use as they deem fit.
- All other terms and conditions that are included in the existing SITLA leases, including but not limited to ROW, Surface Occupancy and other beneficial uses to Operator.

I thank you in advance for moving this forward.



Jake Harouny, Mgr.

JCP
3300 N Triumph Blvd. #100
Lehi, Utah 84043
(801) 560-3394
jharouny@icloud.com



Land Designation

- Bureau of Land Management
- Private
- State Trust Lands (SITLA)
- State Sovereign Land
- Other State
- County
- PLSS Township-Range
- PLSS Section
- BLM Wilderness Study Area

J.C. Petroleum Holdings, LLC

Buck Canyon OBA Exhibit A
 Grand County, Utah

Buck Canyon Prospect

 1,907.56 Total Acres

Oil & Gas Fields

-  Oil Field
-  Gas Field
-  Inert Gas Field

10c

Major Minerals

Transaction:

A1 Lithium

BOARD MEMORANDUM

DATE: March 18, 2021

TO: Board of Trustees, Utah School & Institutional Trust Lands Administration (SITLA)

FROM: Tom Faddies, Assistant Director/Minerals
Jerry Mansfield, Resource Specialist

RE: Other Business Arrangement (OBA) – Non-Competitive Lease of Potash and Mineral Salts Lease, Grand County, Utah, A1 Lithium Inc.

LANDS PROPOSED FOR LEASE:

T25S, R19E, SLB&M Grand County
Sec. 36: All 1,435.52 Acres

T26S, R19E, SLB&M
Sec. 02: Lots 1, 2, 3, 4, 5, 6, 7, 8, S2N2, S2 [All]

T26S, R20E, SLB&M
Sec. 16: W2NW4

Fund: School

APPLICANT: A1 Lithium Inc.
1635 Village Centre Circle
Suite 150
Las Vegas, Nevada 89134

As provided for under Utah Code Anno. 53C-2-401(1)(d)(ii), which permits the Board of Trustees to approve “other business arrangements”, A1 Lithium Inc.(A1) on January 20, 2021, submitted a proposal to lease, under the Potash and Mineral Salts minerals lease categories the above-referenced land.

This proposed OBA has been reviewed by the SITLA Board’s Mining Committee and they have recommended the Board consider it for approval.

Background

There are currently active oil, gas, and hydrocarbon leases on sections 2 and 36. The leases are ML 40761 held by Kirkwood Oil & Gas, LLC and ML 40571 held by Penroc Oil Corporation, respectively. Both of these leases are currently in production.

A1 Lithium has performed exploration efforts on their BLM claims and State lease ML 53853-OBA that surround lands included in this proposal (see attached map). These efforts consist of re-entry of preexisting wells that have shown artesian flow from brine solutions containing the leased substances from the Paradox Formation.

A1 Lithium is also currently in negotiation with Intrepid Potash to sublease a portion of SITLA Potash and Mineral Salts lease ML 52611-OBA.

Proposal

A1 Lithium proposes to lease the above-described lands for Potash and Mineral Salts for the purposes of producing lithium, bromine, iodine and boron. They propose to pay a bonus bid of \$5.00 per acre and lease the lands under SITLA's current Potash and Mineral Salts standard lease form that starts at \$4.00 per acre rental with a production royalty of 5%. They also will further their exploration efforts by drilling an exploration well in section 2 within 4 years of lease initiation, and plan to also re-enter or drill wells in the subleased section 16 as well as two other wells on their "Cane" mining claim block. SITLA will receive a pre-feasibility report that analyzes the efficacy of operating a potash and/or mineral salts recovery operation upon completion of the exploration efforts.

Recommendation

The Trust Land Administration Mining and Oil and Gas staff have reviewed the A1 Lithium proposal and recommend that the Board of Trustees, of the School and Institutional Trust Lands Administration, grant approval to issue an "Other Business Arrangement" (OBA) lease to A1 Lithium for Potash and Mineral Salts that will enable them to produce Potassium Salts as well as Salts of Lithium, Boron, Bromine, Magnesium, Sodium and Calcium. The issuance of the Potash and Minerals Salts OBA lease will include the following conditions:

- One - time Bonus bid of \$5.00 per acre (\$7,180.00)
- Standard Annual Rental rate for Potash and Mineral Salts lease (\$4 per acre, total \$5,744.00)
- 5% production royalty
- Ten-year lease term
- Exploration well to be drilled on the leasehold within 4 years
- Pre-feasibility study report upon completion of exploration.

Respectfully Submitted by:

Tom Faddies
Assistant Director of Minerals

Jerry Mansfield
Resource Specialist

A1 LITHIUM CLAIM GROUPS

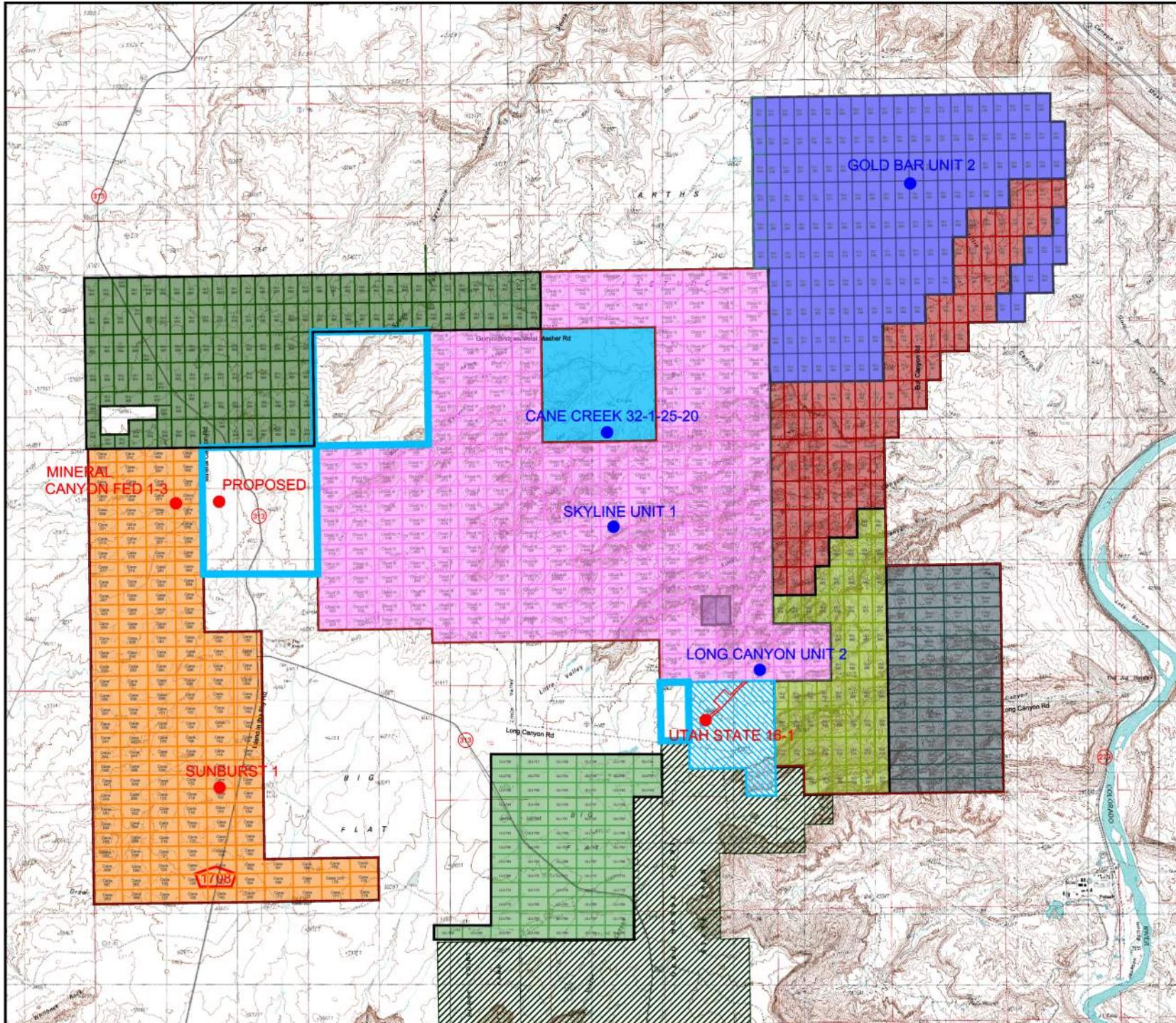
- BIG FLAT
- CANE
- CLOUD
- CLOUD III
- ULI EXTENSION
- ULI PETRO
- ULI SOUTH
- ULI
- SITLA LEASE
- INTREPID LEASE
- DEAD HORSE POINT STATE PARK
- SULA LEASE

WELL ID A1 LITHIUM
● RE-ENTRY WELL

WELL ID PROPOSED NEW/
● RE-ENTRY WELL

 PROPOSED
 MINERAL LEASE

FIGURE 1
**PARADOX BRINE
PROJECT**

DATE: 01/26/2021 Millcreek Mining GROUP
FILE: 2119FIG-4-01


10d

Proposed

2021 – 2022

Grazing

Assessment

Rates

MEMORANDUM

DATE: March 3, 2021

TO: School and Institutional Trust Lands Administration, Board of Trustees

FROM: Michelle McConkie, Assistant Director and Ron Torgerson, Deputy Assistant Director

SUBJECT: Proposed 2021/2022 Grazing Assessment Rates

Introduction:

Pursuant to Utah Administrative Code R850-50-500, SITLA grazing assessment rates are to be established by the Board of Trustees and reviewed annually. SITLA range staff and Surface Management submits for Board review the recommended grazing assessment rates for FY 2022 (July 1, 2021 – June 30, 2022):

- Standard Assessment - \$6.36 + \$0.10 weed feed= **\$6.46 per AUM**
- Block Assessment - \$11.13 + \$0.10 weed feed= **\$11.23 per AUM**

This is an increase from FY2021's grazing assessments, which were as follows:

- Standard Assessment - \$6.00 + \$0.10 weed feed= **\$6.10 per AUM**
- Block Assessment - \$10.54 + \$0.10 weed feed= **\$10.64 per AUM**

Current Formula:

In March of 2020, the Board approved a new grazing assessment formula to be used for calculating the grazing assessment annually. The formula is now a percentage (36% for standard assessment, 63% for block assessment) of the private lease rate per AUM as published annually by the USDA National Agricultural Statistic Service (NASS). The respective percentage is calculated using a three-year running average of the private lease rates per AUM for the previous three consecutive years. The three-year running average will help moderate any dramatic swings in either direction.

This new formula is much simpler to follow and implement than the previous formula and is tied directly to the private market, while taking into account differences between trust lands and private lands and adjoining federal lands.

In comparison, grazing fees on adjoining federal lands are \$1.35 per AUM.

Using the above-described formula, the proposed annual grazing assessments for SITLA AUMs for the FY 2022 were calculated as follows:

- Standard Assessment - 36% of the three most current years private lease rate per AUM as published by NASS: $\$17.00 \text{ (2018)} + \$18.00 \text{ (2019)} + \$18.00 \text{ (2020)} = \$53.00/3 = \$17.667 \times 36\% = \textbf{\$6.36/AUM}$
- Block Assessment - 63% of the three most current years private lease rate per AUM as published by NASS: $\$17.00 \text{ (2018)} + \$18.00 \text{ (2019)} + \$18.00 \text{ (2020)} = \$53.00/3 = \$17.667 \times 63\% = \textbf{\$11.13/AUM}$

The \$0.10/AUM Weed Fee as required by Utah Legislature will be in addition to the amounts shown above.

Recommendation:

The Surface Committee was provided information on the proposed 2021/2022 grazing assessment rates at the February 24, 2021 Surface Committee meeting. The Surface Committee recommended these assessment rates be presented to the Board for consideration.

SITLA range staff and Surface Management recommend the Board establish grazing assessment rates for FY 2022 (July 2021-June 2022) as set forth below:

- Standard Assessment - \$6.36 + \$0.10 weed feed= **\\$6.46 per AUM**
- Block Assessment - \$11.13 + \$0.10 weed feed= **\\$11.23 per AUM**

10e

Proposed
Amended &

Restated

Surface Group
Sales Rules

AMENDED MEMORANDUM

TO: Board of Trustees, School and Institutional Trust Lands Administration

FROM: Michelle E. McConkie - Assistant Director

DATE: March 4, 2021

SUBJECT: Proposed Amended and Restated Sales Rules for Surface Group (R850-80)

BACKGROUND INFORMATION

Utah Administrative Rules 850-80-100, *et seq*, provide that the Surface Group may sell lands in its portfolio through two different processes: (1) public auction; or (2) negotiated sale.¹

The Surface Group has been focusing on updating and streamlining the processes and procedures used when conducting land sales. The current sales rules contain outdated language and requirements. For example, the sales rules currently require notice of a land sale to be “posted in the governmental administrative building or courthouse” where the parcel is located (see R850-80-600(1)(a) and R850-80-615(1)(a)). In addition, the current sales rules require public auctions to be “oral” and require restrictive procedures be followed for an interested purchaser to qualify as a bidder on a parcel (see R850-80-610).

Due to the COVID-19 outbreak, the Surface Group was not able to perform an in-person oral auction last fall. The Board of Trustees approved a temporary change to the sales rules to allow for the use of an online platform for this auction. The Surface Group used EnergyNet, an online land auction contractor, to coordinate and facilitate the fall auction. This was a very efficient and successful experience, with many new bidders exposed to the SITLA land auction process. EnergyNet effectively marketed the auction parcels and many more interested purchasers participated in the bidding process because the auction was available online to anyone who pre-qualified. Though the online auction was primarily used last fall to adapt to the pandemic, it proved to be successful and the Surface Group would like the option of continuing to use online auctions going forward.

For these reasons, the amendment of the existing Surface Group Sales Rules is requested.

RULES

The proposed Amended and Restated Sales Rules are attached to this Memorandum as Exhibit A. The current Sales Rules are attached to this Memorandum as Exhibit B.² These rules were initially submitted to the Board for review in the February Board meeting. After their submittal, comments were received by the Land Trusts Protection and Advocacy Office. The agency decided to postpone the presentation of these

¹ The Development Group sells lands in its portfolio under separate authority. Pursuant to state law, the surface estate may be sold but not the mineral estate.

² Many non-substantive organizational changes were made to the rules to allow for a more cohesive and logical presentation. Due to these reorganizations, it is difficult to read a version of the rules that tracks all changes made. Therefore, a marked-up version of the current rules has not been included in this Memorandum.

rules to the Board for approval until the March Board meeting, so that clarifying language could be added in response to these comments. The version attached as Exhibit A includes these changes.

The Surface Committee reviewed the proposed Amended and Restated Sales Rules attached as Exhibit A and recommended they be presented to the Board of Trustees for consideration.

RECOMMENDATION

Staff recommends the Board of Trustees approve the proposed Amended and Restated Sales Rules (R850-80).

If the Board approves these rules, they will be filed with the Utah Office of Administrative Rules. The Office of Administrative Rules will publish them and there would be a mandatory 30-day public comment period prior to codification.

Exhibit A
(Proposed New Amended and Restated Rules)

R850. School and Institutional Trust Lands, Administration.

R850-80. Sale of Trust Lands.

R850-80-100. Authorities.

This rule implements Sections 6, 8, 10, and 12 of the Utah Enabling Act, Articles X and XX of the Utah Constitution, and Subsections 53C-1-302(1)(a)(ii) and 53C-4-101(1), which authorize the director to prescribe the terms and conditions for the sale of trust lands.

R850-80-150. Planning.

In addition to those other planning responsibilities described herein, the agency shall:

- (1) Submit proposals for the sale of trust lands to the Resource Development Coordinating Committee (RDCC) unless the proposal is exempt from such review;
- (2) Evaluate comments received through the RDCC process; and
- (3) Evaluate any comments received through the notice and advertising processes conducted pursuant to R850-80-600 and R850-80-615.

R850-80-200. Determination to Sell Trust Lands.

(1) The director may sell all or any portion of a property interest in trust lands if the director determines that the sale would be in the best interest of the trust beneficiaries. The director may take into account any factor and circumstances deemed relevant in determining whether to sell trust lands.

(2) In determining whether the sale of trust lands is in the best interest of the trust beneficiaries, the director may consider the following factors:

(i) whether the subject parcel is appreciating in value at a higher rate than the anticipated rate of return on the purchase price;

(ii) whether there is evidence of competitive market interest, unless the purpose of the sale is to test the market in a particular area;

(iii) whether the sale would create obstacles to future mineral development on trust lands; or

(iv) whether, in the director's sole discretion, the sale would foreclose future development or management options that would likely result in greater long-term economic benefits.

(3) The director may not sell trust lands for less than fair market value.

R850-80-250. Evaluation of Temporary Easements, Rights-of-Entry, and Other Existing Rights of Record.

Prior to the sale of trust lands, the agency shall determine, pursuant to R850-40-250(2), whether temporary easements or rights-of-entry exist on the subject parcel. The agency shall also evaluate the presence and impact of other valid existing rights of record on the subject parcel prior to sale.

R850-80-300. Determination of Fair Market Value and Minimum Acceptable Purchase Price.

(1) If the director determines that the sale of a parcel of trust lands is in the best interest of the beneficiaries, the agency shall determine the fair market value of the parcel. In determining the fair market value of a parcel, the agency may consider:

(a) an appraisal;

(b) a market analysis, including evaluation of real estate trends, market demand, opportunity costs of the sale, and the management costs of retention; and/or

(c) other information that the agency considers relevant.

(2) The agency shall evaluate whether taking prudent and cost-effective actions would increase the fair market value of the parcel.

R850-80-400. Deposits on Nominated Parcels.

(1) If the director evaluates a parcel of trust lands for sale due to a nomination by an interested party, the agency may require the nominator to deposit funds to offset the costs incurred by the agency to prepare the parcel for sale.

(2) If the nominator purchases the parcel, the agency shall credit the deposit against those costs and fees charged by the agency pursuant to R850-80-610(4) and R850-80-620(4).

(3) If the agency does not offer the subject parcel for sale or if the nominator submits a credible bid on the subject parcel but is not the successful bidder, the agency shall refund the deposit to the nominator. A bid less than a disclosed minimum acceptable purchase price is not a credible bid.

R850-80-500. Agency Financing.

(1) The agency may offer financing on any unpaid portion of the purchase price or other costs owed by the purchaser at a variable interest rate equal to the greater of: (a) the prime rate plus 2.5%, or (b) 7.5%, unless otherwise determined by the director. The agency shall establish the interest rate for each payment due by determining the prime rate as of the date of billing, except that for interest due pursuant to R850-80-610(6), the agency shall use the prime rate established as of a date determined by the director prior to the auction. Interest is calculated on a 365-day basis.

(2) A purchaser that finances through the agency shall make annual payments on the debt for no longer than 20 years. The agency may establish a shorter financing period.

(3) The purchaser shall make the first payment on or before one year from the first day of the month following the date of sale. The purchaser shall make all subsequent payments on or before the first day of the same month of each year thereafter until the balance is paid in full. The agency may require more frequent payments.

(4) The agency shall apply amounts paid in excess of the current obligation to principal. The purchaser may pre-pay the unpaid balance and accrued interest at any time without penalty.

(5) If the purchaser fails to pay an annual payment or accrued interest when due, the agency shall send the purchaser notice of default and allow the purchaser to cure the default, including paying any late fees, within 30 days of the notice. If the purchaser fails to cure the default within the 30-day cure period, the agency may accelerate the debt, forfeit the purchaser's interest in the subject parcel, and pursue all other available contractual, legal, or equitable remedies, including specific performance.

(6) A purchaser that finances through the agency shall execute and acknowledge a quitclaim deed in favor of the agency for the subject parcel. The agency may not record the quitclaim deed unless the agency forfeits the purchaser's interest in the subject parcel pursuant to R850-80-500(5).

R850-80-600. Methods of Sale.

The director may sell trust lands using one of the methods described below:

- (1) A public auction pursuant to R850-80-610, or
- (2) A negotiated sale pursuant to R850-80-620.

R850-80-605. Advertisement of Public Auction.

(1) At least 45 days prior to a public auction, the agency shall give notice by certified mail to:

- (a) the legislative body of the county in which the subject parcel is located;
- (b) lessees/permittees of record on the subject parcel; and
- (c) adjoining landowners as shown on county records.

(2) The notice of sale must include:

- (a) the date and time of the auction;
- (b) whether the auction will be held in person or by electronic means;
- (c) if the auction is held in person, the location of the auction;
- (d) if the auction is held electronically, the ways in which a potential bidder may participate;
- (e) a general description of the subject parcel and a brief

description of its location, including township, range, and section; and

(f) the contact information of the agency office where interested parties can obtain more information.

(3) The agency may advertise public auctions using other methods determined by the agency to increase competition at the auction.

R850-80-610. Public Auction Rules and Procedures.

(1) The agency may conduct a public auction in person or electronically.

(2) The agency shall publish the bidding procedures at the agency's website, which procedures must include:

(a) information required to register for the auction, if applicable;

(b) payments required to be paid at the auction by the successful bidder, including the down payment and costs and fees assessed by the agency pursuant to R850-80-610(4); and

(c) whether the agency is willing to finance the unpaid portion of the purchase price.

(3) The agency may disclose the minimum acceptable purchase price for the subject parcel.

(4) The agency may require that the successful bidder reimburse the agency for costs incurred by the agency in preparing the parcel for sale, including the costs of advertising, appraisal, cultural resource investigations, and environmental assessments. The agency may also charge a sale processing fee.

(5) A bid constitutes a valid offer to purchase.

(6) At the conclusion of the auction, the successful bidder shall pay the agency the down payment, the costs and fees published pursuant to R850-80-610(4), and if the successful bidder elects to finance through the agency, the interest on the unpaid balance as calculated from the date of sale to the first day of the following month.

(7) If the successful bidder does not finance the remainder of the purchase price through the agency, the successful bidder shall pay the remainder of the purchase price at the conclusion of the auction. If the successful bidder fails to pay the purchase price at the auction, the agency is not required to finalize the transaction and may retain all amounts paid by the successful bidder at the auction.

(8) If the successful bidder fails to pay the amounts required under R850-80-610(6) or fails to execute the certificate of sale within 30 days, pursuant to R850-80-700(2), the director may offer the subject parcel for sale to the person whose bid was second highest at the auction. The purchase price paid by the second highest bidder must meet or exceed the minimum acceptable purchase

price. To accept the agency's offer, the second highest bidder shall submit all amounts owing under R850-80-610(6) or R850-80-610(7) and execute the certificate of sale within 30 days after the agency's offer.

(9) If a third party owns improvements on a parcel of trust lands sold at auction that were installed pursuant to a valid permit or other right granted by the agency and such valid right does not survive the sale of the parcel, the purchaser shall permit the owner of the improvements to remove them within 90 days after the date of the auction.

R850-80-615. Advertisement of Negotiated Sale.

(1) The agency shall give notice of a negotiated sale by certified mail to:

(a) the legislative body of the county in which the subject parcel is located;

(b) lessees/permittees of record on the subject parcel; and

(c) adjoining landowners as shown on county records.

(2) The notice of sale must include:

(a) a general description of the subject parcel and a brief description of its location, including township, range, and section; and

(b) the contact information of the agency office where interested parties can obtain more information.

(3) Negotiated sales shall be advertised using methods determined by the agency to be in the best interest of the beneficiaries.

R850-80-620. Negotiated Sale Procedures.

(1) If the agency receives an expression of competitive interest within the notice period, the agency shall evaluate the offer and determine what action is in the best interest of the beneficiaries.

(2) The agency shall give the board and affected beneficiary prior notice of the proposed negotiated sale, which notice must describe the terms, reasons, and other pertinent facts of the proposed negotiated sale.

(3) Board approval of a negotiated sale is required if:

(a) the fair market value of the subject parcel exceeds \$250,000.00;

(b) the subject property exceeds 320 acres; or

(c) the agency receives a competitive offer on the subject parcel.

(4) The agency may require the purchaser to pay a down payment and the costs and fees described in R850-80-610(4).

R850-80-700. Certificates of Sale.

(1) Following a public auction or on concurrence of the parties in a negotiated sale, the agency shall prepare and deliver a certificate of sale to the purchaser. The certificate must contain:

(a) a legal description of the subject parcel;
(a) the purchase price and any pre-paid amounts;
(b) costs assessed by the agency;
(c) financing terms, if applicable;
(d) the dates on which obligations must be met;
(e) the beneficiary of the subject parcel;
(f) remedies available to the agency on default by the purchaser, including forfeiture; and

(g) any other terms, covenants, deed restrictions, or conditions that the agency considers appropriate.

(2) For trust lands purchased at an auction, the successful bidder must execute the certificate of sale within 30 days of receipt from the agency. If the successful bidder fails to execute the certificate of sale within the 30-day period, the agency is not required to finalize the transaction and may retain the down payment and costs paid by the successful bidder at the auction.

(3) The agency may terminate a negotiated sale for any reason prior to finalization of the certificate of sale. If a negotiated sale is terminated by the proposed purchaser, the agency may retain the costs and fees paid pursuant to R850-80-620(4).

(4) A certificate of sale is not final until the purchaser and the director or other authorized agency representative executes the certificate.

(5) The purchaser under a certificate of sale may assign the certificate of sale to any person qualified to purchase trust lands. If the purchaser desires to assign the certificate prior to payment in full of the purchase price and all accrued interest, the purchaser must have the agency's prior written consent to the assignment. The agency may require the assignee to execute a quitclaim deed, as required under R850-80-500(6), as a condition to consent to the assignment. An assignment of a certificate of sale must clearly identify the subject parcel, the certificate of sale number, the name and address of the assignee, and be executed by both the assignor and assignee.

(6) Assignment of a certificate of sale does not relieve the assignor from any obligations arising prior to the date of assignment.

(7) Within a reasonable time after payment in full of the amounts owing under a certificate of sale, the agency shall seek issuance of a patent from the governor or the governor's designee to the purchaser of the property.

R850-80-750. Partial Releases.

(1) The director may authorize a partial release of trust

lands sold under a certificate of sale if in the director's sole determination, it is in the best interest of the trust beneficiaries. In considering whether a partial release is in the best interest of the trust beneficiaries, the director may consider the following:

(a) whether access to the remainder of the parcel is preserved without restriction;

(b) whether utilities and infrastructure, including water, sewer and storm drains, electric power, and natural gas, installed on trust lands covered by the certificate have the capacity and capability to service the whole of the parcel;

(c) whether the value of the remaining portion of the parcel is less than the remaining principal balance of the certificate; and

(d) any other factor the director deems reasonable to preserve the value of the remainder of the parcel.

KEY: administrative procedures, sales

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Exhibit B
(Current Sale of Trust Lands Rules)

R850. School and Institutional Trust Lands, Administration.

R850-80. Sale of Trust Lands.

R850-80-100. Authorities.

This rule implements Sections 6, 8, 10, and 12 of the Utah Enabling Act, Articles X and XX of the Utah Constitution, and Subsections 53C-1-302(1)(a)(ii) and 53C-4-101(1) which authorize the director to prescribe the terms and conditions for the sale of trust land.

R850-80-150. Planning.

In addition to those other planning responsibilities described herein, the agency shall:

1. Submit proposals for the sale of trust lands to the Resource Development Coordinating Committee (RDCC) unless the proposal is exempt from such review;
2. Evaluate and respond to comments received through the RDCC process; and
3. Evaluate any comments received through the notice and advertising processes conducted pursuant to R850-80-600 and R850-80-615.

R850-80-200. Sale of Trust Lands.

The agency may sell trust land if the agency determines that the sale of the land would be in the best interest of the trust beneficiaries and provided that the land is sold for no less than fair market value.

R850-80-250. Evaluation of Temporary Easements, Rights-of-Entry and Existing Rights of Record.

Prior to the sale of any trust land, the agency shall undertake the notification process set forth in R850-40-250(2) to evaluate whether any temporary easement or right-of-entry exists on the subject property. The agency shall also evaluate the presence and impact of other valid existing rights of record on the subject property prior to sale, and take any appropriate steps to mitigate adverse impacts resulting from such rights.

R850-80-300. Sales Initiation Process.

The sales process shall be initiated by an agency determination to evaluate the appropriateness of the sale of a particular parcel of trust land. The evaluation shall be undertaken in accordance with R850-80-500. In determining the

appropriateness of a parcel of trust land for sale, the agency may consider nominations by interested parties.

R850-80-400. Sales Deposits.

If the agency evaluates a parcel of trust land for sale due to a nomination by an interested party, the person making such nomination may be required to deposit funds in an amount determined by the agency to be used to offset costs incurred in preparing the parcel for sale. In the event the person making the deposit is the successful purchaser of such land, the deposit shall be a credit against any fees charged by the agency to the purchaser for preparing the land for sale. In the event the person making the deposit is not the successful purchaser of such land or the land is not offered for sale, the deposit shall be refunded.

R850-80-500. Sale Determination Procedures.

1. Preliminary Analysis

(a) The director shall not offer trust land for sale when:

- i) the subject property is appreciating in value at a rate in excess of the anticipated return from the investment of the principle;
- ii) there is no evidence of competitive market interest, unless the purpose of the sale is to test the market in a particular area;
- iii) the sale would create obstacles to future mineral development on trust lands; or
- iv) in the sole discretion of the director, it has been determined that the sale would foreclose future development or management options which would likely result in greater long term economic benefit.

2. Market Analysis

(a) The agency shall conduct a market analysis of a proposed sale of trust land which shall include an estimate of value. If the estimate of value is determined by an appraisal, the cost of the appraisal shall be borne by the successful purchaser.

(b) The market analysis may also include the evaluation of:

- i) real estate trends;
- ii) market demand;
- iii) opportunity costs including potential for appreciation; and
- iv) associated management costs of retention.

3. Sale Determination

(a) The director may take into account any factor and circumstances deemed relevant, as well as any applicable policy adopted by the board, when making a determination as to whether to sell trust land. Prior to the sale of trust land, the agency

shall take prudent and cost-effective actions to increase the value of the land.

(b) If a sale is determined to be appropriate, the agency shall determine the minimum acceptable selling price of the subject property, which minimum acceptable selling price shall not be less than fair market value. This determination may include information from any of the following:

- i) the appraisal;
- ii) the data gathered pursuant to R850-80-500(2); and
- iii) any other information which the agency considers relevant.

(c) The minimum acceptable selling price shall be provided protected records status until the sale is consummated, unless otherwise ordered by the director.

R850-80-550. Methods of Sale.

The agency may sell land or assets using one of the methods described below:

1. A public sale pursuant to R850-80-610, or
2. A negotiated sale pursuant to R850-80-620.

R850-80-600. Public Sale Notice and Advertising.

1. At least 30 days prior to a public sale, notice shall be sent by certified mail to:

(a) the appropriate county authority in which the subject property is located with a request to have the notice posted in the governmental administrative building or courthouse and other appropriate locations;

(b) lessees/permittees of record on the subject property; and

(c) adjoining landowners as shown on county records.

2. The notice of sale shall include:

(a) the date, time, and location where the sale will be held;

(b) a general description of the subject property including township, range, and section and a brief description of the location of the subject property; and

(c) contact information of the agency office where interested parties can obtain more information.

3. The agency may advertise public sales using any other methods the director has determined may increase the potential for additional competition at the sale.

R850-80-610. Public Sale Auctions.

Public sale auctions shall be conducted as follows:

1. Sealed bids shall be accepted until the day prior to the auction by the agency, or on the day of the auction by the officer conducting the auction.

2. A sealed bid shall contain funds in an amount equal to at least 10% of the total bid amount offered to purchase the subject property and may be required to consist of certified funds. Bids and bid deposits shall be a specified dollar amount. The agency reserves the right to reject any bid however submitted.

3. Purchasers who have defaulted on certificates of sale may be required to make larger down-payments or submit sealed bids in the form of certified funds even if such a requirement is not contained in the notice of sale.

4. The persons submitting the three highest bids shall be allowed to enter into oral bidding, which shall begin at the amount of the highest sealed bid, subject to those terms and conditions of R850-80-610(5). Those persons who submit a sealed bid that is within 20% of the third highest sealed bid shall also be allowed to participate in oral bidding, subject to those terms and conditions of R850-80-610(5).

5. In the event the minimum selling price of a property is disclosed prior to the auction, persons who bid less than the disclosed minimum selling price shall be disqualified and shall not be eligible for oral bidding, even if such bids would otherwise meet those requirements in R850-80-610(4) or (6).

6. Only current grazing permittees, materials permittees and special use lessees on the subject property who submit sealed bids shall automatically qualify to enter into oral bidding, subject to those terms and conditions of R850-80-610(5).

7. All bids, whether sealed or oral, constitute a valid offer to purchase. An attempt to withdraw a sealed bid after the first sealed bid has been read, or an attempt to withdraw or amend an oral bid may result in the forfeiture of the bid deposit and any other remedy afforded the agency at law or equity.

8. If, after the first round of oral bidding, no bid is submitted which equals or exceeds the agency's minimum selling price, then the sale shall not be made except as provided below.

(a) At the discretion of the officer conducting the sale, qualified bidders may enter into additional rounds of oral bidding, starting at the high bid reached in the previous round.

(b) To facilitate the sale of the parcel, the officer conducting the sale may divulge the minimum selling price.

9. At the conclusion of the auction, the agency shall collect from the successful bidder:

(a) a down payment in the amount required by the sale notice;

(b) interest on the unpaid balance from the date of sale to the first day of the following month; and

(c) reimbursement of costs incurred in preparing the parcel for sale, which may include costs incurred for advertising, appraisal, cultural resource investigations, environmental assessments, and a sale processing charge.

10. The first payment shall be due one year from the first day of the month following the sale; subsequent payments shall be due on the first day of the same month each year thereafter until the balance is paid in full.

11. Amounts paid in excess of the current obligations shall be applied to principal. The unpaid balance, plus interest to date, may be paid in full at any time without penalty.

12. If the successful bidder defaults on the down payment or otherwise fails to meet the requirements of R850-80-610(9), the property may, upon approval by the director, be offered for sale to the person whose bid was second highest at the auction provided that the terms of the sale shall meet or exceed the minimum acceptable selling price established for the subject property. The second highest bidder shall have 30 days from the date of the agency's offer to submit the amounts required under R850-80-610(9).

13. The interest rate which shall be charged against any unpaid balance at the conclusion of the auction shall be the prime rate, as determined by the agency on the date the public sale is approved by the director, plus 2 1/2% (Prime Rate + 2 1/2%). Interest shall be calculated on a 365-day basis. Every year thereafter, the interest rate which shall be charged against the unpaid balance shall be the prime rate, as determined by the agency on the date of billing, plus 2 1/2% (Prime Rate + 2 1/2%).

14. Third parties owning authorized improvements on the parcel at the time of the sale shall be allowed 90 days from the date of the sale to remove the improvements. This provision is not applicable when such improvements are permitted under a valid existing right of record when such right survives the sale of the parcel.

R850-80-615. Negotiated Sale Notice and Advertising.

1. Prior to an agency decision to initiate a negotiated sale, notice of such shall be sent by certified mail to:

(a) the appropriate county authority in which the subject property is located with a request to have the notice posted in the governmental administrative building or courthouse and other appropriate locations;

(b) lessees/permittees of record on the subject property; and

(c) adjoining landowners as shown on county records.

2. The notice of sale shall include:

(a) a general description of the subject property including township, range, and section and a brief description of the location of the subject property; and

(b) contact information of the agency office where interested parties can obtain more information.

3. The agency may advertise negotiated sales using any other methods the director has determined may increase the potential for additional interest in the subject property.

R850-80-620. Negotiated Sale Procedures.

1. Negotiated sales shall be advertised in the manner set forth in R850-80-615. In the event a competing offer(s) is received, the agency shall evaluate the offers and determine what action is in the best interest of the beneficiaries.

2. The board and affected beneficiary institution(s) shall be provided notice 30 days prior to the sale describing the terms, reasons, and other pertinent facts of the proposed negotiated sale.

3. Board approval of a negotiated sale is required if:

(a) the value of the subject property exceeds \$250,000.00;

(b) the subject property exceeds 320 acres in size; or

(c) additional interested person(s) indicate to the agency an interest in purchasing the subject property.

4. A purchaser of trust land sold at a negotiated sale may be required to reimburse the agency for costs incurred in preparing the parcel for sale, which may include costs for advertising, appraisal, cultural resource investigations, environmental assessments, and a sale processing charge.

R850-80-700. Certificates of Sale.

1. Following a public sale or upon concurrence of the parties in a negotiated sale, the agency shall prepare and deliver a certificate of sale to the purchaser. This certificate shall contain a legal description of the subject property, and shall include:

(a) information regarding the amount paid;

(b) the amount due;

(c) the time when the principal and interest shall become due;

(d) the beneficiary of the land;

(e) provisions for remedies the agency may elect in the event of a default, as such remedies are set forth in R850-80-700(8); and

(f) any other terms, covenants, deed restrictions, or conditions which the agency considers appropriate.

2. Certificates of sale must be executed by the purchaser and returned to the agency within 30 days from the date of the

purchaser's receipt of the certificate. If the certificate is not received by the agency within the 30 day period, certified notice shall be sent to the purchaser giving notice that after 30 days the sale may be canceled with all monies received, including the down-payment, forfeited to the agency. Notification by certified mail, return receipt requested, of this forfeiture provision shall accompany the transmittal of the certificate to the purchaser.

3. A certificate of sale shall be signed by the director after it has been signed by the purchaser and returned to the agency. The certificate shall not be final and no rights shall vest in the purchaser until the certificate is executed by the director. The agency reserves the right to cancel a sale of trust land for any reason prior to execution of the certificate by the director.

4. A certificate of sale may be assigned to any person qualified to purchase trust lands, provided that the assignment is approved by the director, and that no assignment is effective until approval is given by the director in writing.

5. An assignment of a certificate of sale shall be consistent with these rules, executed by the assignee and assignor and acknowledged, and shall clearly set forth the certificate of sale number, the land involved, and the name and address of the assignee.

6. Assignment of a certificate of sale does not relieve the assignor from any obligations under the original certificate of sale.

7. Upon payment in full and surrender of the original certificate of sale for any tract of land sold, or payment in full of any amounts required under R850-80-750(3) for the partial release of property, the agency shall issue a patent to the appropriate person.

8. In the event of a purchaser's default under the certificate of sale, the agency's remedies shall include, without limitation, acceleration of the debt, forfeiture, any remedy which the agency may pursue under the certificate of sale, suit for judgment, foreclosure as provided for under Section 57-1-19 et seq. for trust deeds, and any other remedies afforded at law or equity.

R850-80-750. Partial Releases.

Partial release of property sold under a certificate of sale may be allowed at the discretion of the director. The following conditions shall be met:

1. Access to the remainder of the land must be preserved without restriction;
2. All utilities and infrastructure, including water, sewer and storm drains, electric power, and natural gas, installed on

land covered by the certificate shall have the capacity and capability to service all trust land originally included in the certificate;

3. Unless the director makes a written finding that waiver of this condition would be in the best interests of the trust beneficiaries, payment shall be made to the agency in an amount equal to 125% of the original price per acre, multiplied by the number of acres to be released, plus interest on that amount to the date payment is received. The payment shall be in the form of certified funds, and shall be applied to principal. This payment shall not affect the amount or due dates of annual payments;

4. Unless the director makes a written finding that waiver of this condition would be in the best interests of the beneficiaries, the 125% payment required by paragraph 3 above shall not include the 10% down payment or any annual installment paid under the certificate of sale;

5. The buyer shall provide a survey and legal description prepared and sealed by a Utah Registered Land Surveyor of the parcel to be released and the remaining land under the certificate; and

6. The value of the remaining land shall not be reduced to an amount less than the remaining principal balance of the certificate.

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