Subject: Special Use Lease Policy

The Board of Trustees of the School and Institutional Trust Lands Administration met in open, public session on June 27, 2007, and by majority vote declares the following to be an official policy of the Board:

Pursuant to §53-C-4-101 and § 53C-4-201 of the School and Institutional Trust Lands Management Act ("Act"), the Board of Trustees ("Board") believes it is desirable and prudent to establish a policy governing the procedures used by the School and Institutional Trust Lands Administration ("Administration") to enter into special use leases for the surface estate of trust land.

The Director has the authority to establish criteria by rule for leasing trust lands under § 53C-4-101(1)(a). In order to assist the Director in fulfilling his/her obligation under the foregoing, the Board adopts the following policy regarding the procedures and criteria used by the Administration to lease trust land.

1. As a general rule, leasing trust land provides more economic benefits to the beneficiaries than does selling and is, therefore, the favored alternative where feasible and prudent.
2. The Administration shall evaluate comments and concerns raised by outside interests prior to leasing trust lands.
3. Leases issued by the Administration will be for terms appropriate for the use and consistent with land-management objectives adopted by the Board.
4. The Administration may solicit requests for proposals to lease trust lands using such advertising as the Director deems appropriate.
5. Lease rates will be based on the value and income-producing capability of the subject property and may include percentage rent, where appropriate. The Administration may establish a minimum annual rental for leases based on the costs incurred in administering leases and a desired minimum rate of return.
6. Leases will contain provisions for review to ensure compliance with the terms and conditions of the lease and adjustments of rentals to account for any appreciation of the leased premises and changing market conditions.
7. Leases will contain provisions necessary to ensure responsible surface management of trust lands.
8. Leases will be subject to advertising for competitive applications unless the use is exempt or unless the Director finds that the waiver of such is in the best interest of the beneficiaries.
9. Generally, lands should not be leased if:
   a. a lease would create obstacles to future mineral development or
   b. a lease would foreclose future development or management options which would likely result in greater long-term economic benefit.

10. The Administration may lease land that would otherwise remain vacant for less than full-market value, provided that the lease contains a clause whereby the Administration may terminate the lease prior to the end of the term.