STATE OF COLORADO

Governor
John Hickenlooper

Department of Natural Resources
Mike King, Executive Director

**Managing
State Trust Lands
Since 1876**

**STATE BOARD OF
LAND COMMISSIONERS**
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DATE: **November 1, 2011**

TO: Members of the Joint Budget Committee

Members of the Senate Education Committee
Members of the House Education Committee
Other Interested Persons

FROM: Mike Trevithick, Chief Financial Officer, State Board of Land Commissioners
Mike McAninch, Investment Officer, State Board of Land Commissioners

RE: FY 2010-11 Investment and Development Fund Report

This memorandum serves as the FY 2010-11 Investment and Development Fund report required by Section 36-1-153, C.R.S. In 2005 and 2009, the Legislature created and expanded the Investment and Development Fund. The Fund granted the State Land Board the authority to reinvest up to $5 million of School Trust revenue into School Trust assets in order increase asset value and/or generate additional income.

Since inception in 2005, the State Land Board's work on Investment and Development Fund has included:

- Undertaking, in FY 2010-11, an oil & gas development project on the Lowry Range, which is expected to increase the revenue and valuation from the parcel by more than $35 million in the next fiscal year;
- Increasing annual recreation and agricultural lease revenues by $187,800;
- Increasing annual commercial lease revenues by $1,078,680 million through infrastructure investment, new ground leases, and cell tower leases;
- Increasing property value, which can be realized by the Board over the next ten (10) years as the economy recovers, by more than $46.6 million through annexation, rezoning and construction; and
- Designing and constructing a LEED certified office building (18,000 sq ft) which generates $300,000 per year in rent savings and new revenue.

FINANCIAL SUMMARY

Since 2005, the Board has authorized 28 projects and $13.2 million in expenditures from the Investment and Development Fund. These projects enhance land value and/or annual income for the School Trust beneficiaries. Among the benefits already derived or expected to be derived from the projects are the following:

- An $2.2 million increase in annual revenue over the next 10 to 20 years;
- A $83.1 million increase in property value over the next 5 to 20 years;
- Eleven (11) projects are now complete and have generated:
  - $426,000 of increased annual revenue; and
  - Three-quarters of a million dollars in increase portfolio value.
- The $13.2 million investment from the I&D Fund has leveraged $8.2 million in additional funding from other sources, including federal, state, and private contributions.

- Financial measures of performance:
  - Net Present Value (NPV) of $34.8 million[1]
  - Rates of return (IRR) for individual projects between 7% and 400%

GLOSSARY AND DEFINITIONS

The following is an explanation of the financial analysis and other concepts used in this report.

Financial Measures of Performance

The State Land Board utilizes **discounted cash flow analysis** to report on the viability and performance of individual projects and the fund as a whole. This analysis is widely used in private business and considers all costs (including opportunity costs) and revenues of a particular project over the life of the project.

Future revenues are subject to a **discount rate** in order to determine the project's current or **net present value (NPV)**. This discount rate is simply an indicator of a reasonable rate of return that should be expected for a given type of investment. For the Investment and Development Fund, the discount rate has been set at the following percentages for specific investment types.

- Agricultural projects: 7.5%
- Commercial sales, remodels, and construction: 10.0%
- Land Development: 13.5%
- Minerals Projects: 10.0% to 12.0%

In the financial tables associated with each project the Net Present Value is reported. For example, NPV@8% means 8% is the discount rate. If the NPV is a positive number it means the rate of return on the investment exceeded 8%. If the NPV is a negative number it means the rate of return fell below 8% (or whatever the discount rate is for a given project).

[1] Includes total revenues and total costs including estimated future expenditures and initial opportunity costs.

The tables also report on a project's **Internal Rate of Rate Return** (IRR). The IRR is a measure of the current rate of return for all future revenues. For example, an IRR of 15% means that future revenues generate an average annual return of 15% over the life of the investment.

Personnel (FTE) and Operating Costs

There 3 FTE currently funded by the Investment and Development fund as well as some operating and planning expenses. However individual project expenditures do not reflect the costs of each FTE. All costs associated with these FTE are deducted from the Fund's total NPV in order to reflect the true return of the Fund's investments.

Land Value and Entitlement

Annexation, rezoning, and platting increase the value of property through land use "entitlements." Annexation guarantees governmental services including water and wastewater while the rezoning and platting allows the property to be subdivided and developed. This process is termed "entitling property".

Please note that land value projections for both completed and ongoing projects have been adjusted downward based on current economic conditions and/or current appraisals.

AGRICULTURAL AND RECREATION PROJECTS - COMPLETE

Muddy Creek Water System

Project Type: Agricultural – Revenue Enhancement

Project Summary

Timeline	
Project Start:	December 2005
Installation:	July 2006
Lease:	October 2006
Summary	
Goal:	$7,067 revenue increase
Project Investment:	$39,900 I&D Fund $10,100 Non SLB $ **$50,000 Total**
Financial	
Return (10yr IRR):	10.44%
NPV @ 7.5%:	$7,618

This project concerns a water distribution system on a 1,080-acre parcel in Morgan County.

The property suffered from many years of overgrazing primarily because the property lacked a water system that would allow for a viable rotational grazing plan. Cattle could not be effectively moved from pasture to pasture.

The total cost for the water system was $50,000 of which the Board authorized $39,900 from the Investment and Development Fund. The United States Department of Agriculture's EQUIP program paid the difference. The water system included a well, pump, pipeline, water tanks and the electricity necessary to run the system.

The Board approved a new lease on the property in October 2006 which increased annual revenues by $7,067 from 2006 to 2016. The lifetime of the investment is 10 years.

Riverside Ditch Pivot

Project Type: Agricultural – Revenue Enhancement

Project Summary

Timeline	
Project Start:	August 2005
Installation:	January 2006
Lease:	March 2006
Summary	
Goal:	$14,501 revenue increase
Project Investment:	$108,457 I&D Fund $0 Other SLB $ **$108,457 Total**
Financial	
Return (10yr IRR):	10.22%
NPV @ 7.5%:	$17,688

This project involved a sprinkler irrigation investment on a 130-acre parcel located in north central Morgan County.

The property had been flood irrigated for many years using water from the adjacent Riverside Ditch. The property produced a low yield and a low lease rate. In fact, due to the marginal crop production, the property was under consideration for reversion to grazing.

In August 2005, the Board approved the purchase and installation of a sprinkler irrigation system at a cost of $108,457. Two center pivot sprinklers (one of which is pictured) and associated infrastructure were installed on the property which irrigated 100 acres.

Through a competitive bid process, the lease rate was set at $135.78 per acre or $14,500 annually (vs. $1.64/acre or $210 annually for grazing). The lease began in March 2006.

Irrigation Well Meters

Project Type: Agricultural – Revenue Maintenance

Project Summary

Timeline	
Project Start:	October 2006
Installation:	March 2007
Summary	
Goal:	$65,815 net annual revenue maintenance
Project Investment:	$15,600 I&D Fund $0 Other SLB $ **$15,600 Total**
Financial	
Return (10yr IRR):	421.89%
NPV @ 7.5%:	$405,730

This project provided funding for the installation of irrigation well meters required by a court order and the Division of Water Resources. Without these meters, the State Land Board would not be able to irrigate the affected properties and the associated lease revenues would have been reduced from $68,055 to $2,240 – a change of $65,815 annually.

On August 1, 2006, Water Court Order (Case No. 05CW12) was issued approving rules that govern the measurement of ground water diversions located in the Rio Grande Basin. These rules require that every non-exempt well (more than 50 g.p.m.) be equipped with an approved measuring device by March 1, 2007. The cost was $1,300 for each installed meter for 12 wells.

Six School Trust properties with 12 non-exempt wells were affected by the court order. Five of these are irrigated farmland and one is irrigated pasture. The table below displays a comparison of rent as irrigated and as non-irrigated.

Lease Number	Acres	Annual Income As Irrigated	Per Acre Income as Irrigated	Annual Income as Not Irrigated	Per Acre Income as Not Irrigated
42647	150.00	$6,006	$40.04	$250	$1.67
42634	640.00	$25,727	$40.20	$640	$1.00
42952	321.23	$12,490	$38.89	$350	$1.09
44279	160.00	$5,841	$36.51	$250	$1.56
42421	480.00	$16,254	$33.87	$500	$1.05
44800	160.00	$1,738	$10.86	$250	$1.56
TOTAL	**1,911.23**	**$68,055**		**$2,240**	

The Board authorized $15,600 in funding for the installation of these meters. As shown above, this project assured the continued annual income of $68,055 as opposed to the alternative of $2,240 in annual revenue and the historic loss of the use of the wells.

TJ Bar Ranch Lodge

Project Type: Agricultural/Recreation – Revenue and Value Enhancement

Project Summary

Timeline	
Project Start:	April 2006
Lease:	April 2006
Construction Start:	August 2006
Construction End:	September 2007
Summary	
Goal:	$30,000 revenue increase plus a $425,000 increase in equity
Project Investment:	$100,000 I&D Fund $175,000 at lease end $250,000 Non SLB $ **$525,000 Total**
Financial	
Return (10yr IRR):	35.88%
NPV @ 10%:	$182,448

The TJ Bar Ranch Lodge provides recreational access to 7,000 acres of State Trust Land as well as neighboring wildlife properties.

The State Land Board acquired the TJ Bar Ranch (4,400 acres) and neighboring Hughes Ranch (875 acres) in 2003 and 2005 respectively. These acquisitions allowed the State Land Board to consolidate existing land holdings as well as increasing recreation and grazing revenue.

The lessee was selected through a competitive bid process. In addition to new annual recreation revenues, the successful bid included a cost share proposal with the State Land Board in the construction of a 4,300 square foot lodge on the property.

The cost of constructing the lodge was $350,000, of which the Board paid $100,000 from the Investment and Development Fund. According to the terms of the lease, the State Land Board increases its equity in the lodge from 28% to 75% at the end of the ten year lease. Based on a projected value of $700,000, the State Land Board's equity would increase from $100,000 to $525,000. The remaining 25% equity ($175,000) may be purchased by the Board at the end of the ten year lease. The lease also increased the revenues from this property by $33,250 per year.

This project produced a thirty-six percent (36%) annual return and a NPV of $182,448.

Jack Canyon Ranch Project

Project Type: Agricultural – Revenue Enhancement

The Jack Canyon Ranch Project was aimed at increasing the carrying capacity for grazing on State Trust Land in Otero County. Jack Canyon Ranch is south of La Junta and just north of the Purgatoire River. The ranch covers about 6,300 acres.

The ranch has a substandard water delivery system. It also needed additional cross fencing, water spring development, and a new pumping system, pipelines, and additional stock tanks. The present carrying capacity is 1,200 AUMs (Animal Unit Months) per year. This project should increase carrying capacity to 1,500 AUMs per year, for an additional $5,559 in lease revenue annually.

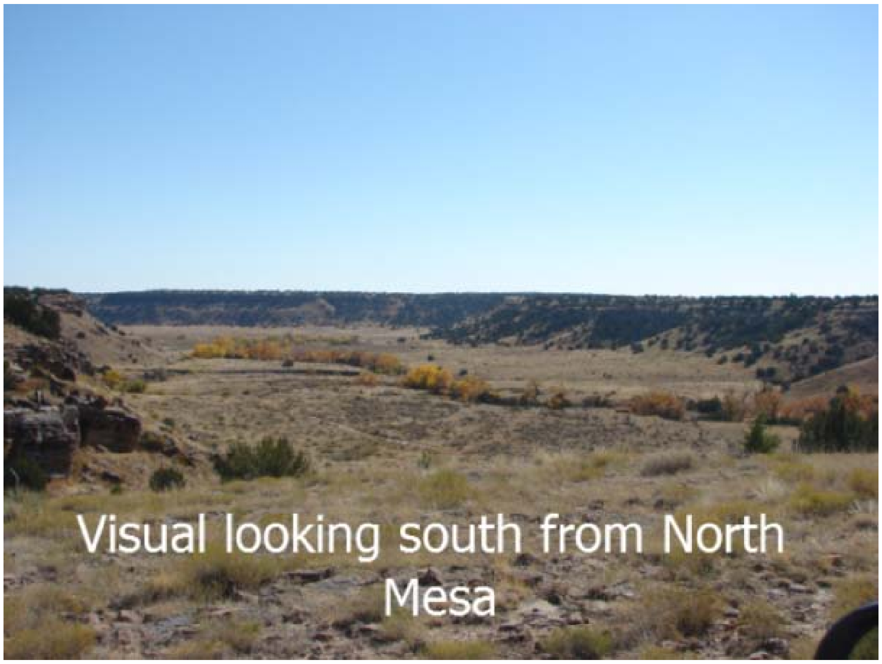
Project Summary

Timeline	
Project Start:	August 2007
Installation:	January 2009
Lease:	June 2010
Summary	
Goal:	$5,559 revenue increase
Project Investment:	$45,234 I&D Fund $45,234 Other $ **$90,468 Total**
Financial	
Return (20yr IRR):	8.11%
NPV @ 7.5%:	$2,370

The Board authorized $45,234 as a cost share with Natural Resources Conservation Service (NRCS) and/or the lessee for this project. The project is expected to produce an annual return of 8.1% over the next 20 years and a net present value of $2,370 based on a discount rate of 7.5%.

The following items have been installed.

Item	Amount	Cost	I &D Fund Share
Spring Development		$3,500.00	$1,750.00
Fencing (cross fencing for pasture delineation	4 miles @ $1.15/ft	$24,288.00	$12,144.00
Stock Tanks	3 – 16' diameter tanks	$14,400.00	$7,200.00
Solar Pumping System	1 system	$10,000.00	$5,000.00
Pipeline	12,000' @ $3.19/foot	$38,280.00	$19,140.00
	Total	**$90,468.00**	**$45,234.00**



Brett Grey Ranch Project

Project Type: Agricultural – Revenue Maintenance

The Brett Grey Ranch project is aimed at improving the management and carrying capacity at a ranch in Lincoln County. The ranch encompasses 50,000 acres, of which approximately 25,000 acres was purchased by the State Land Board in cooperation with The Nature Conservancy (TNC) in 2007.

The ranch has significant agricultural infrastructure as well as a unique riparian area through the southern portion. There are 3 homes and various barns, corrals, scales and livestock handling facilities on the property.

Project Summary

Timeline	
Project Start:	February 2010
Installation Complete:	July 2011
Lease:	Ongoing
Summary	
Goal:	$43,500 revenue maintenance
Project Investment:	$236,017 I&D Fund $236,017 Other SLB $ **$472,034 Total**
Financial	
Return (20yr IRR):	25.29%
NPV @ 7.5%:	$226,425

The ranch also has excellent water rights. There are 310 total irrigated acres and two large reservoirs have the right to store 290 acre feet of water for irrigation.

Unfortunately, due to drought, past management strategies and poorly maintained infrastructure, the ranch has not produced as much forage as anticipated. Even though rated at 1,000 cows or 12,000 AUM's per year, the ranch had no livestock in 2007 to allow for recovery of the grass. In order to maximize the return to the trust and still protect the resource, several critical items need to be repaired and additional livestock water needs to be developed. Some of the irrigation systems, reservoirs, windmills and tanks are in need of repair as well. In addition, the equipment for two irrigated circles, covering 500 acres each, may need to be replaced.

The following items have or will be installed:

Practice	Estimated Completion Date
12.9 miles - 2" pipeline	March-10
8 - 12' rubber tire stocktanks and concrete apron	February-10
1 - 10,000 gallon storage tank	April-10
9.6 Livestock pipeline - 9.6 miles	June-11
7 - 12' rubber tire stocktanks	July-11
1 - storage tank (10,000 gallons)	July-11
1 - storage system & pumping plant	July-11
1 - Spring development	July-11

The Investment and Development Fund cost of this project is $236,017. The Investment and Development Funds will be matched from the lessee and Natural Resources Conservation Service (NRCS).

The purposed of the Brett Gary Ranch investment and development fund project is to maintain the carrying capacity at 16,200. This project generates a positive net present value of $226,425 and an average return (IRR) of 25.29% over ten (10) years. The project life is 20 years.

Big Springs Ranch Project

Project Type: Agricultural – Revenue Increase

The Board consolidated the 8,600 acre Big Spring Ranch in 2009 through the acquisition of 3,300 acre of private in-holdings that included water and improvements. The Big Springs Ranch is located in south central El Paso County 2 miles East of the Town of Ellicott.

This project will be used to remodel the existing ranch house, install cross fences, replace a livestock pump, and install of pipeline and stock tanks. This is completed with the exception of the cross fence which will be done within the next month.

Project Summary

Timeline	
Project Start:	January 2010
Installation:	August 2011
Lease:	February 2011
Summary	
Goal:	$11,638 revenue increase
Project Investment:	$59,088 I&D Fund $0 Other SLB $ **$59,088 Total**
Financial	
Return (10yr IRR):	13.90%
NPV @ 7.5%:	$18,053

The project tasks and budget are as follows:

Item	Amount	Cost
House remodel	Bid from Fence and Handy Man Service.	12,000
Stockwater pipeline	- 2 miles 1 ½ PVC (160 psi) at $3.20/ft	33,792
Stock tanks	- 2 minimum 14’ with steel sides with concrete bottom ($.60/gal)	4,800
Fence	- 1 mile 4-wire @ $2.65/ft	6,996
Submersible Pump	- One @ $1,500.00	1,500
	TOTAL	**59,088**

This project is projected to increase annual revenues by an average of $11,638 based on fifty percent (50%) increase in the property’s carrying capacity and a new rental stream from the remodeled house ($500/month). Based on an investment of $59,088, this project is expected to generate an annual return (IRR) of 13.9% over 10 years and a net present value of $18,053 based on a 7.5% discount rate.

Chico Basin Water Project

Project Type: Agricultural – Revenue Maintenance

Project Summary

Timeline	
Project Start:	January 2011
Installation:	December 2015
Financial Return	
Goal:	$6,477 revenue maintenance
Project Investment:	$43,407 I&D Fund $43,407 Other $ **$43,407 Total**
Return (10yr IRR):	8.03%
NPV @ 7.5%:	$978

This project will build a water distribution system storage tanks, pipeline, well, and cross fence on 4,815 acres of State Trust Land adjacent to the Chico Basin Ranch in north central Pueblo County. Without reliable water source and distribution the current carrying capacity of 1,000 AUMs will be reduced to prevent further overgrazing. The Board will pay for half of the cost of the improvements with NRCS providing the other half.

To continue providing a return to the trust, the property needs infrastructure improvements. The lessee was unable to utilize the parcel for the entire grazing season twice since 2006. During 2010 grazing season all three of the small livestock ponds dried up. If this parcel is ever put on the market for exchange the addition of a reliable livestock watering system and well would enhance the ability of the trust to get added value.

The lease holder has agreed to do the well test holes to find the water. If no water is found this I&D request would be cancelled. If no water is found, the District Manager would investigate getting water from the Chico Basin pipeline farther north.

The following items will be installed:

Planned Completion Date	Practice	NRCS Share	SLB Share
2011	Water well – 300’	$6,450	$6,450
2012	5,700’ of pipeline	$4,703	$4,703
2012	500 watt solar panel	$4,500	$4,500
2012	4,750 gallon tank	$3,563	$3,563
2013	3,500’ of pipeline	$2,888	$2,888
2013	4,750 gallon tank	$3,563	$3,563
2014	4,500; of pipeline	$3,713	$3,713
2014	4,750 gallon tank	$3,563	$3,563
2014	4,750 gallon tank	$3,563	$3,563
2015	11,500 feet cross-fence	$6,901	$6,901
	TOTAL	**$43,407**	**$43,407**

COMMERCIAL AND DEVELOPMENT PROJECTS

Broomfield (Arista)

Project Type: Development - Value Enhancement

This project completed the Planned Urban Development (PUD) entitlement of a seven-acre parcel in Broomfield located between Wadsworth Blvd. and U.S. Highway 36. Once sold, the State Land Board expects to realize an increase to the property's value from $770,000 (2005) to $3.0 million (2012 est.) which would generate a 12.59% internal rate of return and a negative net present value of ($47,348) based on a 13.5% discount rate. All planning on this property is complete.

Project Summary

Timeline	
Project Start:	July 2005
Planning Completion:	October 2008
Target Disposition:	December 2012
Summary	
Goal:	$2.0 million value increase
Project Investment:	$770,000 Land Costs $13,450 I&D Fund $55,450 Other SLB $ **$863,470 Total**
Financial	
Return (8yr IRR):	12.59%
NPV @ 13.5%:	($47,348)

The State Land Board had been working on this property prior to the creation of the Investment and Development Fund. The goal was to take advantage of development plans on adjoining private property. Initial planning efforts by the private developer did not include the State Land Board parcel.

The Board authorized Investment and Development funding in order to complete the negotiation with the neighboring developer – Park 36 – which allowed the property to be included in the Broomfield Urban Transit Village PUD.

In September 2005, the City and County of Broomfield approved the Broomfield Urban Transit Village PUD. An independent appraisal completed in 2006 estimated the PUD entitlement increased the property value some three and half times as without the PUD.

At its October 2008 meeting, the Board approved a Memorandum of Agreement (MOA) with Park 36 on reimbursement of developer fees. Rather than committing the Board to reimburse Park 36's expenses, the MOA allows the Board to require a future purchaser of the property to reimburse Park's expenses and still allow the trust to realize the full value of the property. The target disposal date for this property is 2012.

Mason Street Building Remodel

Project Type: Commercial – Value Enhancement

Project Summary

Timeline	
Project Start:	September 2006
Construction Start:	December 2006
Construction End:	August 2007
Property Sold:	March 2008
Summary	
Goal:	Value increase
Project Investment	$631,428 I&D Fund $0 Other SLB $ **$631,428 Total**
Financial	
Return (2 yr IRR):	21.56%
NPV @10.0%:	$126,582

This project involved remodeling a Fort Collins office building owned by the State Land Board. At the time of the remodel, the building was vacant and needed significant updating in order to compete effectively in the office market.

The State Land Board acquired the 22,000 square foot Mason Street Building through a land exchange in 1993. From 1993 to 2004, the building was leased to various state and local governmental agencies and produced over $200,000 per year. During the summer of 2004, these governmental tenants vacated the building due to individual agency consolidation efforts. From 2004 until it was sold in 2008, the Board was unable to find tenants for the building.

The Mason Street Building could not compete in the office space market and was not ADA compliant. The building had not been remodeled since it was built. The building's common areas were dingy and outdated, the exterior was very institutional, and the building lacked an elevator. Numerous prospective tenants commented on the institutional look and poor amenities of the property.

The Board approved the project to remodel the Mason Street Building in September 2006 which included the installation of an elevator. A construction contractor was selected in December 2006 through a public bid process. The costs to remodel the building totaled $631,428 and the original unimproved value of the building was $1,235,000.

Before Remodel

After Remodel

During the renovation project, the office market in Fort Collins continued to decline. Therefore, even though the remodel was complete in August 2007, the State Land Board continued to struggle to find tenants. Therefore, in August 2007, the Board authorized the disposal of the building at a minimum of $1.8 million[2].

The successful bid for the property was $2.2 million. Based on the final sales price, the State Land Board generated an increase in value at disposal of $333,572 (53%) on a $631,428 investment for a two-year remodel project (2006-2008). This project generated a net present value of $126,582 and a 21.56% rate of return.

[2] The appraised value of the building was $1.6 million.

Centennial Hanger

Project Type: Commercial – Revenue Enhancement

Project Summary

Timeline	
Project Start:	January 2008
Board Approval:	April 2008
Property Acquired:	June 2008
Summary	
Goal:	$100,000 increase in average annual revenue
Project Costs	$0 I&D Fund (FTE only) $650,295 Other SLB $ **$650,295 Total**
Financial	
Return (40yr IRR):	12.18%
NPV @ 10.0%:	$154,982

The Investment and Development Fund was used to fund a Portfolio Agent (1 FTE) who was tasked with finding a revenue producing asset. The portfolio agent found the Centennial Hanger which generates $100,000 in average annual revenue for the School Trust and gives the Colorado State Patrol a long term home for the majority of its aircraft fleet, including the State Plane. Centennial Airport opened in May 1967 as a general aviation reliever airport for Stapleton International Airport. The Centennial Airport has grown steadily to become the 3rd busiest General Aviation airport and among the 25 busiest airports in the United States. Centennial Airport is an international facility with 24 hour US Customs, and a 24/7 Federal Aviation Administration control tower, and all weather capability.

The Colorado State Patrol hangar property includes 13,212 square feet, of which 7,200 square feet is the hangar footprint and the remaining consists of a concrete staging area. The hangar was under a five-year lease to the Colorado State Patrol which was set to expire June 30, 2008. The lease terms provided the tenant, or another State agency, the option to purchase the hangar at the expiration of the lease for about $650,000.

In cooperation with the Colorado State Patrol, the Governor's Office, and Department of Personnel and Administration, the Board authorized the acquisition of the Centennial Airport Hangar and subsequent lease to the Colorado State Patrol at its April 2008 meeting.

The project is expected to produce a 12.18% average return over forty years and a net present value of $154,982 based on a 10% discount rate.

Lochbuie PUD

Project Type: Development – Value Enhancement

Project Summary

Timeline	
Project Start:	August 2005
Planning Complete:	September 2008
Annexation:	November 2008
Target Disposition:	December 2015
Summary	
Goal:	$1.6 million increase in value
Project Investment	$1,437,300 Land Value $102,913 I&D Fund <u>$41,454 Other SLB $</u> **$1,581,667 Total**
Financial	
Return (10 yr IRR):	7.18%
NPV @ 13.5%:	($570,089)

The Lochbuie PUD (Planned Unit Development) project involved the annexation and rezoning of a 158-acre State Land Board parcel north of the town of Lochbuie in Weld County. All planning has been completed and the property has been annexed by the Town of Lochbuie.

The Lochbuie parcel is surrounded entirely by existing or planned development. The Town of Lochbuie has annexed the land on all four boundaries of the State Land Board property.

The annexation and rezoning of the Lochbuie property took nearly four years to complete. After an initial study of the property, the Board authorized Investment and Development funding in August 2005 to pursue annexation and rezoning of the property.

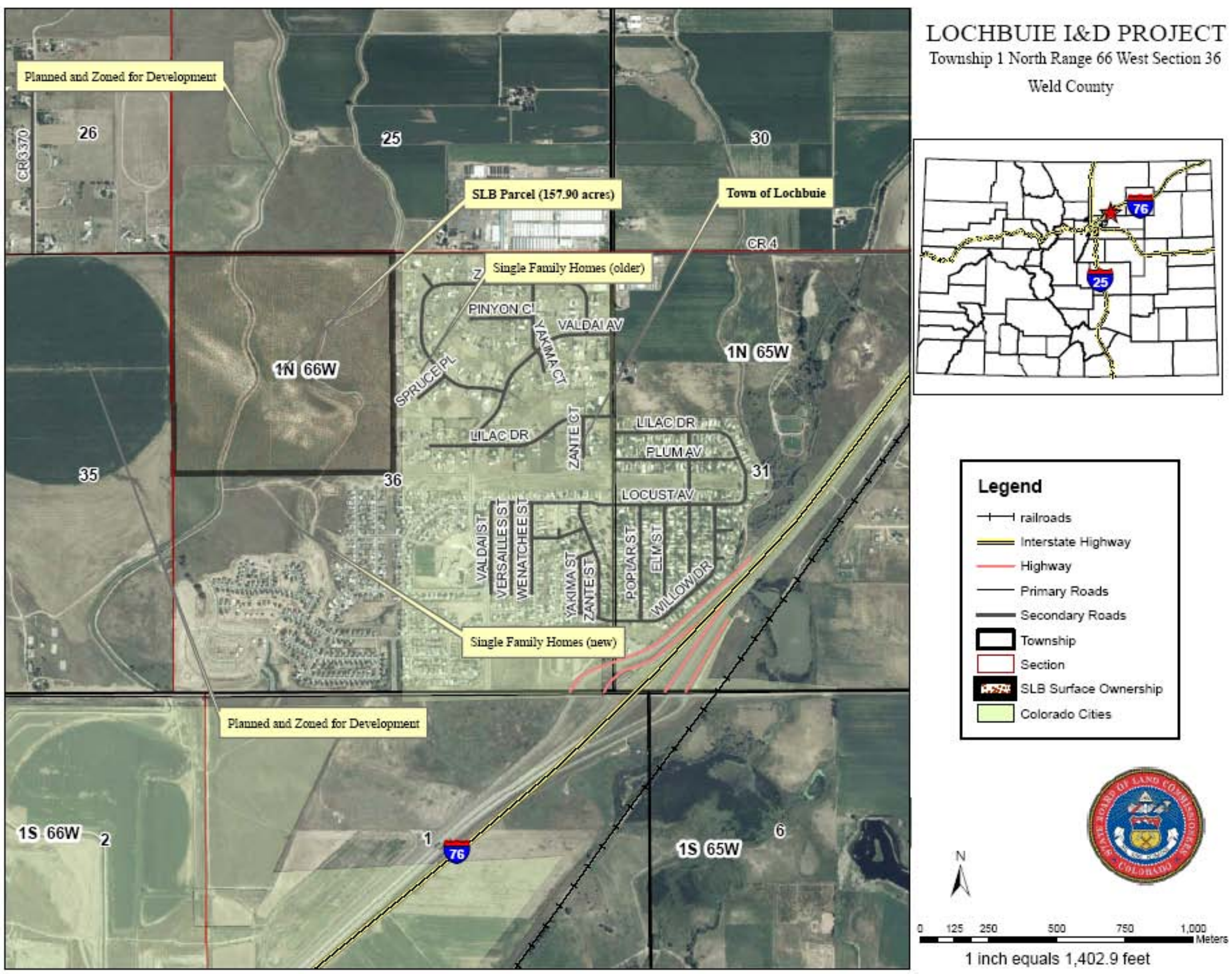
An initial conceptual development plan and appraisal were completed by December 2005. However, due to extensive turnover of elected officials and planning personnel at the Town of Lochbuie, these efforts were put on hold for over a year.

On September 22, 2008, the State Land Board staff formally submitted an annexation and zoning petition including a concept plan to the Town of Lochbuie. The concept plan (below) envisions a development of predominantly single-family detached homes with a component of multi-family homes, a component of commercial/mixed use, a park, and either a middle or high school. On November 19, 2008, the Town of Lochbuie's Board of Trustees approved the annexation and rezoning of the State Land Board's property into the Town of Lochbuie. The property was rezoned as Commercial Mixed Use with a Planned Unit Development. Development rights were vested for an unprecedented twenty years.

Economic conditions have significantly impacted the value of the Lochbuie property as well as other development projects. At the height of the real estate market in 2007, the State Land Board expected the value of the Lochbuie property to increase $6.8 million (an increase of nearly 500%). At the nadir of the residential market in 2009, the State Land Board estimated the value of the entitled Lochbuie property decreased to $3.0 million, where it's estimated it sits today. Nonetheless, the current estimated value represents a 200% increase due to the Board's rezoning efforts.

The Board's expected return from this project is mixed. Currently the Board is pursuing a 2013 partial disposition of this parcel to the local school district to increase the overall realized return. Assuming a disposition of 25 acres in 2013 and the remaining 125 acres in 2015 at a total value of $3.0 million, the project is anticipated to generate an annual return of 7.18%. However, the NPV associated with this project is negative based on a 13.5% discount rate. This means that the project is not likely to achieve the rate of return for comparable projects.

Location of Lochbuie Parcel



1127 Sherman Office Building

Project Type: Commercial – Value Enhancement/Revenue Increase

Project Summary

Timeline	
Project Start:	May 2006
Building Permit:	March 2008
Construction Start:	April 2008
Construction End:	March 2009
LEED Certification:	December 2009
Summary	
Goal:	$483,477 from annual cost savings and new revenue
Project Investment:	$250,000 I&D Fund $4.41 million other SLB$ **$4.66 million Total**
Financial	
Return (3yr IRR):	10.92%
NPV @ 10%:	$117,145

This project involved planning and designing the construction of an 18,000 square foot LEED[3] certified office building at 1127 Sherman in Denver. This project is expected to increase Board's net annual revenue by over $400,000 through a combination of a lease savings from State Land Board central offices as well as new lease revenues.

The 1127 Sherman Street property was a small parking lot wedged between two residential buildings. The land was donated to the State Land Board by several families in 1994 and became a monthly parking lot. The 26-space parking lot earned approximately $7,000 and the 2008 appraised value of the land was $420,000.

At the end of FY 2005-06, the State Land Board analyzed several redevelopment options regarding the 1127 Sherman lot. A three-story office building was determined to be the most cost-effective option.

The State Land Board authorized $250,000 Investment and Development funds in October 2006 to begin the planning process. The Board contracted with a development services firm to build the building based on State Land Board specifications.

The building's planning process required several key approvals in order to proceed. Unlike other state agencies, the State Land Board is constitutionally mandated to comply with local land use regulations and land use plans (Colorado Constitution Article 9, Section 10).

In March 2007, the building design (above) received unanimous approval from the Sherman Historical Review Committee. Then, after initially approving the building permit, the City and County of Denver determined that it was issued erroneously and the building plans had to be resubmitted for review by the Board of Adjustments for Zoning Variances. The zoning variance was approved in March 2008 and construction began in April 2008. Upon completion in April 2009, the State Land Board relocated its central offices to 1127 Sherman. The building received official LEED certification in December 2009.

[3] LEED is Leadership in Energy and Environmental Design

The redeveloped property was appraised by a third party appraiser at $5.1 million ($4.68 million for the building and $420,000 for the land).

Starting in 2011, the State Land Board signed a tenant to the first floor. The tenant occupies 2,145 sq. ft. and will generate $41,827 in additional annual revenue over the 5 year lease. The remainder of the first floor space will be occupied by February, 2012 when the project reaches closure by attaining 95% occupancy. Based on the appraised value of the property at full occupancy, the State Land Board will achieve a positive annual return of 10.97% by 2012 and a NPV of $117,145 using on a 10% discount rate.

Granby Overlook

Project Type: Development – Value Enhancement

The Granby Overlook project is a 38-acre parcel on the south side of the Town of Granby in Grand County. The project allows the State Land Board to complete the final development plan (below) or "final plat" with the Town of Granby. The development plan calls for a mix of single-family detached homes and multi-family residential and commercial uses. All planning has been completed and development approval has been vested for 10 years (until July 2019).

The property is well positioned for development when the market recovers. It has been annexed into the town of Granby and Winter Park Resort, the state's fifth largest ski area, is just 15 miles south of the project. Rocky Mountain National Park lies 15 miles north of the project. The property has good access to commercial development and sits on a high point in the area.

Project Summary

Timeline	
Project Start:	August 2006
Planning Complete:	January 2009
Formal Rezoning:	July 2009
Target Disposition:	By December 2019
Summary	
Goal:	$3.4 million increase in value
Project Investment:	$684,360 Land Value $259,000 I&D Fund $1,700,000 Future I&D $28,735 Other SLB$ **$2,672,095 Total**
Financial	
Return (12yr IRR):	14.57%
NPV @ 13.5%:	$93,011

First Amendment to the PDOD

Land Use	Acres	Density	Units
SFD	26.41	1.7	45
SFA	6.54	6.1	40
MF	3.29	26.7	88
MU	1.78	6.7	12
Total	**38.02**	**4.9**	**185**
Net Open Space:		11.5 acres	
		30%	

Legend

PDOD VIEWSHED AREA

Land Use

SFD
SFA
MF
MU
OPEN SPACE
ROW

Unfortunately, the local market has evaporated in the past few years. The property is surrounded on three sides by the Grand Elk Ranch subdivision and Club Golf Course Community. Grand Elk filed for bankruptcy last year and is currently marketing its project for sale at a significant discount. This has negatively affected the original projected and appraised disposal price of $7.4 million.

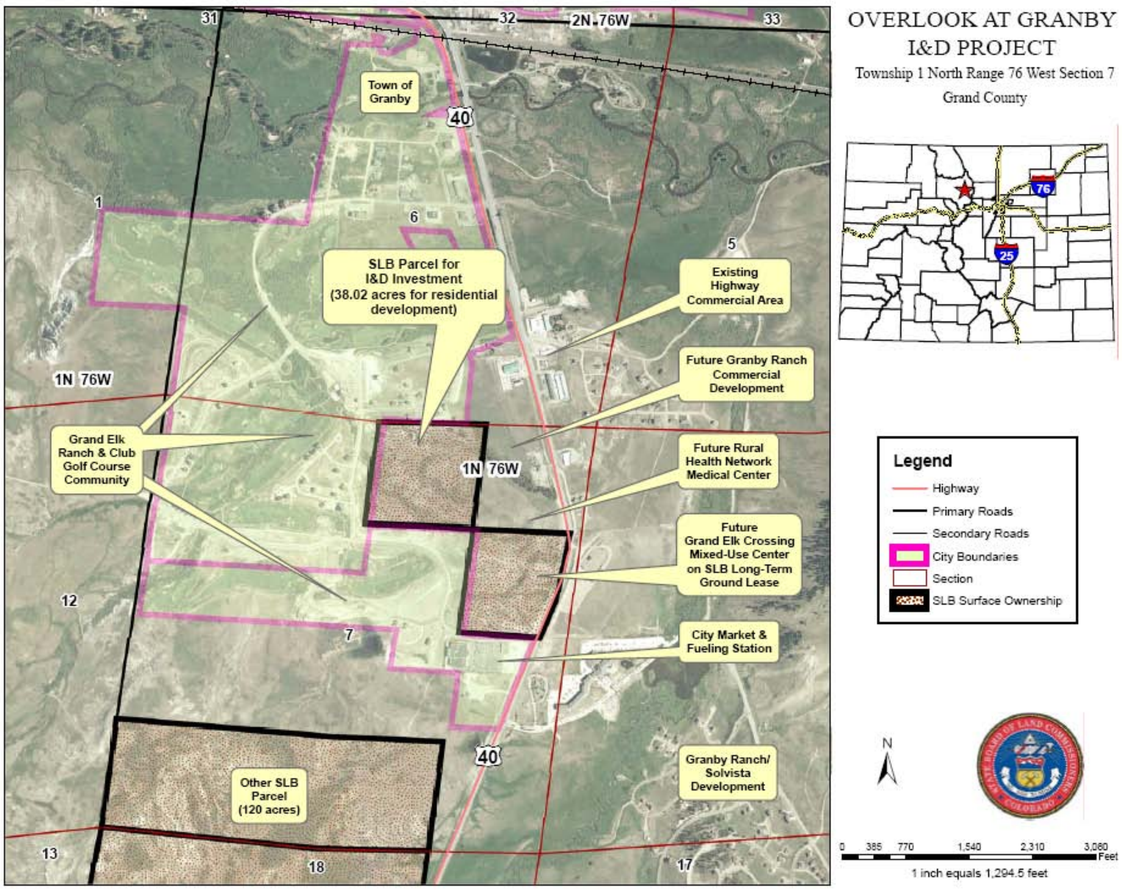
The Granby Overlook project involved taking the property through the platting entitlement process. The platting process required a host of engineering studies and development plans, including a drainage plan, soil survey, traffic study, covenants, declarations, and design standards.

After three years of planning efforts, the State Land Board officially submitted its development plan to the Town of Granby in January 2009. On July 14, 2009, the Town of

Granby granted development approval of Granby Overlook plat.

While it is estimated that the current value of the property has dropped to $760,400, the State Land Board does not anticipate a disposal in the near future. The cost of the project to date is about $287,735: $28,735 from the base budget, and $259,000 from the Investment and Development Fund. $1.7 million in future fees remains to be paid to the Town of Granby in order to develop fully vest the plat. The target disposition of the property is no later than 2019. Based on current prices in the surrounding area and the approved density of the project, a sales price of approximately $6.4 million is the current estimate of the potential value of the site in 2019. At that price, the project would generate a positive net present value and a 14.57% rate of return. However, given substantial market uncertainty in the area, the potential disposal value will be evaluated carefully, particularly as the 2019 target disposal dates draws near.

Granby Overlook Map



(Granby Overlook parcel in center of picture – “SLB Parcel for I&D Investment”)

Dowd Junction

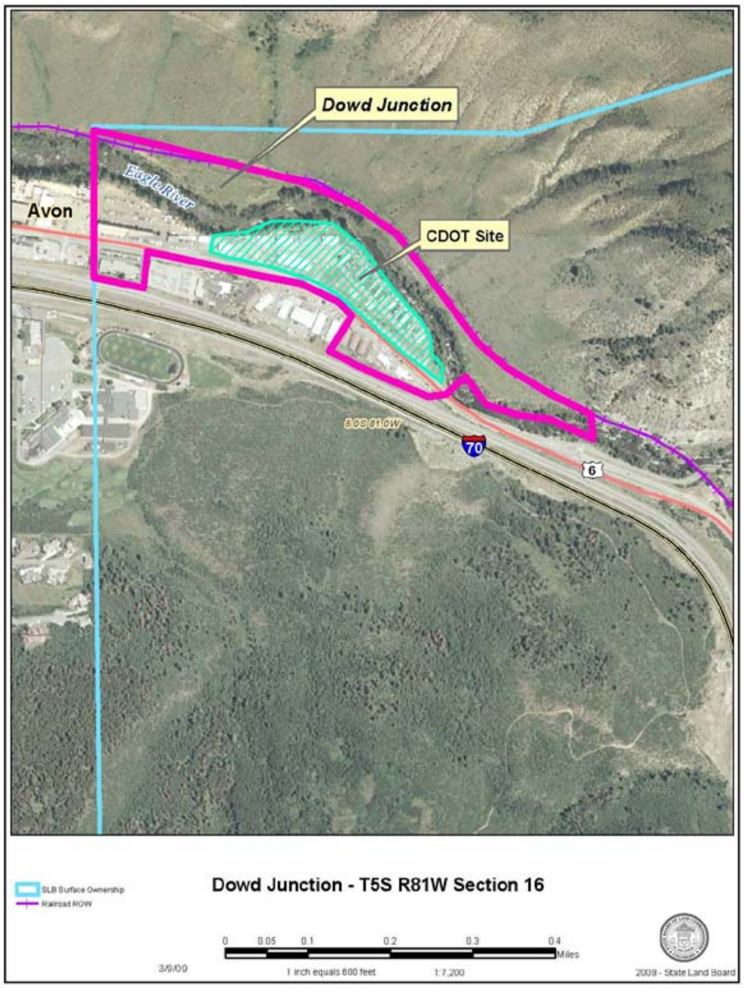
Project Type: Development – Value Enhancement

The Dowd Junction project involves the planning and redevelopment of approximately 18 acres at Dowd Junction between Vail and Avon in Eagle County.

Given its proximity to I-70, Highway 6, and the Eagle River, the Dowd Junction parcel is greatly under-utilized with aging commercial development. This parcel is bordered by Avon and by US Forest Service land. It is approximately one mile west of Vail and half a mile northwest of Minturn. While this parcel is a full Section 16, much of the parcel is undevelopable due to mountainous terrain, geologic hazards, and lack of access. Currently, only 18 acres is being utilized for commercial purposes.

Project Summary

Timeline	
Project Start:	March 2009
CDOT Moved:	December 2012
Planning Complete:	June 2013
Ground Lease:	December 2014
Summary	
Goal:	$27.9 million increase in equity
Project Investment	$8,625,000 Land Value $400,000 I&D Fund $0 Other SLB $ **$9,025,000 Total**
Financial	
Return (6yr IRR):	36.05%
NPV @ 13.5%:	$11.3 million



The State Land Board believes the current commercial uses at Dowd Junction are not at their highest and best use for developable ground. This entitlement project seeks to rezone the property for mixed use (commercial and residential) within the current Eagle County jurisdiction. Eagle County is currently undertaking an update to the County Comprehensive Plan for this purpose. Following the adoption of the Comprehensive Plan update, the State Land Board intends to pursue rezoning of the property to mixed use. This would increase the density allowed on this site ten-fold. This project also seeks to clean up the current encumbrances on the property to prepare for re-development. The largest encumbrance is a 9.7 acre perpetual right-of-way, granted in 1968 to the Colorado Department of Transportation. As part of a parallel exchange with Eagle County and the US Forest Service, the State Land Board will acquire a more appropriate parcel to which this facility can be relocated.

The Board authorized $400,000 of Investment and Development Funds at its March 2009 meeting for this planning effort. The State Land Board expects this project to more than quadruple the value of the Dowd Junction parcel from $8.6 million to $39 million by 2014. This would produce an annual return of 36% and a net present value of $11.3 million based on a 13.5% discount rate.

Erie Zoning

Project Type: Development – Value Enhancement

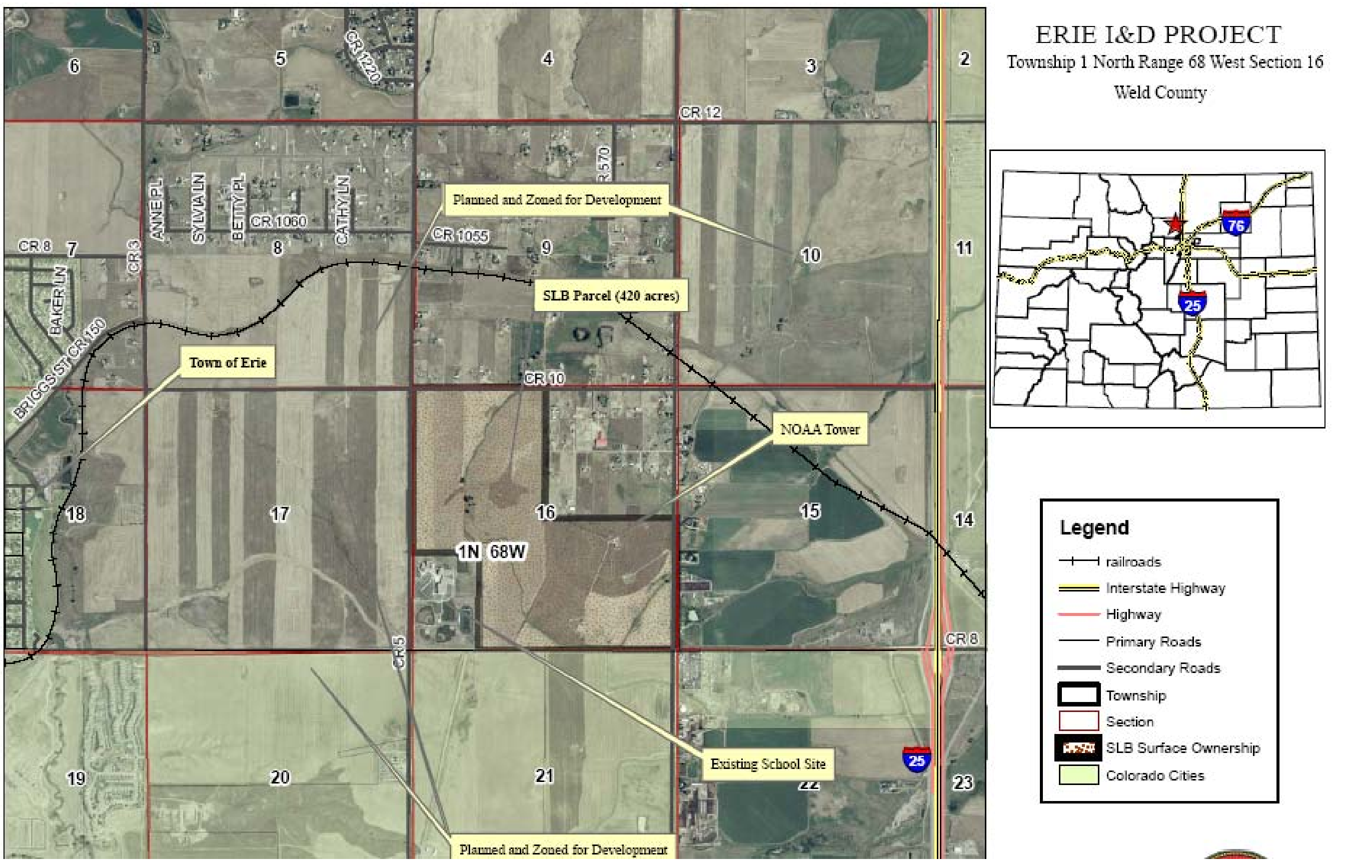
Project Summary

Timeline	
Project Start:	August 2007
Planning Complete:	June 2010
Annexation:	December 2012
Target Disposition:	December 2014-2019
Summary	
Goal:	$13.5 million increase in value
Project Investment:	$3,780,000 Land Value $142,291 I&D Fund <u>$33,707 Other SLB$</u> **$3,955,998 Total**
Financial	
Return (12yr IRR):	13.87%
NPV @ 13.5%:	$108,535

The Erie Zoning project involves annexing and rezoning a 420-acre parcel in Weld County which is east of the Town of Erie. The parcel is a remnant of an original section in Weld County, located one mile west of the Erie exit on I-25.

The property is currently subject to a grazing lease, an oil and gas lease, and a lease with the National Oceanic and Atmospheric Administration, which has a 1000-foot tower on the site.

The Town of Erie has grown rapidly in recent years. The town has annexed several parcels near the School Trust property, one of which is immediately west of the property providing a common border between the School Trust parcel and the town. Parcels to the northeast of the State Land Board property has also been annexed and rezoned.



The State Land Board began the annexation and rezoning project with the Town in 2007. Planning steps that have been completed to-date include obtaining an ALTA topographical survey of the property, a drainage survey/report, a soils survey, a traffic study, a Phase 1 environmental assessment, and designing a concept plan.

The original estimated value increase of this project has declined due to market conditions in recent years. With the downturn in the economy in 2009, the State Land Board stepped back from annexation discussions with the Town, feeling that the annexation and zoning were premature until a return of the housing market. Nonetheless, the State Land Board still expects the value of the property to be several times higher after annexation. Recently, the State Land Board was contacted by the Town of Erie to encourage beginning annexation negotiations again.

The returns anticipated from this project are positive. The project is expected to generate a return of 13.87% over the 12 years and the NPV is $108,535 using a discount rate of $13.5%.Much of the budget on this project has already been spent and it is expected that the planning and the annexation will be completed in the next two years.

EBY Section 16

Project Type: Development – Value Enhancement

This project involved acquiring an exclusive option to purchase state trust land in Eagle County. Given the property is no longer subject to this contract option, the Board is able to dispose of the Eby Section 16 property at its current market value.

Project Summary

Timeline	
Project Start:	November 2009
Option Acquisition:	December 2009
Target Disposition:	2012
Summary	
Goal:	$1.6 million increase in equity
Project Investment:	$1,050,000 Land Value $470,000 I&D Fund **$570,000 Total**
Financial	
Return (3yr IRR):	13.8%
NPV @ 10%:	$148,134

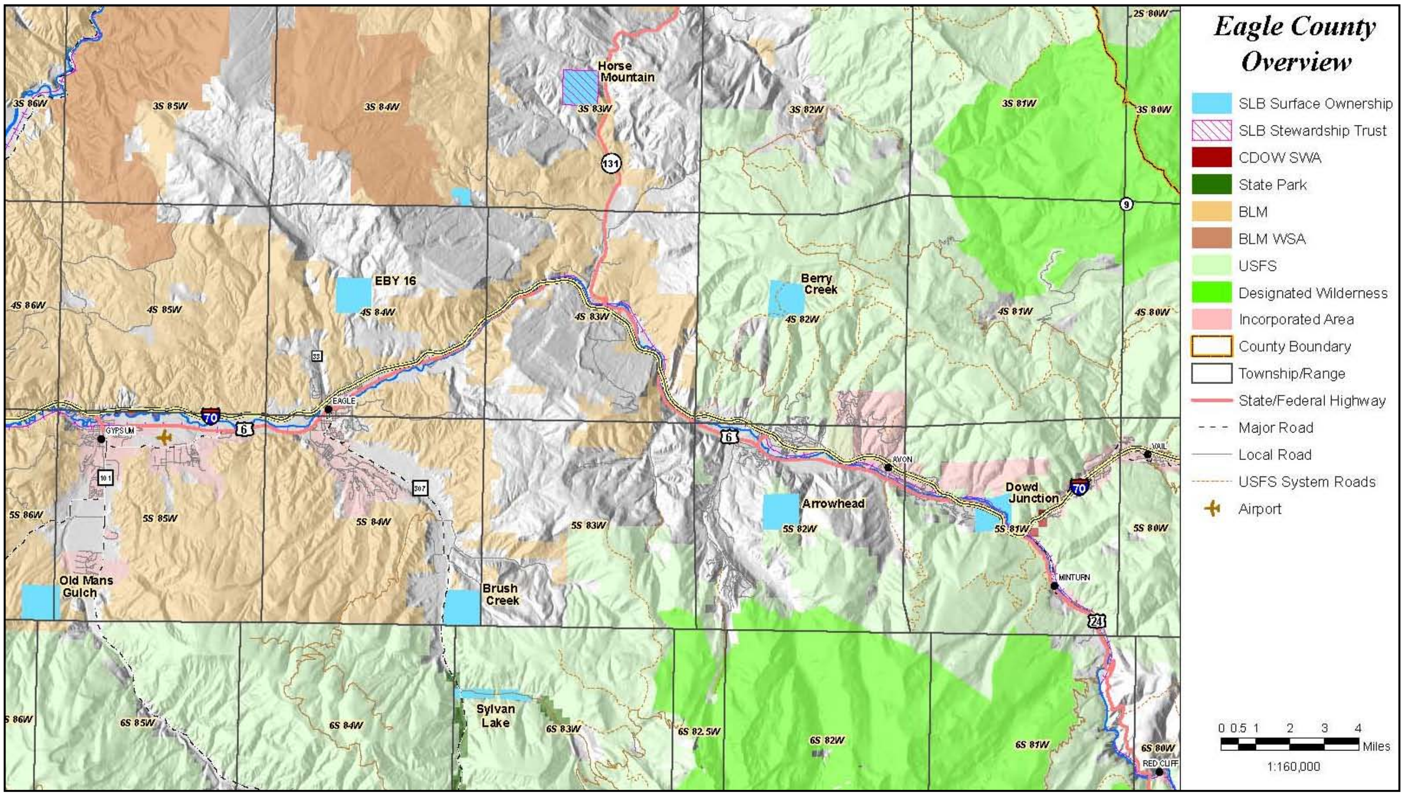
In 1996, the Board granted a private party an exclusive option to purchase the Eby Section 16 parcel at $580,000. This was a projected value based on the assumption that the private party would entitle the property without assistance by, or cost to the Board, and yet the Board would receive the benefit of a higher value property.

However, subsequent contract amendments and agreements placed the Eby Section 16 parcel and five other School Trust properties[4] into a conceptual three-way land exchange involving the State Land Board, the private party option holder, and the U. S. Bureau of Land Management (BLM). This three-way exchange suspended but did not amend the Eby Section 16 option contract and essentially locked-in the 1996 price of $580,000.

After 14 years, it appeared unlikely that a three-way exchange would occur. Hence, the State Land Board negotiated to buy the option contract and thus avoid having to sell Eby Section 16 for less than its market value. To this end, the Board expended $470,000 from the Investment and Development Fund on December 30th 2009.

The buyout cost is much less than the current value of the property. Based on an independent appraisal, the Eby Section 16 parcel is currently worth $2.2 million or nearly four times the value of the option and more than twice the Board's anticipated equity in the land. Also on a present value basis, the buyout cost is less than what the option holder spent facilitating the three-way exchange and on the property itself.

[4] See map– Eby 16, Horse Mountain, Brush Creek, Old Man's Gulch, South Horse Mountain (not picture), and King Mountain (not pictured).



Lowry Range

Project Type: Development/Mineral – Value Enhancement/Revenue Increase

Project Summary

Timeline	
Project Start:	June 2009
Project End:	June 2012
Summary	
Goal:	$42.0 million in oil and gas bonus revenue
Project Investment:	$5.675 million I&D Fund **$5.675 million Total**
Financial	
Return (3yr IRR):	72.44%
NPV @ 12.0%:	$19.9 million

The Lowry Range property is a 26,000 / 40-square mile parcel of School Trust property on the southeastern side of Metro Denver, just east of Aurora in unincorporated Arapahoe County. Mostly acquired by the SLB in the late 1960s, the Lowry Range is one of the largest parcels under single ownership next to a major metropolitan area in the United States. The State Land Board has long believed that this property has tremendous short term development and long-term stewardship potential and has extensively studied the parcel for over 20 years.

Within the past five years, this property has been the subject to two major development and stewardship efforts. These efforts are based on Board's three-part vision for the property of development, water, and long-term stewardship.

PHASE I

The first plan, formally adopted by the Board in 2006, divided the property into 4,000 acres of residential/commercial development, 5,000 acres of water development, and 17,000 acres of conservation. The Board conducted a public RFP and selected Lend Lease for the development parcel and a consortium of conservation organizations called the Arapahoe Grasslands for the conservation parcel. All parts of this plan needed to move forward simultaneously in order to meet the goals of the Boards.

Unfortunately, this effort and the associated specific plan (please note that the 3-part vision still remains) ended in 2009 with the termination of the development agreement between the State Land Board and Lend Lease. As part of the 2009 termination settlement, the Board paid $4.5 million from the Investment and Development Fund and received all the due diligence conducted by Lend Lease on the Lowry Range property.

PHASE II

Starting in 2010, the Board began its second major effort on the Lowry Range. This effort aimed to update the 3 part vision and plan to reflect changes in market economic conditions, lack of a realistic real estate development prospects, and the increased potential of oil and gas development.

While the short-term residential/commercial development potential of the Lowry Range declined, the oil and gas development potential increased significantly. The primary driver of this increase has been advances in horizontal drilling and its ability to increase oil and gas production from so-called tight shale formations. The current focus of activity has been the Niobrara formation which underlies much of the Front Range. The Lowry Range property sits in the middle of the Niobrara formation and has a number of factors that make it highly prospective for oil and gas development.

As stated above, the State Land Board remains committed to its 3 part vision for the Lowry Range property and thus seeks to balance the oil and gas development with the long-term surface stewardship. Hence, the State Land Board intends to spend up to $1 million from the Investment and Development Fund to produce the very unique oil and gas lease document as well as an offering process that results in a long-term minerals development partner for the State Land Board. The successful oil and gas lease bidder must not only have deep prior experience with large-scale oil and gas field development, but must also be a thoughtful steward, respecting the property's natural values and the Board's long term goals.

In addition to significant staff time, the specific Phase II Investment and Development Fund budget is detailed below:

Role	Budget
Oil and Gas Advisor	$450,000
Strategist/Project Manager	$160,000
Water Contract Advisor	$100,000
Conservation Advisor	$30,000
Oil and Gas Lease Advisor	$30,000
Water Specialist	$80,000
Other	$150,000
TOTAL	$1,000,000

FINANCIAL ANALYSIS

Current estimates of the oil and gas revenue from the Lowry Range anticipate $300 million to $500 million over the next 30+ years. Despite the high oil and gas prospectivity, the revenue estimates are very complicated and high risk. Therefore, for purposes of the Investment and Development fund investment, the financial analysis utilizes only the estimate of the one-time bonus revenue (please see "Goal" in the financial summary) on which to calculate the return.

Based on an investment of $5.675 million over a three year period, the Lowry Range property is expected to produce a NPV of $19.9 million and average annual return of 72.44 percent.

Communication Tower Lease Revenues

Project Type: Commercial – Revenue Enhancement

This project concerns the increases to School Trust revenues provided by Investment and Development Fund positions. These are revenues that were researched, marketed, managed and processed by two portfolio agents and the real estate section manager all of which are partially funded by the Investment and Development Fund. These revenue sources would not have developed without the staff support.

Project Summary

Timeline	
Project Start:	July 2009
Project End:	June 2019
Summary	
Goal:	$377,171 average annual revenue increase
Project Investment:	$300,000 I&D Funds **$300,000 Total**
Financial	
Payback period	N/A
Return (10yr IRR):	N/A
NPV @ 10.0%:	$1.9 million

In FY 2009-10 and FY 2010-11, State Land Board completed six new tower leases with Verizon, AT&T, T-Mobile, and Cricket Wireless. These leases generated initial payments of $330,274 in 2009 and 2010, and continue to generate $110,000 in average annual revenue for the School Trust throughout the terms of the leases.

The State Land Board continues its efforts with the tower leasing program and expects to secure three new tower leases every year over the next 8 years.

MINERAL AND ENERGY PROJECTS

Table Mountain Gypsum Project

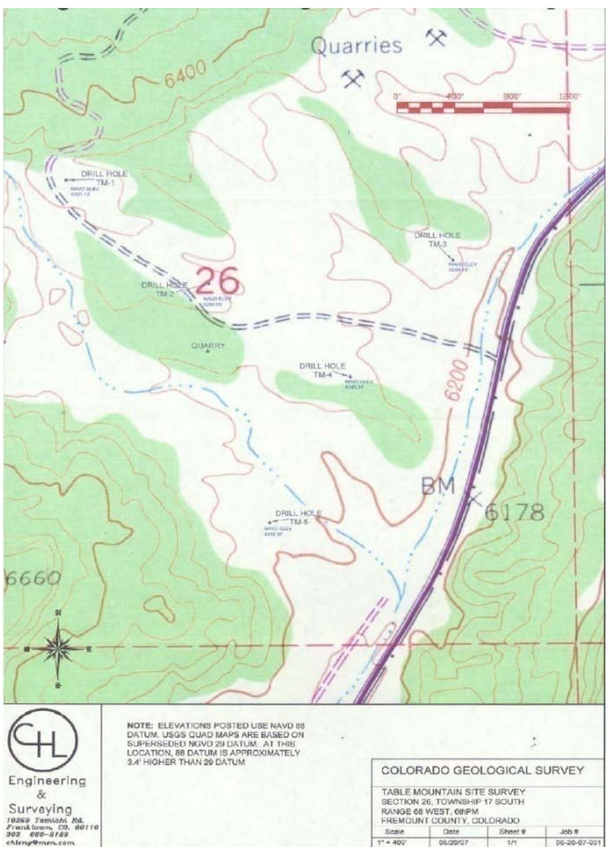
Project Type: Mineral – Revenue Increase

Project Summary

Timeline	
Project Start:	March 2007
Due Diligence:	September 2007
Auction:	February 2008
Summary	
Goal:	$62,000 bonus payment and $300,000 in annual royalties.
Project Investment	$52,500 I&D Fund $0 Other SLB $ **$52,500 Total**
Financial	
Return (20yr IRR):	82.97%
NPV @ 12.0%:	$269,333

This project allowed the Board to lease a gypsum mineral deposit on the School Trust's Table Mountain property in northern Fremont County. The subsequent lease will produce about $300,000 in annual royalties.

The Table Mountain property has been considered for gypsum mining in the past but has yet been developed. The property has only limited outcrops for geologists to study and ascertain tonnage and grade.



Moreover, the logistics of issuing exploration permits to interested parties so they may contract with drilling companies, assay companies, and conduct the appropriate reclamation may cause these companies to lose interest in leasing the property much less showing up at a lease auction.

Consequently, the State Land Board contracted with Colorado Geological Survey (CGS) to conduct due diligence on the deposits. They core drilled the property, assay split cores for chemical content, and provided thickness and grade information for the calculation of minable and overburden tonnage. The State Land Board made this information available to all interested parties for lease bidding purposes.

On February 21, 2008, the Board auctioned the lease. The successful bid was $62,000. The Board expected this lease to produce about $300,000 per year in royalty payments for the School Trust. The original projection generated a 158% return and a net present value of $1.7 million. However, subsequent developments this year are having a negative impact on the project's return. The mining company is projecting lower feasibility at this time and therefore much lower royalty payments to the State Land Board. However, even with the reduced expectations, this project will produce an IRR of 82.97% and a NPV of $269,333 at a 12% discount rate.

San Juan Basin Audit

Project Type: Mineral – Revenue Increase

Project Summary

Timeline	
Project Start:	September 2005
Audit Finding:	June 2007
Audit Collection:	December 2008
Summary	
Goal:	$60,600 increase in revenues plus one time back payment of $170,000
Project Costs	$64,000 I&D Fund $0 Other SLB $ **$64,000 Total**
Financial	
Return (10yr IRR):	127.9%
NPV @ 10.0%:	$300,345

This project concerns an audit of the School Trust's coal bed methane gas leases with BP Amoco in the San Juan Basin. The audit's goal was to determine if the lessee was taking cost deductions that were not allowed under the Parry v. Amoco decision as well as to investigate pricing and volumes discrepancies.

The Board authorized funding for a contract auditor in 2005. Based on the contract audit findings, the State Land Board issued a request in June 2007 to recover the back payment of approximately $170,000 plus an adjusted future revenue stream. This resulted in a $61,000 per year increase due to the elimination of the improper deductions and volumes issues. BP Amoco agreed with findings and tendered payment in 2008.

INACTIVE PROJECTS – ALL TYPES

Arvada PUD

Project Type: Development – Value Enhancement Amount spent: $20,000

This project involves entitlement of a 28-acre parcel of land within the City of Arvada. It is essentially an infill development site which is already zoned as suburban residential. The conceptual planning process identified several issues with the property that need to be solved before further work can be done. Principal issues include access to the parcel and cost to entitle.

Cobb Lake, Larimer County

Project Type: Development – Value Enhancement Amount Spent: $20,000

The Cobb Lake parcel is a section of School Trust land located in the east central area of unincorporated Larimer County several miles east of Fort Collins. The property is currently zoned Open (O) which allows a cluster development of up to 64 single-family homes in accordance with the Larimer County Master Plan. The results of the planning study and appraisal identified no market demand for platted lots, a very stringent 80% open space requirement, and the inability to increase density. Consequently, this project was tabled while further opportunities are investigated and/or the real estate market recovers.

Douglas Reservoir, Larimer County

Project Type: Development – Value Enhancement Amount Spent: $20,000

This 626-acre parcel is located in the east central area of unincorporated Larimer County several miles north of Fort Collins on the shore of Douglas Reservoir. The results of the planning study and appraisal identified no market demand for platted lots, a very stringent 80% open space requirement, and the inability to increase density. Consequently, this project was tabled while further opportunities are investigated and/or the real estate market recovers.

Platte River Water, Douglas County

Project Type: Commercial – Revenue Increase Amount Spent: $21,256

This project was intended to pay for the due diligence costs associated with a proposed acquisition of over 200 acre-feet of consumptive use water on the South Platte River. Once acquired, the water would have been leased to a water district which would have generated a very long-term low-risk income stream for the School Trust. This was a complicated water acquisition and after some due diligence, the Board did not ultimately approve the water acquisition.

Powers Boulevard, El Paso County

Project Type: Development – Value Enhancement Amount Spent: $20,000

This project involves a 320-acre parcel of land located in El Paso County. The property is well located between the City of Fountain and Colorado Springs. The western boundary of the property, Powers Boulevard, is the primary north/south bypass of I-25 for eastern Colorado Springs and is a major commercial development corridor. Also, there are several future plans to have arterial roadways on the other three sides of the property. However, based on conceptual plans and market analysis, development opportunities are not yet significant enough to justify further investment.

Sterling Office Building, Logan County

Project Type: Development – Value Enhancement/Revenue Enhancement Amount Spent: $3,000

The Board approved Investment and Development Funding to remodel an office building it intended to acquire in Sterling, Colorado. The building was to house the State Land Board's Northeast District Office as well as a South Platte Water Conservancy District office and the Division of Water Resources' Sterling Office. Due to an inability to meet the Board's terms as well as some information that surfaced during due diligence, the contract on the property was terminated and the Board did not acquire the property.

6th and Kipling Project

Amount Spent: $50,000

Project Type: Development – Revenue Increase

This project concerns a 16-acre parcel of School Trust land located near the intersection of 6th Avenue (US 6) and Kipling Street in Lakewood. The property includes an undeveloped parcel (the former Lakewood Drive-In) and the two-story Concord Building.

The property is a well located development site. However, the property has several constraints that limit its development potential. The most significant of these are the traffic problems and access at the intersection of Kipling and 6th Avenue.

The Board approved $50,000 from the Investment and Development Fund for project planning of the site. This planning assistance included an environmental assessment, title review, ALTA property survey and a marketing package for distribution to interested developers. The goal of the project planning was to produce a ground lease with a developer who could resolve the development constraints and generate a return for the State Land Board. The State Land Board initially came to terms with a potential developer but that agreement was terminated in the approvals stage due to the constraints mentioned above. Prior to cancellation, the Board received approximately $200,000 in lease income over four years, quadrupling its initial investment. While the State Land Board continues to work with the City of Lakewood and the developer, this project was tabled until the traffic issues can be resolved.

PROJECT SUMMARY

On the following page is a summary table that provides a fund summary. This is a summary table from the financial spreadsheets that were created to compute the financial analysis necessary to show the estimate of the increase in asset value enhancement or income for this fiscal year and the succeeding ten to fifty years.

INVESTMENT and DEVELOPMENT FUND
Summary of Detail

	PROJECT DESCRIPTION AND BACKGROUND INFORMATION					*STATE LAND BOARD EXPENSES*					*PROJECT BENEFITS*		*RETURN ON INVESTMENT*		
	Condition	(Development) Land Type Start Land Type End	Revenue or Valuation Enhace or Maintain	Value Start End	Project Start-End	Non Investment and Development Fund Expenditures	Investment and Development Fund Amount Approved and/or Spent	Estimated Future I&D Expenditures	Total Estimated I&D Expenditures	Status	Avg Gross Annual Revenue Increase Over Analysis Period	Estimated Net Value Increase	Internal Rate of return [1]	Net Present Value [2]	Discount Rate
COMPLETED PROJECTS															
Big Springs	*Baseline* As is As proposed	Agriculture Agriculture	Revenue Enhancement		2010-2020	$ -	$ 59,088	$ -	$ 59,088	COMPLETE 2011 Improvements Complete	$ 11,638	$ -	13.90%	$ 18,053	7.5%
Centennial Hangar	*Baseline* As is As proposed	Commercial Commercial Commercial	Revenue Enhancement		2008-2048	$ 650,295	$ -	$ -	$ -	COMPLETE 2008 Forty Year Lease	$ 132,376	$ -	12.18%	$ 154,982	10.0%
Irrigation Well Meters	*Baseline* As is As proposed	Agriculture Agriculture	Revenue Maintenance		2006-2015	$ -	$ 15,600	$ -	$ 15,600	COMPLETE 2007 Meters Installed	$ 65,815	$ -	421.89%	$ 405,730	7.5%
Mason Street	*Baseline* As is As proposed	Commercial Commercial Commercial	Value Enhancement	$ 1,235,000 $ 2,200,000	2004-2008	$ -	$ 631,428	$ -	$ 631,428	SALE COMPLETE 2008	$ -	$ 333,572	21.56%	$ 126,582	10.0%
Muddy Creek	*Baseline* As is As proposed	Agricultural Agricultural	Revenue Enhancement		2005-2015	$ 10,100	$ 39,900	$ -	$ 39,900	COMPLETE 2006 Lease Number: AG 44816	$ 7,067	$ -	10.44%	$ 7,618	7.5%
Riverside Ditch	*Baseline* As is As proposed	Agricultural Grazing Agricultural Irrigated	Revenue Enhancement		2005-2015	$ -	$ 108,457	$ -	$ 108,457	COMPLETE 2006 Lease Number: 45544	$ 14,501	$ -	10.22%	$ 17,688	7.5%
San Juan Basin Audit	*Baseline* As is As proposed	Mineral Mineral	Revenue Enhancement		2006-2016	$ -	$ 64,000	$ -	$ 64,000	COMPLETE 2008 Payments Received	$ 60,600	$ -	127.86%	$ 300,345	10.0%
Table Mountain	*Baseline* As is As proposed	Parcel Mining	Revenue Enhancement		2007-2028	$ -	$ 52,500	$ -	$ 52,500	COMPLETE 2008 Twenty Year Lease	$ 51,700	$ -	82.97%	$ 269,333	12.0%
TJ Bar Ranch Lodge	*Baseline* As is As proposed	Agriculture Commercial	Revenue and Value Enhancement	$ - $ 700,000	2006-2015	$ 250,000	$ 100,000	$ 175,000	$ 275,000	COMPLETE 2007 Construction Complete	$ 33,250	$ 425,000	35.88%	$ 182,448	10.0%
Jack Canyon	*Baseline* As is As proposed	Agriculture Agriculture	Revenue Enhancement		2007-2026	$ 45,234	$ 45,234	$ -	$ 45,234	COMPLETE 2010 Ten Year Lease	$ 5,559	$ -	8.11%	$ 2,370	7.5%
Brett Grey Ranch	*Baseline* As is As proposed	Agriculture Agriculture	Revenue Maintenance		2009-2029	$ 236,017	$ 236,017	$ -	$ 236,017	COMPLETE 2011 July 2011 Installation	$ 43,500		25.29%	$ 226,425	7.5%
					Totals	$ 1,191,646	$ 1,352,224	$ 175,000	$ 1,527,224		$ 426,006	$ 758,572		$ 1,693,520	
ONGOING INVESTMENTS															
Broomfield	*Baseline* As is As proposed	Development Commercial Commercial PUD	Value Enhancement	$ 770,000 $ 3,000,000	2005-2012	$ 55,450	$ 13,450	$ -	$ 13,450	IN PROGRESS	$ -	$ 2,230,000	12.59%	$ (47,348)	13.5%
Chico Basin Water	*Baseline* As is As proposed	Agriculture Agriculture	Revenue Maintenance		2011-2021	$ 43,407	$ 43,407	$ -	$ 43,407	IN PROGRESS	$ 6,477	$ -	8.03%	$ 978	7.5%
Communication Tower Lease Revenues	*Baseline* As is As proposed	Commercial Commercial	Revenue Enhancement		2009-2019	$ -	$ 300,000	$ -	$ 300,000	IN PROGRESS	$ 347,171		N/A	$ 1,914,601	10.0%
Dowd Junction	*Baseline* As is As proposed	Development Commercial Residential	Value Enhancement	$ 8,625,000 $ 39,580,764	2009-2014	$ -	$ 400,000	$ -	$ 400,000	IN PROGRESS	$ 300,117	$ 30,955,764	36.05%	$ 11,311,447	13.5%
EBY Section 16	*Baseline* As is As proposed	Vacant Land Vacant Land	Value Enhancement	$ 1,050,000 $ 2,240,000	2009-2012	$ -	$ 470,000	$ -	$ 470,000	IN PROGRESS Disposal in 2012	$ -	$ 680,000	13.80%	$ 148,134	10.0%
Erie Zoning	*Baseline* As is As proposed	Development Agricultural Zoned	Value Enhancement	$ 3,780,000 $ 13,904,919	2007-2017	$ 33,707	$ 142,291	$ -	$ 142,291	IN PROGRESS	$ -	$ 10,124,919	13.87%	$ 108,535	13.5%
Granby Overlook	*Baseline* As is As proposed	Development Agricultural Platted	Value Enhancement	$ 684,360 $ 760,400	2006-2011	$ 28,735	$ 259,000	$ -	$ 259,000	IN PROGRESS 2019 Target	$ -	$ 76,040	14.57%	$93,011	13.5%
Lochbuie PUD	*Baseline* As is As proposed	Development Agricultural Zoned	Value Enhancement	$ 1,437,300 $ 3,036,200	2007-2013	$ 41,454	$ 102,913	$ -	$ 102,913	IN PROGRESS 2015 Target	$ -	$ 1,496,982	7.18%	$ (570,089)	13.5%
Lowry Range	*Baseline* As is As proposed	Agriculture Oil & Gas	Revenue and Value Enhancement	$ 5,554,000 $ 42,096,000	2009-2012	$ -	$ 5,675,000	$ -	$ 5,675,000	IN PROGRESS 2012 Anticipated Lease	$ -	$ 35,032,500	72.44%	$ 19,947,679	12.0%
1127 Sherman	*Baseline* As is As proposed	Parking Lot Commercial	Value Enhancement	$ 420,000 $ 4,778,557	2006-2012	$ 4,410,826	$ 250,000	$ -	$ 250,000	IN PROGRESS Expect 95% Leased by 2012	$ 299,016	$ 288,298	10.97%	$ 117,145	10.0%
					Totals	$ 6,996,871	$ 10,360,509	$ 350,000	$ 10,710,509		$ 1,804,793	$ 82,401,647		$ 36,429,187	
INACTIVE PROJECTS															
Arvada PUD	*Baseline* As is As proposed	Agricultural PUD	Value Enhancement		2006	$ -	$ 20,000	$ -	$ 20,000	INACTIVE				$ (20,000)	
Cobb Lake	*Baseline* As is As proposed	Agricultural Finished Lots	Value Enhancement		2006	$ -	$ 20,000	$ -	$ 20,000	INACTIVE				$ (20,000)	
Douglas Reservoir	*Baseline* As is As proposed	Agricultural Finished Lots	Value Enhancement		2006	$ -	$ 20,000	$ -	$ 20,000	INACTIVE				$ (20,000)	
Powers Boulevard PUD	*Baseline* As is As proposed	Agricultural PUD	Value Enhancement		2006	$ -	$ 20,000	$ -	$ 20,000	INACTIVE				$ (20,000)	
Platte River Water**	*Baseline* As is As proposed	Residential Supply Residential Supply	Value Enhancement		2008	$ -	$ 21,256	$ -	$ 21,256	INACTIVE				$ (21,256)	
6th and Kipling	*Baseline* As is As proposed	Commercial Commercial	Value Enhancement		2010	$ -	$ 50,000	$ -	$ 50,000	INACTIVE				$ (50,000)	
Sterling Office Building	*Baseline* As is As proposed	Office Building Office Building	Value Enhancement		2009	$ -	$ 3,000	$ -	$ 3,000	INACTIVE				$ (3,000)	
					Totals	$ -	$ 154,256	$ -	$ 154,256		$ -	$ -		$ (154,256)	
Program Costs															
Personnel/Operating					2006-2015		$ 1,285,591	$ 1,524,359	$ 2,809,949	3-4 FTE - 10 Fiscal Years				$ (2,809,949)	
Planning					2009		$ 288,500	$ 11,500	$ 300,000	COMPLETE 2009				$ (300,000)	
					TOTALS:	**$ 8,188,517**	**$ 13,441,080**	**$ 2,060,859**	**$ 15,501,938**		**$ 2,230,799**	**$ 83,160,219**		**$ 34,858,501**	

[1] Defined as the return that would make the NPV of the project equal to zero. All project expenditures associated with the projects are assumed to occur in the first year. This produces a conservative return which should incorporate future inflation and/or other moderate

[2] This is the value created by each project based on a risk adjusted discount rate. This rates are identified in the individual project sheets.