

Governor's Conference Room and Via Microsoft Teams

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Phone Conference ID: **975 588 041#**

➤ = **Board Action Requested**

1. **Approval of Meeting Minutes – Joseph Heringer**
Consideration of Approval of Land Board Meeting Minutes by voice vote.
 - A. [July 25, 2022](#) – minutes available via link
2. **Operations – Joseph Heringer**
 - A. Commissioner's Report – pg. 2
3. **Division Reports – Joseph Heringer**
 - A. Surface – pg. 3
 - B. Minerals – pg. 4
 - C. Unclaimed Property – pg. 7
 - D. Financials – pg. 10
 - E. Investments Update – pg. 20
4. **Investments – Joseph Heringer**
 - A. Investment Policy Statement Update – Second Reading – pg. 24
5. **Unclaimed Property Overview Presentation – Susan Dollinger Unclaimed Property Director – pg. 56**
6. **Special Projects - Chris Suelzle/Joseph Heringer**
 - A. Acreage Adjustments Report – pg. 63
 - B. Strategic Investments & Improvement Fund (SIIF) – pg. 66
 - C. BNI Coal Application – pg. 68
7. **Litigation – Joseph Heringer – pg. 70**

Next Meeting Date – September 26, 2022

RE: Commissioner's Report
(No Action Requested)

- Appointed Red Tape Reduction Officer to participate in Governor Burgum's Red Tape Reduction Working Group
- Update meetings with several investment managers
- Minerals system design testing continues with good progress being made
- Successful minerals auction completed
- Attended BNI Coal New Dragline Commissioning – Center, ND (Aug. 8th)
- New coal leasing processes continue
- Royalty deduction discussions continue with oil & gas operators
- Attend August 26th State Investment Board Meeting as a voting member

HR Update

- Land Management Specialist – filled
- Paralegal – filled
- Accountant – open/receiving applications
- Investment Director – Rebranding to CIO

SURFACE DIVISION

For the month of July 2022, the Division granted 8 encumbrances for a total of \$176,364 in income for the trusts.

Photo Note: Surface and Mineral acres working together for the Trusts - 18 well bores, 16 active, on 28 Trust Land surface acres.



Photo Credit Kayla Spangelo
McKenzie 153-94-16

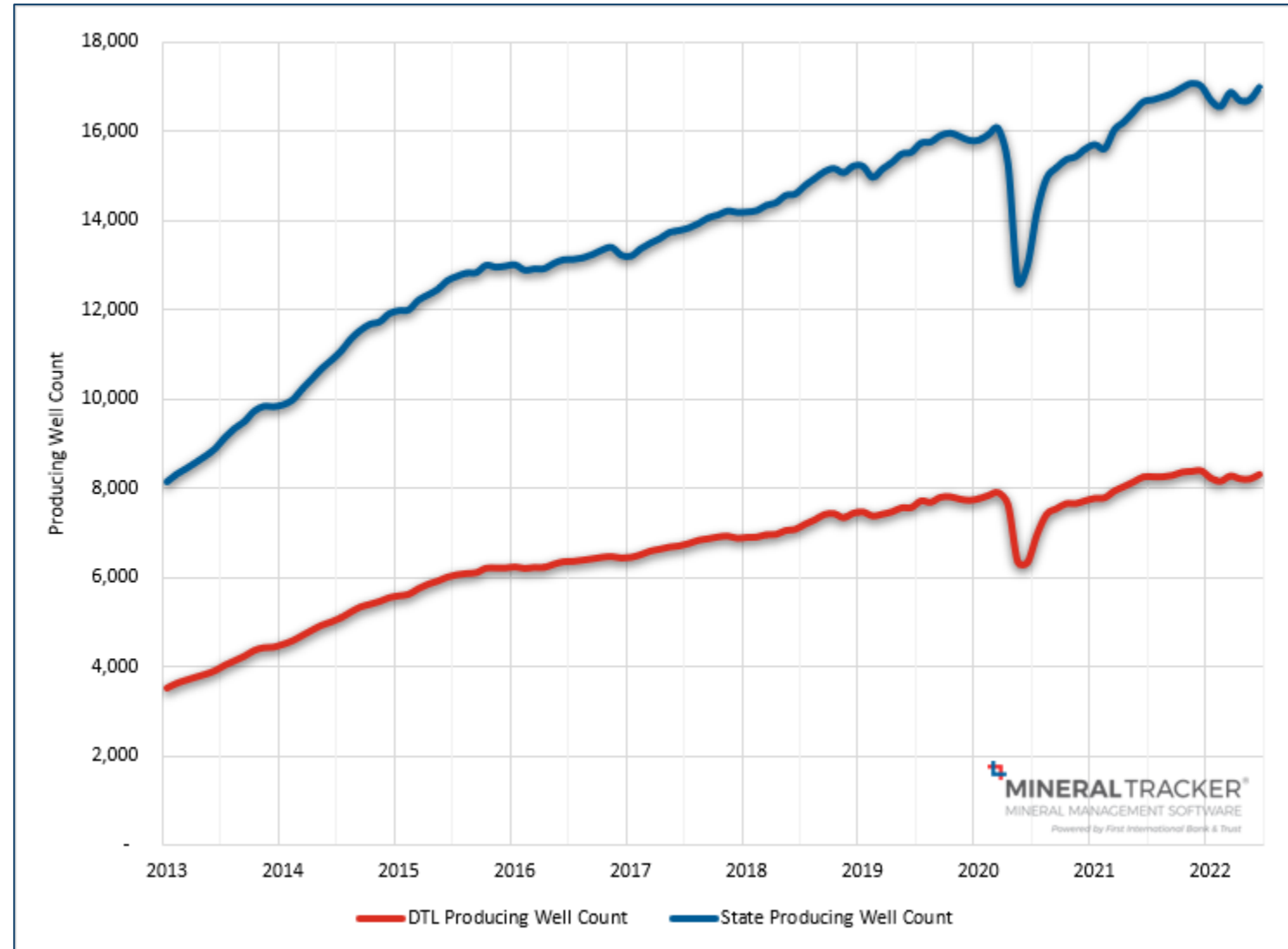
MINERALS DIVISION

For the month of July 2022, the Division did not receive extension requests or shut-in requests.

Based on well data currently available to Mineral Tracker, the Department manages an interest in 8,291 (49%) of the 16,969 producing wells in North Dakota.

This graph is a snapshot capturing data, from June of each year, of DTL interest in producing wells in North Dakota.

As of July, for fiscal year 2023 the Department has received \$55,063,209 in royalties as compared to \$36,189,986 last fiscal year at this time.



Q3 Online Oil & Gas Lease Auction Summary

County	# Tracts	Net Min Acres	Total Bonus	Average Bonus/Acre
Billings	11	1280.05	\$93,216.70	\$72.82
Burke	28	2160.13	\$485,362.81	\$224.69
Divide	41	3163.19	\$76,256.39	\$24.11
Dunn	4	400.00	\$282,400.00	\$706.00
McKenzie	9	479.56	\$119,042.82	\$248.23
McLean	150	11540.95	16980.95	\$1.47
Mountrail	98	6670.88	\$201,127.24	\$30.15
Stark	8	640.35	\$50,701.10	\$79.18
Ward	100	7176.91	\$7,264.86	\$1.01
Williams	10	635.28	\$338,051.28	\$532.13
TOTAL	459	34,147.30	\$1,670,404.15	\$48.92*

*Excluding tracts in the fringe counties of McLean and Ward, the Average Bonus/Acre = **\$106.69**.

Q3 Online Oil & Gas Lease Auction Summary

- Total number of parcels offered (day of sale): 459
- Total number of acres offered (day of sale): 34,147.30
- Total number of parcels receiving bids: 202
- Total number of acres receiving bids: 14,978.07
- Total registered bidders: 43
- Total bidders that placed a bid: 27
- Average unique bidders on parcel with a bid: 2.16
- Total bids: 969
- High bid per parcel: \$108,160.00
- High bid per acre: \$902.00

Trust/Fund	Trust/Fund Name	# Tracts	Total Bonus
A	Common Schools	206	\$848,268.41
B	School for the Blind	4	\$6,444.76
E	Ellendale	1	\$44,080.00
I	ND Industrial School	2	\$240.00
L	SIIF	236	\$758,610.98
M	School of Mines	2	\$160.00
N	NDSU	6	\$12,520.00
Y	Mayville	2	\$80.00
	TOTAL	459	\$1,670,404.15

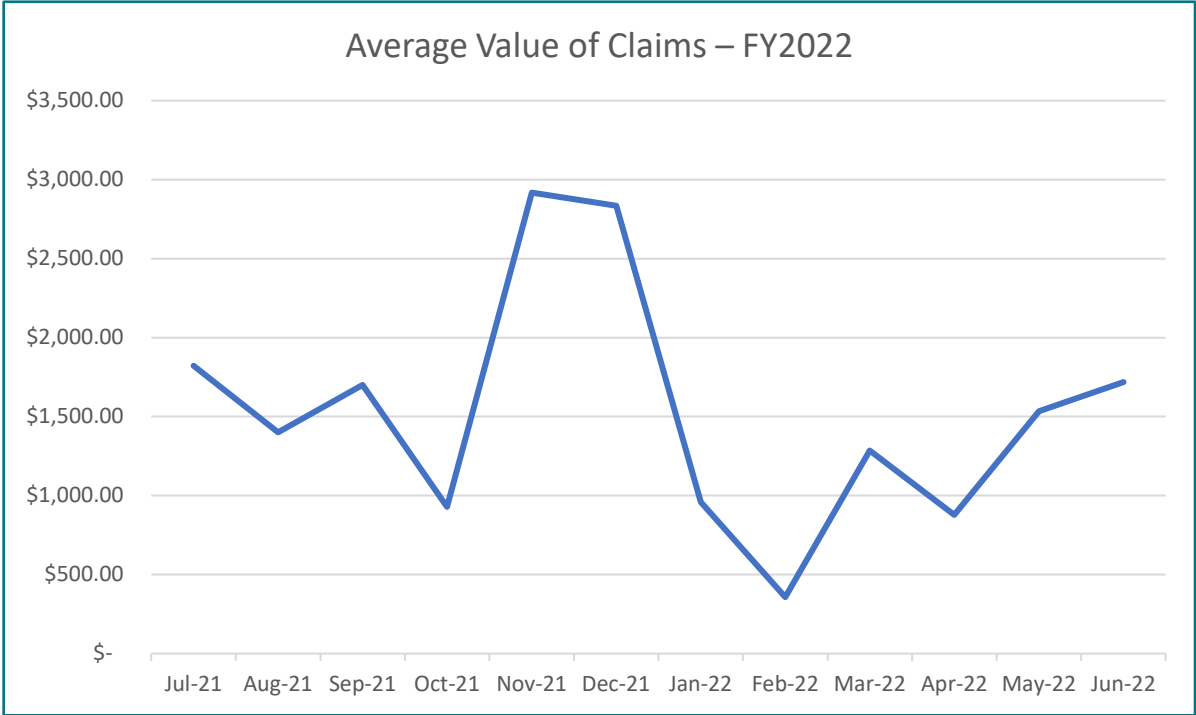
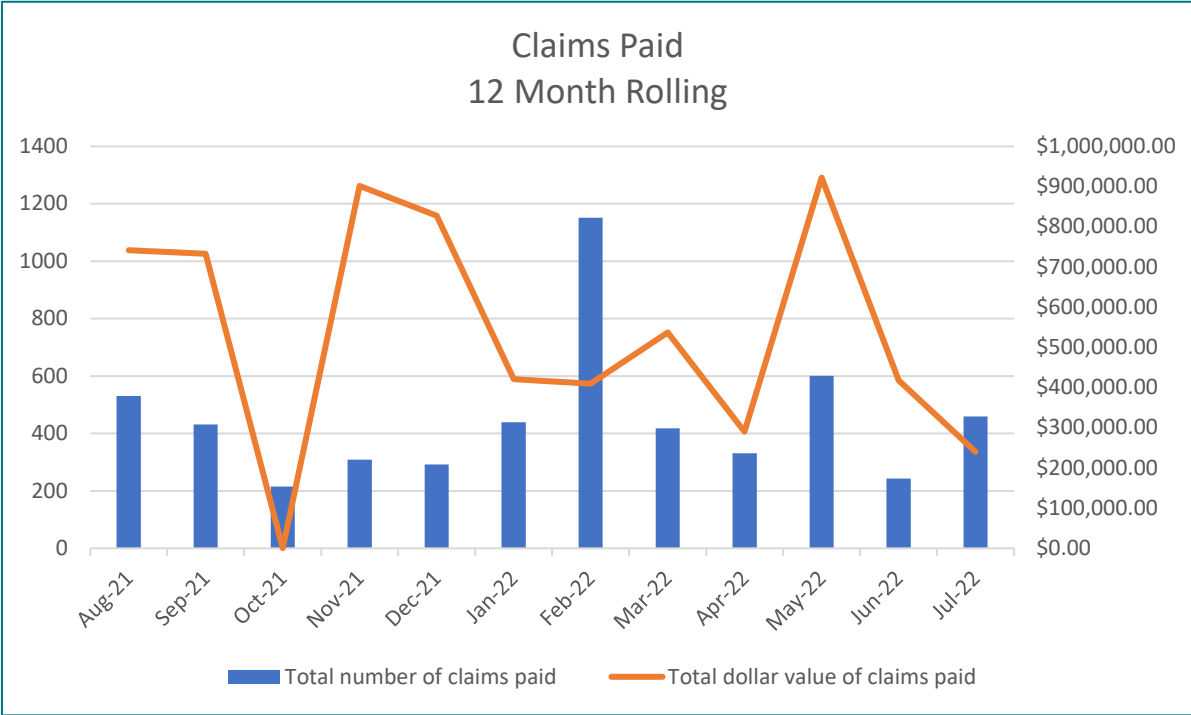
Average Bonus/Acre (Total Bonus/Total Acres)

August 2020	November 2020	February 2021	May 2021	August 2021	November 2021	February 2022	May 2022	August 2022
\$44.64	\$66.12	\$56.68	\$50.33	\$335.12	\$215.87	\$199.32	\$67.01	\$48.92

UNCLAIMED PROPERTY DIVISION CLAIMS

For the month of July 2022, the Division paid 459 claims with \$239,999.42 being returned to rightful owners/heirs.

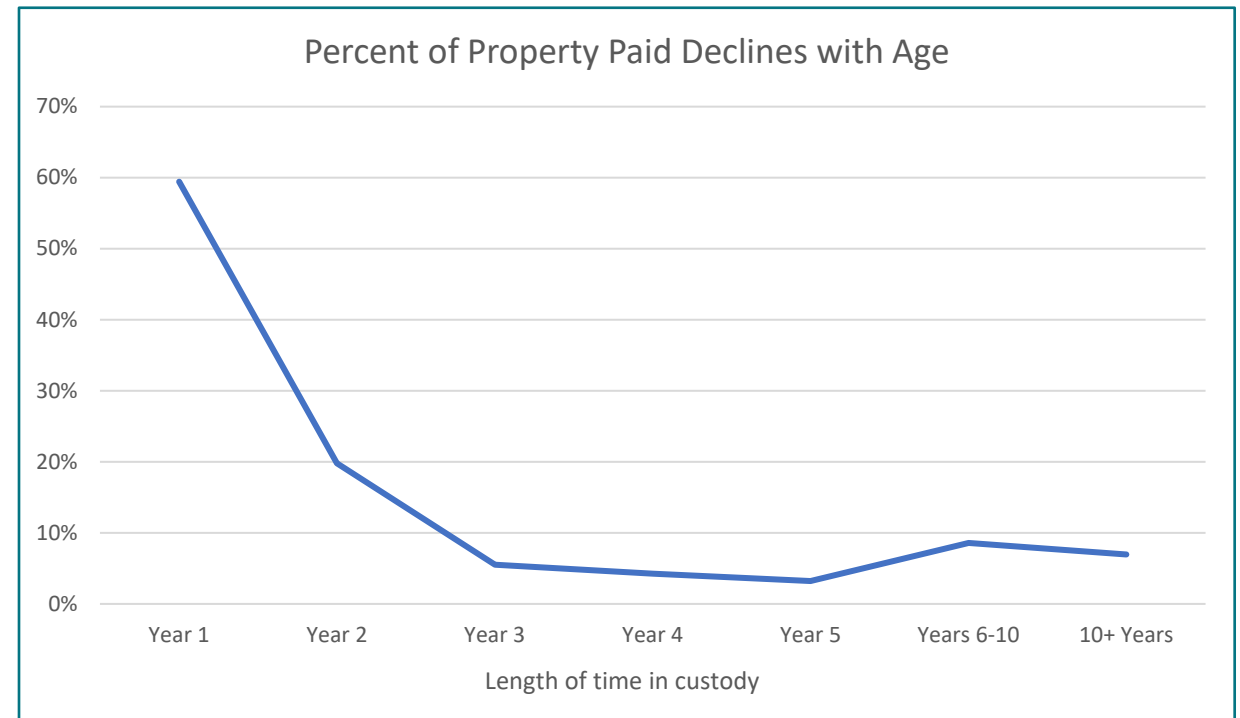
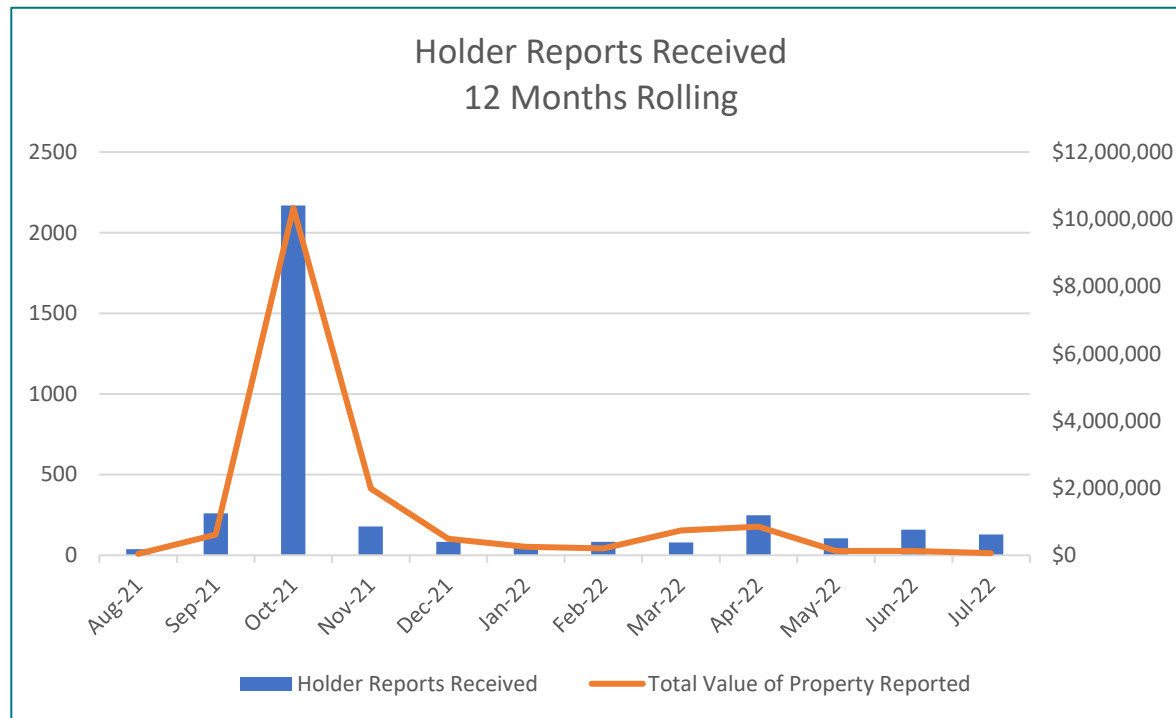
Fun Fact: For FY2022 the average dollar amount of claims paid was \$1,325.65



UNCLAIMED PROPERTY DIVISION HOLDERS

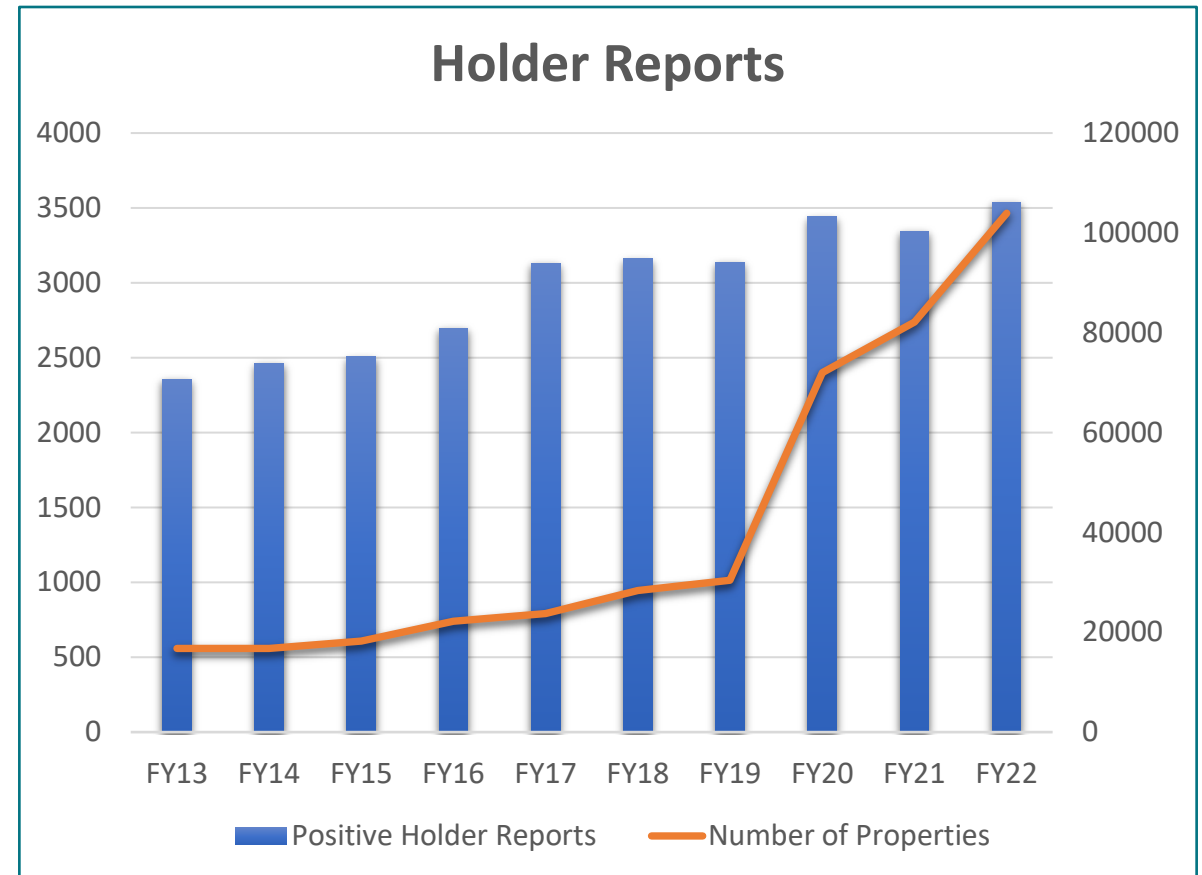
For the month of July 2022, the Division received 130 holder reports with a dollar value of \$67,539.45.

Fun Fact: The majority of property returned to owners happens within the first two years of it being in the Division's custody. After that, the percentage of property returned dramatically declines.



UNCLAIMED PROPERTY DIVISION HOLDERS

- The number of holder reports as well as the number of individual properties has continued to increase over the past 10 years.
- During FY 2013 the number of holder reports received was 2,257 compared to 3,537 during FY 2022.
- A more dramatic increase is with the number of individual properties received. This increase is directly related to holders providing detailed information on smaller properties rather than aggregating properties valued less than \$50.



**RE: Financial Statements Position Report (Unaudited) for period ended May 31, 2022
(No Action Requested)**

The following statements represent the unaudited financial position for the various trusts and funds managed by the Department of Trust Lands. The unaudited financial positions are two months delayed as a significant portion of the revenue for Commons Schools Trust, Strategic Investment and Improvements Fund, and Coal Development Trust includes gross production tax, oil extraction tax and coal severance tax distributions which are received two months after production date.

NORTH DAKOTA
BOARD OF UNIVERSITY AND SCHOOL LANDS

Financial Position Report
(Unaudited)

For period ended May 31, 2022



Board of University and School Lands		
Comparative Financial Position (Unaudited)		
Schedule of Net Assets		
Assets by Trust:	May 31, 2022	May 31, 2021
Common Schools	\$5,775,176,748	\$5,552,788,822
North Dakota State University	86,856,657	83,768,792
School for the Blind	15,195,211	15,042,098
School for the Deaf	23,612,284	24,086,738
State Hospital	15,732,972	16,140,053
Ellendale *	27,885,945	27,047,149
Valley City State University	15,197,948	14,768,002
Mayville State University	10,805,474	9,845,250
Youth Correctional Center	30,787,100	29,121,851
State College of Science	21,618,964	21,558,447
School of Mines **	26,682,358	25,948,621
Veterans Home	5,807,324	5,966,387
University of North Dakota	41,499,682	40,400,582
Capitol Building	6,027,255	3,251,293
Strategic Investment and Improvements	883,238,292	822,318,762
Coal Development	71,220,270	71,730,696
Indian Cultural Education Trust	1,377,238	1,425,614
Theodore Roosevelt Presidential Library	54,211,122	55,661,377
Total	\$7,112,932,845	\$6,820,870,534
Assets by Type:		
Cash	\$445,793,880	\$413,799,594
Receivables	7,088,924	7,319,190
Investments ***	6,422,782,468	6,217,274,211
Office Building (Net of Depreciation)	264,332	320,805
Farm Loans	4,622,630	4,997,990
Energy Construction Loans	-	-
Energy Development Impact Loans	9,064,736	9,845,131
School Construction Loans (Coal)	29,495,505	38,908,935
Due to/from Other Trusts and Agencies	193,820,370	128,404,678
Total	\$7,112,932,845	\$6,820,870,534

*** Ellendale Trust**

The following entities are equal beneficiaries of the Ellendale Trust:

Dickinson State University	School for the Blind
Minot State University	Veterans Home
Dakota College at Bottineau	State Hospital
	State College of Science - Wahpeton

**** School of Mines**

Benefits of the original grant to the School of Mines are distributed to the University of North Dakota.

***** Investments**

Includes available cash available for loans, investments, abandoned stock and claimant liability.

Board of University and School Lands

Comparative Financial Position (Unaudited)

Combined Permanent Trusts

	May 31, 2022	May 31, 2021
<u>Balance Sheet</u>		
Assets:		
Cash	\$155,951,583	\$70,087,140
Interest Receivable	5,752,160	5,833,048
Investments	5,924,742,589	5,787,195,878
Farm Loans	4,622,630	4,997,990
Accounts Receivable	-	-
Due from Other Agencies	21,996,595	14,704,460
Office Building (Net of Depreciation)	264,332	320,805
Total Assets	<u>\$6,113,329,889</u>	<u>\$5,883,139,321</u>
Liabilities:		
Unclaimed Property Claimant Liability	\$16,461,434	\$16,645,538
Due to Other Funds	9,787	10,991
Accounts Payable	-	-
Total Liabilities	<u>16,471,221</u>	<u>16,656,529</u>
Equity:		
Fund Balance	6,057,564,355	4,892,120,248
Net Income/(Loss)	39,294,313	974,362,544
Total Liabilities and Equity	<u>\$6,113,329,889</u>	<u>\$5,883,139,321</u>
<u>Income Statement</u>		
Income:		
Investment Income	\$157,651,073	\$113,617,048
Realized Gain/(Loss)	132,309,832	147,732,080
Unrealized Gain/(Loss)	(369,253,693)	722,053,695
Royalties - Oil and Gas	219,730,831	109,182,899
Royalties - Coal	322,965	258,243
Royalties - Aggregate	130,342	603,312
Bonuses - Oil and Gas	2,484,134	1,156,308
Bonuses - Coal	-	-
Rents - Surface	14,188,898	12,135,503
Rents - Mineral	131,753	173,894
Rents - Coal	46,927	26,036
Rents - Office Building	71,982	70,702
Encumbrances - Surface	77,675	-
Sale of Capital Asset	644	82,000
Miscellaneous Income	14,650	-
Oil Extraction Tax Income	105,106,449	61,145,067
Unclaimed Property Income	11,234,903	10,759,219
Total Income	<u>274,249,365</u>	<u>1,178,996,006</u>
Expenses and Transfers:		
Investment Expense	7,586,734	6,437,455
In-Lieu and 5% County Payments	263,239	262,264
Administrative Expense	4,271,368	3,554,329
Operating Expense - Building	71,211	116,414
Transfers to Beneficiaries	222,762,500	194,263,000
Total Expense and Transfers	<u>234,955,052</u>	<u>204,633,462</u>
Net Income/(Loss)	<u>\$39,294,313</u>	<u>\$974,362,544</u>

Board of University and School Lands

Comparative Financial Position (Unaudited)

Capitol Building Trust

	May 31, 2022	May 31, 2021
<u>Balance Sheet</u>		
Assets:		
Cash	\$2,320,603	\$244,544
Interest Receivable	21,087	22,533
Investments	3,685,565	2,984,216
Total Assets	<u>\$6,027,255</u>	<u>\$3,251,293</u>
Liabilities:		
Due to Other Trusts and Agencies	\$0	\$0
Equity:		
Fund Balance	3,462,488	5,535,786
Net Income	2,564,767	(2,284,493)
Total Liabilities and Equity	<u>\$6,027,255</u>	<u>\$3,251,293</u>
<u>Income Statement</u>		
Income:		
Investment Income	\$32,248	\$61,313
Realized Gain(Loss)	3,482	4,890
Unrealized Gain/(Loss)	(105,173)	(31,971)
Royalties - Oil and Gas	2,964,096	732,399
Bonuses - Oil and Gas	-	2,160
Bonus - Coal	-	-
Rents - Surface	174,632	165,901
Rents - Mineral	802	21,770
Encumbrances - Surface	38,153	-
Royalties - Aggregate	-	-
Total Income	<u>3,108,240</u>	<u>956,462</u>
Expenses and Transfers:		
Investment Expense	(1,911)	2,607
In-Lieu and 5% County Payments	3,897	3,620
Administrative Expense	41,487	28,488
Transfers to Facility Management	500,000	2,200,000
Transfers to Legislative Council	-	36,240
Transfer to Supreme Court	-	970,000
Total Expense and Transfers	<u>543,473</u>	<u>3,240,955</u>
Net Income/(Loss)	<u>\$2,564,767</u>	<u>(\$2,284,493)</u>

Board of University and School Lands		
Comparative Financial Position (Unaudited)		
Coal Development Trust		
	May 31, 2022	May 31, 2021
Balance Sheet		
Assets:		
Cash	\$332,307	\$508,053
Interest Receivable	526,184	474,075
Investments	31,739,595	21,926,564
Coal Impact Loans	9,064,736	9,845,131
School Construction Loans	29,495,505	38,908,935
Due from other Trusts and Agencies	206,476	226,459
Total Assets	<u>\$71,364,803</u>	<u>\$71,889,217</u>
Liabilities:		
Due to Other Trusts and Agencies	\$144,533	\$158,521
Equity:		
Fund Balance	71,117,671	70,750,579
Net Income	102,599	980,117
Total Liabilities and Equity	<u>\$71,364,803</u>	<u>\$71,889,217</u>
Income Statement		
Income:		
Investment Income	\$296,685	\$316,218
Interest on School Construction Loans	493,595	426,090
Realized Gain/(Loss)	35,963	30,400
Unrealized Gain/(Loss)	(1,002,970)	(182,578)
Coal Severance Tax Income	409,988	408,504
Total Income	<u>233,261</u>	<u>998,634</u>
Expenses and Transfers:		
Investment	20,756	14,498
Administrative	2,392	4,019
Transfers to General Fund	107,514	-
Total Expense and Transfers	<u>130,662</u>	<u>18,517</u>
Net Income/(Loss)	<u>\$102,599</u>	<u>\$980,117</u>

Board of University and School Lands

Comparative Financial Position (Unaudited)

Strategic Investment and Improvements Fund

May 31, 2022

May 31, 2021

Balance Sheet

Assets:

Cash	\$287,168,771	\$342,824,826
Interest Receivable	857,466	1,059,735
Investments	423,450,224	364,801,921
Due from other Trusts or Agencies	171,761,831	113,632,281
Total Assets	<u>\$883,238,292</u>	<u>\$822,318,763</u>

Liabilities:

Accounts Payable	\$0	\$0
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Equity:

Fund Balance	860,465,447	767,541,457
Net Income	22,772,845	54,777,306
Total Liabilities and Equity	<u>\$883,238,292</u>	<u>\$822,318,763</u>

Income Statement

Income:

Investment Income	\$3,169,800	\$5,137,329
Realized Gain/(Loss)	388,608	472,809
Unrealized Gain/(Loss)	(10,621,421)	(2,867,144)
Interest on Fuel Prod Facility	148,172	19,824
Interest - Miscellaneous	328,023	
Interest and Penalty	1,316,422	
Royalties - Oil and Gas	131,702,044	70,721,172
Bonuses - Oil and Gas	(19,139,667)	(965,108)
Royalties - Coal	135,202	114,576
Rents - Mineral	34,916	67,238
Tax Income - Oil Extraction & Production Distribution	191,918,618	372,009,650
Total Income	<u>299,380,717</u>	<u>444,710,346</u>

Expenses and Transfers:

Administrative	1,672,862	1,187,235
Investment Expense	176,473	162,863
Transfers to General Fund	-	382,200,000
Transfer to Attorney General (HB 1003)	3,000,000	
Transfer to Agriculture Department (HB 1009)	5,000,000	-
Transfer to ND Insurance Commissioner (SB 2287)	200,000	-
Transfer to Office of Management & Budget (HB 1015)	205,000,000	-
Transfer to Council on the Arts (HB 1015)	-	-
Transfer to Office of Management & Budget (HB 1015)	-	-
Transfer to Office of the Adjutant General (HB 1016)	1,000,000	
Transfer to Innovation Loan Fund (HB 1141)	15,000,000	
Transfer to ND University System (SB 2003)	19,000,000	-
Transfer to Office of Management & Budget (SB 2014)	9,500,000	
Transfer to Department of Commerce (SB 2018)	15,000,000	-
Transfer to Upper Great Plains Transportation (SB 2020)	2,073,000	-
Transfer from General Fund	(14,463)	-
Transfer to Agencies with Litigation Pool		1,182,973
Transfer to Environmental Quality		1,040,000
Transfer to Dept of Human Services		1,296,969
Transfer to Dakota College (Emergency Funding)		2,500,000
Transfer to Lake Region College (Emergency Funding)		363,000
Total Expense and Transfers	<u>276,607,872</u>	<u>389,933,040</u>

Net Income/(Loss)	\$22,772,845	\$54,777,306
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As of May 31, 2022 the SIIF had a fund balance of \$883,238,299. The fund balance is made up of two parts. The committed fund balance is that portion of the fund that has either been set aside until potential title disputes related to certain riverbed leases have been resolved or appropriated by the legislature. The uncommitted fund balance is the portion of the fund that is unencumbered, and is thus available to be spent or dedicate to other programs as the legislature deems appropriate. The uncommitted fund balance was \$403,996,322 as of May 31, 2022.

Board of University and School Lands

Comparative Fiduciary Statements (Unaudited)

Indian Cultural Trust

	May 31, 2022	May 31, 2021
<u>Fiduciary Net Position</u>		
Assets:		
Cash	\$422	\$2,102
Interest receivable	757	738
Investments	1,376,059	1,422,774
Total Assets	<u>\$1,377,238</u>	<u>\$1,425,614</u>
Liabilities:		
Accounts payable	-	-
Total Liabilities	-	-
Net Position:		
Net position restricted	1,377,238	1,425,614
Total Net Position	<u>\$1,377,238</u>	<u>\$1,425,614</u>
<u>Changes in Fiduciary Net Position</u>		
Additions:		
Contributions:		
Donations	\$0	\$0
Total Contributions	<u>0</u>	<u>0</u>
Investment Income:		
Net change in fair value of investments	54,787	218,749
Interest	37,429	28,377
Less investment expense	1,780	(1,591)
Net Investment Income	<u>93,996</u>	<u>245,535</u>
Miscellaneous Income	2,458	2,905
Total Additions	<u>\$96,454</u>	<u>\$248,440</u>
Deductions:		
Payments in accordance with Trust agreement	46,052	-
Administrative expenses	500	1,031
Total Deductions	<u>\$46,552</u>	<u>\$1,031</u>
Change in net position held in Trust for:		
Private-Purpose	49,902	247,409
Total Change in Net Position	<u>49,902</u>	<u>247,409</u>
Net Position - Beginning FY Balance	1,441,059	1,221,309
Net Position - End of Month	<u><u>\$1,490,961</u></u>	<u><u>\$1,468,718</u></u>

Board of University and School Lands

Comparative Fiduciary Statements (Unaudited)

Theodore Roosevelt Presidential Library

	May 31, 2022	May 31, 2021
<u>Fiduciary Net Position</u>		
Assets:		
Cash	\$20,194	\$132,919
Interest receivable	(68,730)	(70,938)
Investments	54,259,658	55,599,385
Total Assets	<u>\$54,211,122</u>	<u>\$55,661,366</u>
Liabilities:		
Accounts payable	-	-
Total Liabilities	-	-
Net Position:		
Net position restricted	54,211,122	55,661,377
Total Net Position	<u>\$54,211,122</u>	<u>\$55,661,377</u>
<u>Changes in Fiduciary Net Position</u>		
Additions:		
Contributions:		
Donations	17,500,000	35,000,000
Total Contributions	<u>17,500,000</u>	<u>35,000,000</u>
Investment Income:		
Net change in fair value of investments	2,149,090	5,070,161
Interest	1,458,574	716,081
Less investment expense	69,480	43,290
Net Investment Income	<u>3,538,184</u>	<u>5,742,952</u>
Miscellaneous Income	66	219
Total Additions	<u>21,038,250</u>	<u>40,743,171</u>
Deductions:		
Payments in accordance with Trust agreement	912,215	-
Administrative expenses	132,408	500
Total Deductions	<u>\$1,044,623</u>	<u>\$500</u>
Change in net position held in Trust for:		
Private-Purpose	22,082,873	35,044,009
Total Change in Net Position	<u>22,082,873</u>	<u>35,044,009</u>
Net Position - Beginning FY Balance	38,446,695	14,918,706
Net Position - End of Month	<u><u>\$60,529,568</u></u>	<u><u>\$49,962,715</u></u>

**RE: Investment Updates
(No Action Requested)**

Portfolio Rebalancing Updates

Morgan Stanley Ashbridge TS Fund II documents were executed.

On 7/29 Apollo Accord Fund IV, under opportunistic investments, has made its final distribution amounting to around \$1.9M as it winds down the Fund. As of 3/31, it had an annualized return of 17.24% since inception on 10/1/2020.

Since the last Board meeting, Hamilton Lane Infrastructure Opportunities Fund made a capital call of \$10.8M. First Sentier Investors (FSI)-GDIF called all our remaining capital commitment of \$105M funded on 8/19. Morgan Stanley Ashbridge TS Fund II gave notice of a capital call of \$10.25M on 8/26.

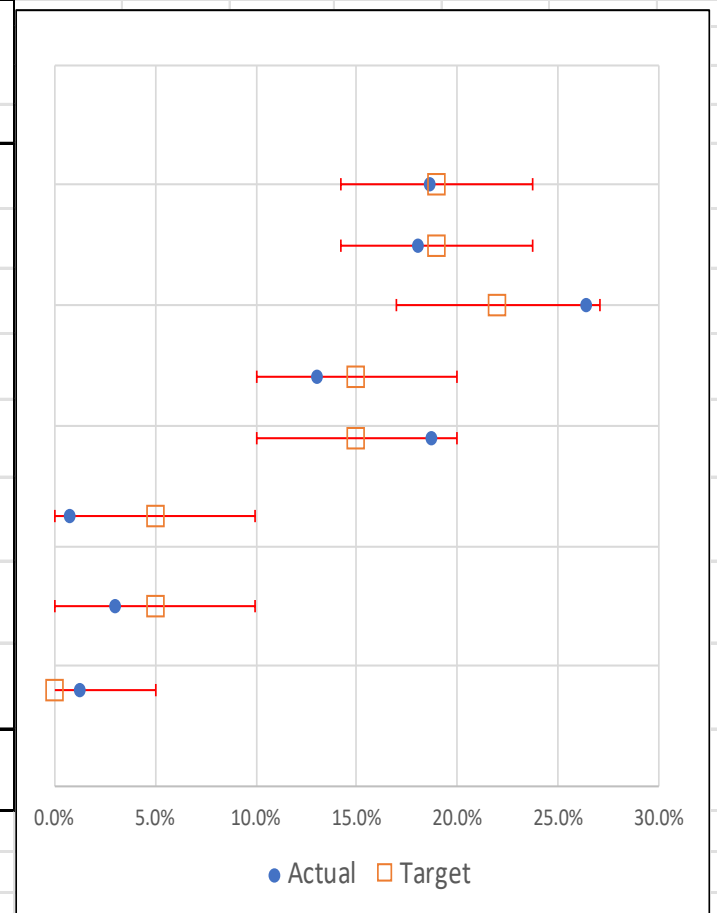
Unfunded commitments after the distribution and calls mentioned above will be at \$702.35M. These are:

1. Private Credit, \$179.4M
 - i. *ARES Pathfinder Fund, \$54.4M*
 - ii. *Owl Rock Diversified Lending, \$60M*
 - iii. *Angelo Gordon Direct Lending (AGDL) IV, \$15M*
 - iv. *AGDL-BUSL Fund, \$50M*
2. Private Equity, \$248.25M
 - i. *Grosvenor Capital Management (GCM) Private Equity, \$105.5M*
 - ii. *GCM Secondary Opportunities Fund, \$128M*
 - iii. *Morgan Stanley Ashbridge TS Fund II, \$14.75M*
3. Private Infrastructure, \$14.2M
 - i. *Hamilton Lane Infrastructure Opportunities Fund, \$14.2M*
4. Opportunistic Investments, 20.5M
 - i. *Varde Dislocation Fund, \$20.5M*
5. Absolute Return, \$240M
 - i. *Millennium USA LP (Hedge Fund), \$240M*

Asset Allocation

The table below shows the status of the permanent trusts' asset allocation as of August 17, 2022. The figures provided are unaudited.

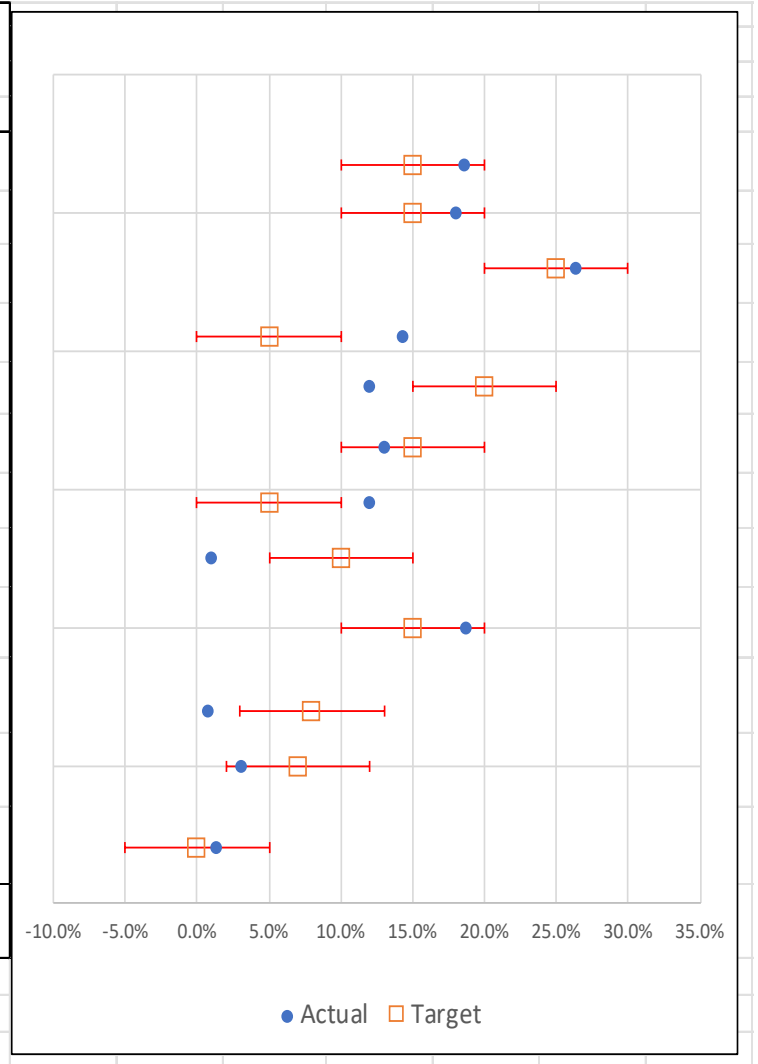
As of August 17, 2022	Market Value \$	Actual ●	Target □	Lower Range └─	Upper Range ─┘
Broad US Equity	1,138,329,445.63	18.6%	19.0%	14.0%	24.0%
Broad Int'l Equity	1,100,385,032.17	18.0%	19.0%	14.0%	24.0%
Fixed Income	1,609,605,590.03	26.4%	22.0%	17.0%	27.0%
Absolute Return	795,750,804.24	13.0%	15.0%	10.0%	20.0%
Real Estate	1,144,747,356.14	18.7%	15.0%	10.0%	20.0%
Private Equity (Grosvenor, GCM Secondaries, MS Ashbridge)	50,043,630.00	0.8%	5.0%	0.0%	10.0%
Private Infrastructure (JPM-Infra, FSI-GDIF, HL Infra)	186,732,688.00	3.1%	5.0%	0.0%	10.0%
Opportunistic Investments (Varde & Apollo)	80,026,275.63	1.3%	0.0%	-5.0%	5.0%
Portfolio Total	6,105,620,821.84	100.0%			



Hypothetical Funding of All Unfunded Commitments Using New Asset Allocation:

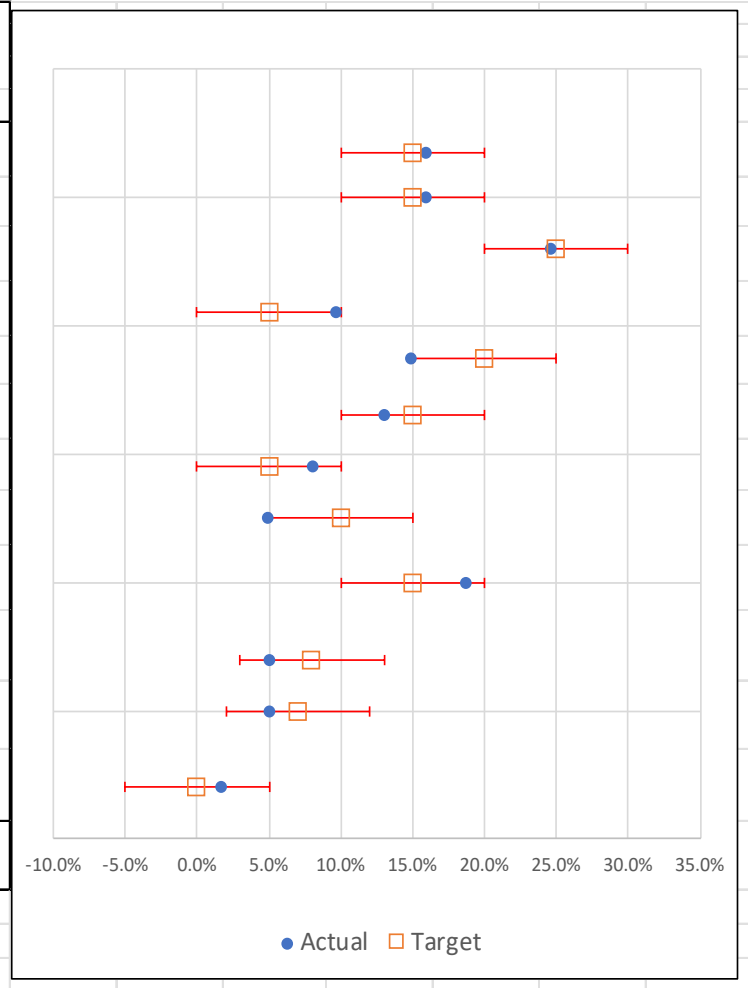
A. Asset Allocation Before Funding (as of 8/17/2022):

As of August 17, 2022	Market Value \$	Actual	Target	Lower Range	Upper Range
		●	□	└	┘
Broad US Equity	1,138,329,445.63	18.6%	15.0%	10.0%	20.0%
Broad Int'l Equity	1,100,385,032.17	18.0%	15.0%	10.0%	20.0%
Fixed Income	1,609,605,590.03	26.4%	25.0%	20.0%	30.0%
<i>Public Credit</i>	876,339,931.39	14.4%	5.0%	0.0%	10.0%
<i>Private Credit</i>	733,265,658.64	12.0%	20.0%	15.0%	25.0%
Absolute Return	795,750,804.24	13.0%	15.0%	10.0%	20.0%
<i>Global Tactical Asset Allocation</i>	733,891,005.24	12.0%	5.0%	0.0%	10.0%
<i>Multi-Strategy Hedge Fund</i>	61,859,799.00	1.0%	10.0%	5.0%	15.0%
Real Estate	1,144,747,356.14	18.7%	15.0%	10.0%	20.0%
Private Equity (Grosvenor, GCM Secondaries, MS-Ashbridge)	50,043,630.00	0.8%	8.0%	3.0%	13.0%
Private Infrastructure (JPM- Infra, FSI-GDIF, HL Infra)	186,732,688.00	3.1%	7.0%	2.0%	12.0%
Opportunistic Investments (Varde & Apollo)	80,026,275.63	1.3%	0.0%	-5.0%	5.0%
Portfolio Total	6,105,620,821.84	100.0%			



B. Asset Allocation After Funding (as of 8/17/2022):

As of August 17, 2022	Market Value \$	Actual	Target	Lower Range	Upper Range
Broad US Equity	973,129,445.63	15.9%	15.0%	10.0%	20.0%
Broad Int'l Equity	972,385,032.17	15.9%	15.0%	10.0%	20.0%
Fixed Income	1,504,605,590.03	24.6%	25.0%	20.0%	30.0%
<i>Public Credit</i>	591,939,931.39	9.7%	5.0%	0.0%	10.0%
<i>Private Credit</i>	912,665,658.64	14.9%	20.0%	15.0%	25.0%
Absolute Return	795,750,804.24	13.0%	15.0%	10.0%	20.0%
<i>Global Tactical Asset Allocation</i>	493,891,005.24	8.1%	5.0%	0.0%	10.0%
<i>Multi-Strategy Hedge Fund</i>	301,859,799.00	4.9%	10.0%	5.0%	15.0%
Real Estate	1,144,747,356.14	18.7%	15.0%	10.0%	20.0%
Private Equity (Grosvenor, GCM Secondaries, MS-Ashbridge)	308,543,630.00	5.1%	8.0%	3.0%	13.0%
Private Infrastructure (JPM- Infra, FSI-GDIF, HL Infra)	305,932,688.00	5.0%	7.0%	2.0%	12.0%
Opportunistic Investments (Varde & Apollo)	100,526,275.63	1.6%	0.0%	-5.0%	5.0%
Portfolio Total	6,105,620,821.84	100.0%			



Assumptions:

- i. No new cash came in that was used to fund the calls.
- ii. No redemption proceeds or distributions were received.
- iii. All capital calls came in at the same time.

RE: Investment Policy Statement – Second Reading

The Board of University and School Land's (Board) Investment Policy Statement (IPS) must be updated to reflect the Board's new Strategic Asset Allocation (SAA) for the Permanent Trust Funds approved at the June 30, 2022, Board meeting.

The substantive changes to the IPS are as follows (please see Attachment):

1. Update the new SAA strategies and percentages on page 17.
2. Update the new policy index (benchmark) strategies and percentages on page 20.
3. Add language regarding private debt and multi-strategy hedge funds on page 21.

Recommendation: The Board approve the updates to the Investment Policy Statement as shown on the attached redline version.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger					
Superintendent Baesler					
Treasurer Beadle					
Attorney General Wrigley					
Governor Burgum					

Attachment: Investment Policy Statement redline

ND Board of University and School Lands Investment Policy Statement

An Investment Management Framework for North Dakota’s Permanent Trust Funds, the Capitol Building Fund, the Strategic Investment and Improvements Fund, the Coal Development Trust Fund, the Indian Cultural Education Trust, and the Theodore Roosevelt Presidential Library and Museum Endowment Fund

Revised ~~02/24/2022~~Update with Date of Board Meeting

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Mission Statement

The mission of the Board of University and School Lands is to manage the assets of the permanent trusts in a manner that preserves the purchasing power of the funds and maintains stable distributions to fund beneficiaries and to manage all other assets and programs entrusted to the Board in a prudent, professional manner, in accordance with the Constitution of North Dakota and applicable state law.

General Authority

On February 22, 1889 Congress passed the Enabling Act, dividing Dakota Territory into two states and authorizing the people to form the constitution and government of the state of North Dakota. This act granted a significant amount of land to support common schools, colleges, universities, the state capitol, and other public institutions. North Dakota Constitution article IX, which became effective at statehood on November 2, 1889, entrusted the management of these lands to the "board of university and school lands" (the Board). The Board is made up of the governor as chairman, the secretary of state as vice-chair, the attorney general, superintendent of public instruction, and the state treasurer.

Investment Authority

The North Dakota Constitution states that the Board "has control of the appraisalment, sale, rental, and disposal of all school and university lands, and the proceeds from the sale of such lands shall be invested as provided by law."¹ State law further requires that the Board "shall apply the prudent investor rule in investing the permanent funds under its control."²

Purpose of This Policy

This Investment Policy Statement (Policy) governs the investment of assets for the thirteen Permanent Trust Funds, the Strategic Investment and Improvements Fund (SIIF), the Capitol Building Fund, the Coal Development Trust Fund, the Indian Cultural Education Trust, and the Theodore Roosevelt Presidential Library and Museum Endowment Fund (collectively, Funds). It is established to provide a framework for the management of those assets and sets forth the Board's investment objectives, philosophy, guidelines, and practices. The Policy is not intended to be a static, one-time document but is designed to capture investment opportunities while providing parameters that ensure prudence and care in the execution of the investment program. No investment or action pursuant to an investment may be taken unless permitted by this Policy or by action of the Board; any exceptions must be approved by the Board.

The Policy provides guidance for fiduciaries which include the Board, the Commissioner of University and School Lands (Commissioner), investment managers, investment consultants, and custodians. It is the intent of the Policy to provide the foundation for management of the Funds' assets in a prudent manner including

¹ N.D. Const. art. IX, § 3

² N.D.C.C. § 15-03-04

the standards by which the Board can evaluate the Commissioner, investment managers, investment consultants, custodians and other service providers.

This Policy is supplemented by the Commissioner's operating procedures and policies, as well as detailed information within contractual agreements with investment managers.

Investment Philosophy

In order to meet the above investment objectives, the Board has adopted the following principles:

- Strategic asset allocation is a fiduciary duty and allocation across asset classes is the most important determinant of return variability and long-term total return.
- Risk is an unavoidable component of investing and is a major factor that must be taken into account in assessing investment policy and strategy.
- Diversification by asset class and within asset classes is a primary risk control element.
- Each trust or fund invested by the Board shall have a strategic asset allocation and investment strategy that is appropriate given its specific requirements for return, risk, time horizon, and liquidity.

Capital Markets Theory

Return

In order to meet the objective of the Funds, the Board strives to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. The Board's mechanism for setting return goals will be accomplished by selecting specific benchmarks that match the objective and time horizon of each fund. The Funds will have a goal for long-term returns to meet or exceed its formal benchmark over a full market cycle, while minimizing the costs associated with implementation of the asset allocation through efficient use of internal and/or external resources.

Risk

The investment risk philosophy for the Funds is based on the principles of capital market theory that are generally accepted and followed by institutional investors, who by definition are long-term oriented investors. This philosophy holds that:

- Increasing risk is rewarded with compensating returns over time; therefore prudent risk taking is a necessary element of long-term investing.
- Risk can be mitigated through diversification of asset classes and investment approaches, as well as diversification of individual securities.
- The primary determinant of long-term investment performance is the strategic or long-term allocation of assets among various asset classes.
- Relative performance of various asset classes is unpredictable in the short-term and attempts to shift tactically between asset classes or implementation strategies shall not be undertaken by the Board.

Given these principles, the Board has established a long-term asset allocation policy for each fund that balances the returns needed to meet the fund’s objectives and the risk level that is appropriate for that fund under existing and anticipated circumstances. In determining its risk posture, the Board has considered each fund’s purpose and characteristics, current and projected financial condition, liquidity needs, sources of contribution, income, and general economic conditions.

Diversification

The Board will choose an investment strategy for each Fund utilizing an appropriate long-term, diversified asset allocation approach. Diversification distributes a portfolio across many investments to avoid excessive exposure to any one source of risk. Other considerations in asset allocation modeling should take into account the purpose of the fund, the size and financial condition of the fund, and general economic conditions. These factors are not intended to be limiting; rather, they are outlined as a general indication of the importance of diversification to proper asset allocation. Under such an allocation, each Fund’s assets may be invested by active and/or passive managers, and by diverse investment strategies and styles within each asset class. The Board will determine the proper allocation among asset classes and investment managers, based on advice and analysis provided by the Commissioner and/or Consultants.

Formal Review Schedule

The Board recognizes that though the investments are subject to short-term volatility, the Board shall maintain a long-term investment focus. This prevents ad-hoc revisions to the philosophy and policies in reaction to either speculation or short-term market fluctuations. In order to preserve this long-term view, the Board has adopted the following formal review schedule:

Formal Review Agenda Item	Formal Review Schedule
Asset Allocation Policy	At least every four years
Manager Structure Policy	At least every four years
Investment Policy	At least every four years
Total Fund Performance	At least quarterly
Asset Class Composite Performance	At least quarterly
Investment Manager Performance	At least quarterly

Roles and Responsibilities

The Board

The Board of University and School Lands is the primary body charged with overseeing investment activities relating to the Funds. Members of the Board are fiduciaries subject to the statutory and common law duties of a fiduciary.

The Board’s mandate, in turn, is to manage each fund entrusted to it ethically and optimally, working to achieve the highest level of investment performance within acceptable levels of risk. The Board is responsible for prudent investment of the Funds. The Board will operate the investment program in compliance with all applicable federal and State laws and regulations. The Board is responsible for

establishing and maintaining all policies and guidelines by which the Funds are managed, and by which the Commissioner operates.

The Board relies on the Commissioner and any external contractors to properly administer the Funds and implement the Funds' investment strategies. The roles of each party as fiduciaries must be clearly identified; such identification increases operational efficiency, ensures clear lines of responsibility, and reduces or eliminates duplication of effort.

The Commissioner

The Board of University and School Lands is required to appoint a commissioner to act on its behalf.³ The office of the Commissioner of University and School Lands (the Commissioner)⁴ has a primary responsibility to manage the permanent educational trust funds and assets under the Board's control as outlined in law. When used in this Policy, the term Commissioner is inclusive of the Department of Trust Lands' Chief Investment Officer and investment staff. State law also gives the office of the Commissioner the responsibility for managing the state Unclaimed Property Division, and the Energy Infrastructure and Impact Office.

The Commissioner is responsible for implementing Board policy, the day to day management of the investment program, and implementing a process for selection and termination of investment managers that is sufficiently transparent for the Board to understand the process and provide meaningful oversight.

Investment Consultant

The Investment Consultant (Consultant) is hired by and reports directly to the Board. The Consultant's duty is to assist the Board in oversight, and the Commissioner in managing the investment process. This includes regular meetings with the Board to provide an independent perspective on the Funds' goals, structure, performance, and managers. The Consultant will render investment advice to the Board regarding such matters as investment policy, strategy, overall portfolio monitoring and composition, and diversification of investments. The Consultant will conduct ongoing due diligence of external investment managers. The Consultant does not have any discretionary authority with respect to investments; the Board makes all final decisions regarding any investments.

Investment Managers

Investment managers (Managers) are hired by and serve at the pleasure of the Board. The Commissioner will provide the Managers with explicit written investment guidelines⁵ which detail permissible securities, investment strategies, and performance evaluation criteria. Each Manager will select, buy, and sell specific securities or investments within the parameters specified in their investment guidelines and in adherence to this Policy or to other policies set forth by the Board. Managers will construct and manage investment

³ N.D.C.C. § 15-02-01; Specific responsibilities of the Board and the Commissioner are set out in N.D.C.C. ch. 15-01 through 15-08.1.

⁴ Commissioner of University and School Lands is the statutory name; in 2011 the Board adopted *The Department of Trust Lands* as the common reference to the agency.

⁵ In cases where the Board has selected investments in commingled or mutual funds, the offering document becomes the specific investment guidelines.

portfolios that are consistent with the investment philosophy and disciplines for which they were hired. Managers will provide performance reporting at intervals specified by the Commissioner.

Custodian

A custodian bank is a specialized financial institution hired by the Board to safeguard the Funds' financial assets; they are a third party that operates separately from Managers. The custodian(s) will collect income and safely keep all cash and securities, process all transactions, and provide monthly accounting/investment reports to the Commissioner and Consultant. The custodian may also provide securities lending, commission recapture, transition management, securities litigation monitoring, or other services for the Funds.

The Prudent Investor Rule

North Dakota statute dictates that the Board apply the prudent investor rule in investing the Permanent Trust Funds under its control. The law states:

The "prudent investor rule" means that in making investments the board shall exercise the same judgment and care, under the circumstances then prevailing and limitations of North Dakota and federal law, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable investment returns.⁶

It is the Board's intent to invest all of the Funds in accordance with the Prudent Investor Rule.

Social and Economically Targeted Investing

Social investing is defined as the practice of aligning one's investment policies with social responsibility. Some of the issues and topics addressed by social investing promoters include environmental causes, avoidance of tobacco producers, avoidance of politically sensitive parts of the world, and workers' rights. With different sets of values, what one investor may deem irresponsible, another may consider good policy.

The Board shall not use the Funds to participate in activist efforts to implement a social agenda regarding ownership of specific securities or efforts of shareholders to bring about social change.

Economically targeted investing is defined as an investment designed to create economic benefits for a targeted geographic area, group of people, or sector of the economy. Economically targeted investing is barred when investing the Permanent Trust Funds, the Capitol Building Fund, the Indian Cultural Education Trust, and the Theodore Roosevelt Presidential Library and Museum Endowment Fund, unless the investment meets the Exclusive Benefit Rule.

⁶ N.D.C.C. § 15-03-04

Exclusive Benefit Rule

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

- The cost does not exceed the fair market value at the time of investment.
- The investment provides an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- Sufficient liquidity is maintained to permit timely distributions.
- The safeguards and diversity to which a prudent investor would adhere are present.

Economically targeted investing is allowed within the Coal Development Trust Fund and the Strategic Investment and Improvement Fund, if the investment meets the purpose of the fund and is directed by law.

Conflicts of Interest

Members of the Board, the Commissioner, employees of the Commissioner, Managers, Consultants, and custodians involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the Board's investment program, or that could impair their ability to make impartial recommendations and decisions. These parties are required to reveal all relationships that could create or appear to create a conflict of interest in their unbiased involvement in the investment process.

Manager Selection and Evaluation

When analyzing and evaluating any Manager, the Board believes it is important to review the Manager within the context of the structure of the entire asset class and portfolio, and not in isolation. A key to portfolio construction is diversification, not just by asset class but within each asset class. The goal of diversification is to be exposed to different investment strategies, which will have different performance and risk patterns. Diversification is optimal when strategies are complementary.

Search and Selection

The Board has established the following guidelines for hiring Managers. In establishing these guidelines, it is the Board's intention to assure all interested parties that decisions made in carrying out these actions occur in a full disclosure environment characterized by competitive selection, objective evaluation, and proper documentation. Any action to hire a manager should be based on one or more of the following observations:

- Identification of a new asset class or approach which has been approved in advance by the Board
- A need for diversification of managers and styles within an existing asset class
- A need to replace an investment manager
- A need to retain additional managers in order to reach an asset class structure target

The selection of new Managers will adhere to a consistent process to ensure a competitive and transparent search involving proper evaluation and due diligence of candidates, and selection of Managers that best demonstrate the characteristics sought in a specific search. The Commissioner will ensure that the

objectives for the mandate are clearly articulated and that pricing is reflective of the market. The evaluation process may be conducted by the Commissioner or the Consultant and will include but not be limited to the following steps:

1. Establish investment manager selection criteria
2. Identify qualified candidates through minimum qualification screening
3. Quantitative screening
4. Qualitative screening
5. Manager interviews
6. Analysis of quantitative and qualitative factors including portfolio fit and structure

The Commissioner will prepare documentation of the search process; this documentation will include disclosure of all relevant issues and related due diligence. When reviewing the documentation, the Board shall ensure that decisions were well reasoned, thoroughly considered, and prudent.

Monitoring, Evaluation, and Termination of Managers

The decision to retain a Manager can have the same potential impact on the returns of an asset class composite as manager selection decisions and should be given the same degree of attention. The Board recognizes investment and management decisions directed at individual managers must be evaluated not in isolation but in the context of the overall structure of the asset class and the Fund's portfolio as a whole. To maintain the discipline necessary for a long-term focus, the Board will monitor and evaluate the performance of Managers and identify the specific problems and concerns that may affect returns, with the following objectives:

- Foster a long-term approach to manager evaluation
- Provide a review of the manager's "fit" in the overall asset class composite
- Provide a logical and statistically valid framework for manager skill evaluation
- Promote timely and appropriate responses to actual and potential performance issues
- Provide flexibility to allow application across all asset classes, management styles and market environments

Monitoring and evaluation relies on a process that includes:

1. Monthly reports from the custodian and Managers to the Commissioner
2. Quarterly performance reports from the Commissioner and Consultant for the Board. These reports will detail performance of the Funds, asset class composites, and the performance of individual managers against established benchmarks, as well as peer ranks for each category
3. Qualitative analysis generated in the course of regular, on-going contact between a Manager, the Commissioner, and the Consultant

Manager Termination Guidelines

From time to time it will be necessary for the Board to terminate a contractual relationship with a Manager; these actions must be viewed in the context of the entire portfolio and as a business decision. The Board has established guidelines to assist in making these termination decisions. The overriding consideration

with respect to all decisions is that they shall be made solely in the best interest of the beneficiaries of the Funds.

Any action to terminate a manager should be based on one or more of the following criteria:

1. Significant changes in firm ownership and/or structure
2. Loss of one or more key personnel
3. Significant loss of clients and/or assets under management
4. Shifts in the firm's philosophy or process
5. Significant and persistent lack of responsiveness to client requests
6. Changes in the Board's investment strategy eliminating the need for a particular style or strategy
7. Violations of the Investment Policy or guidelines
8. Unsatisfactory investment performance
9. Identification of a new asset class or approach which has been approved in advance by the Board
10. Need for diversification of styles within an existing asset class
11. Need to reduce exposure to a single manager
12. Any other issue or situation of which the Commissioner, Consultant, and/or Board become aware that is deemed material

Prior to the termination decision, all relevant considerations and issues should be identified and documented in Board meeting minutes and supporting documents. It is the Board's intent to have a plan in place before termination of a Manager. The Commissioner will redeploy the assets of a terminated manager's portfolio in an expedient and prudent manner, which may involve hiring a third party to facilitate the transition or liquidation of assets.

General Investment Restrictions and/or Guidelines

1. All investments made shall be subject to the quality and diversification restrictions established by the Prudent Investor Rule.
2. According to North Dakota law, the Board may not purchase as sole owner commercial or residential real property in the State.⁷
3. Assets may be held in commingled funds and/or privately managed separate accounts. Exposure through commingled funds and mutual funds shall be evaluated on a case-specific basis through analysis of that fund's offering document. Upon review by the Commissioner and approval by the Board, this offering document becomes the specific investment guidelines for that allocation.
4. No more than 5% of the stock of any corporation may be purchased.
5. The securities representing debt and equity of any one company shall not exceed 6% of the market value of any Manager's portfolio without prior approval from the Commissioner; such approval shall be reported to the Board.

⁷ N.D.C.C. § 15-03-04

6. Cash equivalents held by Managers can be disruptive to the allocation process. Unless otherwise authorized, Managers are expected to be fully invested in the types of securities for which they have responsibility.
7. Any use of leverage will be consistent with the strategy for which the Board hired the Manager. Use of leverage will be controlled as appropriate in the Manager's specific guidelines.
8. The Board recognizes that the Funds are exposed to currency risk through international equity, fixed income, and absolute return mandates; the Board prefers to utilize unhedged benchmarks and does not require its Managers to hedge the currency exposure in their portfolios.

Securities Litigation and Shareholder Legal Activism

In carrying out its fiduciary duties to prudently invest and manage the assets entrusted to it, the Board invests in the securities of various public companies, or issuers. From time to time, class action lawsuits are brought against the issuers, directors, and/or officers for alleged violations of federal and state securities laws relating to various disclosure obligations and other breaches of fiduciary or other duties. As shareholders, the trust funds under the Board's control are putative members of the alleged classes.

At the present time, the Board relies on a designated agent to monitor settled class action securities litigation where the Funds have an interest. In resolved litigation, unless directed otherwise, the designated agent files proofs of claim on behalf of the Funds and posts disbursements or settlements to the appropriate portfolios as litigation settlement proceeds are received. The designated agent will provide the Department with its most current class action procedures and will follow such procedures on behalf of the Department. The designated agents class action procedures shall include reviewing various information sources for notification of class action suits, identifying transactions within the class period for the security involved and determining account eligibility and filing proof of claim and supporting documentation.

Department Investment staff will monitor the designated agent's compliance with the Securities Litigation Policy. Investment staff will review all notices and information concerning potential or pending class action litigation that are received by the Department. The Commissioner will report periodically to the Board on recoveries realized as a result of class action participation.

Although there may be value in influencing an eventual settlement or in pursuing a separate legal action in a lawsuit, the administration and opportunity costs can be substantial. The Board uses a monitoring approach to securities litigation to avoid the diversion of staff, financial, and legal resources in building and applying collective plaintiffs' arguments through depositions, discovery, and documentation. Serving as the lead plaintiff does not obtain any additional financial benefit, but rather a lead in a class action suit shares any final judgment or settlement with the class members on an equal, per share basis.⁸ Opting out of a "class" or objecting to the terms of a proposed settlement and pursuing independent legal remedies may also be pursued although the administration and opportunity costs can be substantial and involve significant attorney's fees, costs, and expenses which may or may not be recovered.

⁸ The lead plaintiff may recover attorney's fees, costs, and expenses if the lawsuit is successful or a settlement is obtained.

The Commissioner will initiate active participation in securities cases only upon prior approval by the Board. Prior to bringing any recommendation to the Board, the Commissioner will assess the merits and prospects for active participation by reference to the criteria and factors outlined below. The Board, in consultation with the Attorney General, may consider more active forms of legal engagement in cases where:

1. Where the action is in the US, and the estimated loss is a minimum of \$5,000,000 of assets under management of the Board, or from the combined assets under management of the Board and the North Dakota State Investment Board; and
2. the trust funds are among the largest shareholders of the defendant issuer; and
3. service as a lead plaintiff or opting out of a proposed settlement to the “class” of claimants would be in the best interest of the Funds
4. the prima facie merits of the claim for loss, and the factual basis for the action, recognizing that the full discovery process will not commence until the class has been certified by the court in which such case is to be filed.
5. The potential that any defendants or insurers will be able to pay an adequate recovery to the class, without impairing the value of any current security holdings of the Board may yet hold in issuer in the portfolio.
6. Potential costs that may be incurred. Special consideration must be given to any case that must be filed in a non-U.S. venue under the “Morrison” criteria established by the U.S. Supreme Court in a 2010 decision, since costs of litigation and potential liabilities of unsuccessful claims may be significant.

The Board may engage one or more legal firms that specialize in prosecuting security class action cases; any such engagement is subject to special appointment requirements of N.D.C.C. § 54-12-08. For these purposes only, such firm(s) may be granted ongoing access to security holdings information through the custodian bank or designated agent.

The Board may contract with firms that provide securities litigation monitoring/tracking services if it determines it is prudent. In August of 2018 the Board approved the hiring of a securities litigation monitoring and claims filing firm; that firm is currently being brought onboard. In addition to providing litigation monitoring and claims filing services, the firm will work the Commissioner to develop a revised securities litigation policy for the Board.

- **NON-U.S./CANADA PASSIVE CLASS AND GROUP RECOVERY EFFORTS:** The Board has engaged a securities litigation monitoring and claims filing firm to identify and submit claims in non-U.S./Canada matters that involve passive claim filing regardless of loss size. To the greatest extent possible, the participation process will be automated. Our funds may serve as lead or representative plaintiffs in passive participation matters if the factors specified below for active participation have been met; or if there are other overriding considerations. The current “Passive” International Jurisdictions include Australia, Dutch Foundations and United Kingdom Regulatory Action Compensation Schemes.
- **NON US/CANADA GROUP OPT-IN LITIGATION:** The risks associated with direct litigation outside of the U.S. vary by country and our participation will need to be evaluated on a matter-by-matter basis. However, countries can be grouped into three risk profile categories - low, medium, and high - with

minimum damages thresholds set for each risk group to limit consideration to those matters where our funds' losses exceed these amounts.

The Board has engaged a securities litigation monitoring and claims firm to (a) identify "opt in" or group litigation, arbitration, settlement and/or other recovery efforts outside of the U.S. and Canada for which they may be eligible and provide damages estimates based on the methodologies accepted under local law, if they exist and recognizing that this will often be uncertain. The Board will compare those damages estimates against pre-defined loss thresholds below and, if damages exceed threshold amounts, evaluate whether participation in the matter will be in the Fund's best interest.

The following initial damages thresholds are based on perceived risks associated with recovery efforts in each country. The Board will periodically review these thresholds and make any necessary adjustments based on experience, updated information about specific risks, and other factors.

Jurisdictional Description	Damages Threshold
<u>Low risk</u> jurisdictions including Japan	To be inserted Ranges to be considered from \$100k to \$500k
<u>Medium risk</u> jurisdictions including Germany, Austria, Belgium, Switzerland, Denmark, Spain, Finland, France, Hong Kong, Indonesia, Ireland, Italy, Korea, Luxembourg, Malaysia, Norway, New Zealand, Portugal, Sweden, and Thailand	To be inserted \$1 mil to \$5 mil
<u>High risk</u> jurisdictions including Taiwan ⁹ and the United Kingdom	To be inserted Greater than \$7.5

When losses exceed threshold amounts, our funds should consider the following:

- The merits of the case in light of the remedies available under local law.
- Their expected losses and percentage recoveries or results from past matters in that country, if available.
- The process and administrative burden to joining a particular litigation or settlement effort.
- The costs associated with involvement including attorney fees, litigation expenses, and any other potential expense covered by the litigation funder without recourse to the funds.
- How the organizers intend to protect our funds from the risk of adverse party cost shifting.

⁹ While Taiwan is among the most active non-US/Canada jurisdictions, our funds are not likely to have eligibility and given the risks involved, they should limit their participation to situations where money has already been recovered.

- If the litigation or settlement is funded, the identity of the funder, the percentage and cost reimbursement the funder will take from the recovery if the efforts succeed.
- The lawyers handling the case including their reputation, past results, and terms of representation like fee structures, expenses, and contingencies.
- The registration requirements, the potential evidentiary and/or discovery burdens to the funds, and any other administrative burden that may be required from them including any obligation to travel.
- The extent to which the funds' involvement will be disclosed to opposing parties and/or the public.
- Any other reasonable considerations.

Securities Lending

The objective of the securities lending program is to generate incremental income from overnight and certain term loans of securities. The Funds may participate in a securities lending program.

The program will utilize a high-quality and conservative collateral re-investment approach that safeguards the return of principal and maintains adequate daily liquidity to support trade settlement activity and portfolio restructuring activities. Each securities lending agent will ensure that specific guidelines are in place as to the quality, duration, liquidity and diversification of securities lending collateral.

The Board requires collateral for loans. The use of assets in any securities lending engagements should:

1. Earn a competitive market return through conservative securities lending practices, consistently with the preservation of capital.
2. Minimize risk with respect to both the borrower and the collateral,
3. Operate the securities lending program so that it will not interfere with the management of overall investment portfolio and strategies.

Unless explicitly exempted by the Board, the lending agent shall provide indemnification against losses arising from borrower default, insolvency, and failure to comply with the terms and conditions of the lending agreements.

The Commissioner shall provide a report to the Board annually, outlining the performance and status of the securities lending program.

Proxy Voting

The Board believes that proxies should be voted in a manner consistent with the long-term interests and objectives of the investment program set forth herein, unless it is in the best interest of the Board not to vote. The Board delegates authority to vote shares to each Manager and expects Managers to vote shares. The principle behind this policy is that Managers have specific reasons for holding shares and will vote shares in a way the Manager believes will best add value to those shares. Managers shall submit written reports to the Commissioner by January 31 of each year advising of the manner in which each proxy was voted during the preceding calendar year and notify the Commissioner of controversial matters which may be subject to proxy voting.

Notwithstanding the forgoing, intangible factors such as social and environmental issues are increasingly being incorporated into proxy voting. The Board expects voting of social and environmental proposals will be based solely on enhancing or protecting long-term value to the assets under its control and not on establishing or endorsing social policy. As part of its fiduciary duty, the Board expects Managers to consider only those factors that relate to the economic value of the Board's investments and shall not subordinate the interests of the Funds to unrelated objectives.

It is the policy of this Board that the Commissioner shall regularly review related proxy votes by the Managers. Any proxy votes deemed by the Commissioner to be contrary to the interests of the Funds under the Board's responsibility, shall be fully explained by the Manager in writing and brought to the Board for its review. An exception to the above policy regarding voting of proxies is for shares held by the Board on behalf of holders of unclaimed property. As a passive holder of these particular shares the Board chooses not to exercise voting rights on the owners' behalf.

Funds Administered by the Board

The pages that follow describe the various funds administered by the Board.

Permanent Trust Funds

On February 22, 1889, Congress passed "An act to provide for the division of Dakota [Territory] into two states, and to enable the people of North Dakota, South Dakota, Montana and Washington to form constitutions and state governments" This Act is commonly known as the Enabling Act. This act granted land to the new states "for the support of common schools," which in North Dakota's case totaled more than 2.5 million acres. Further land grants in this legislation provided for the support of colleges, universities, the state capitol, and other public institutions. These additional grants totaled approximately 668,000 acres, bringing the grand total of Enabling Act land grants to nearly 3.2 million acres.

Purpose

The land grant from the federal government at statehood¹⁰ and the state constitution¹¹ both provide that the Board of University and School Lands manage the trust land and minerals and associated proceeds, for the exclusive benefit of education and institutional support. In accordance with Article IX of the North Dakota Constitution as well as federal law¹², the perpetual trust funds must be managed to:

1. Preserve purchasing power
2. Maintain stable distributions to trust beneficiaries

Chapter 15-03 of the North Dakota Century Code governs the management of the Permanent Trust Funds, including the requirement that any investments conform to the prudent investor rule.

Listing of Permanent Trust Funds

The following are the beneficiaries of the Permanent Trust Funds described in Article IX of the North Dakota Constitution:

1. Common Schools (K-12)
2. North Dakota State University
3. University of North Dakota
4. Mayville State University
5. ND Youth Correctional Center
6. Ellendale State College¹³
7. Valley City State University
8. State College of Science
9. School for the Blind
10. School for the Deaf
11. State Hospital
12. School of Mines (UND)
13. Veterans Home

¹⁰ The Enabling Act of February 22, 1889 (25 Stat. 676, ch. 180)

¹¹ N.D. Const. art. IX, §§ 2, 3

¹² 7 U.S.C. § 309 and 25 Stat. 676, ch. 180

¹³ Beneficiaries of the Ellendale permanent trust are now Dickinson State University, Minot State University, Dakota College at Bottineau, Veterans Home, School for the Blind, State Hospital, and the State College of Science as directed in 1973 N.D. Sess. Laws ch. 176.

Funding Sources

Funding Sources Common to All Permanent Trust Funds

Each permanent trust individually owns surface land tracts and mineral rights that provide revenue from agricultural leases, oil and gas royalties and lease bonuses, as well as other productive uses of the surface and mineral lands owned by each trust.

Common Schools

The Common Schools Trust Fund is the largest of the Permanent Trust Funds administered by the Board. In addition to the revenues from the surface lands, minerals, and investments that the Permanent Trust Funds own, the Common Schools Trust Fund also receives funding from the following sources:

1. 10 percent of the oil extraction taxes collected by the state¹⁴
2. Net unclaimed property proceeds collected by the Department¹⁵ until such time that property may be reunited with its owner.

Distribution Policy

Article IX, Section 2 of the North Dakota Constitution states:

Distributions from an educational or charitable institution's trust fund must be faithfully used and applied each year for the benefit of the institution and no part of the fund may ever be diverted, even temporarily, from this purpose or used for any purpose other than the maintenance of the institution, as provided by law.

The distribution formula¹⁶ is also described in Article IX , Section 2:

[B]iennial distributions from the perpetual trust funds must be ten percent of the five-year average value of trust assets, excluding the value of lands and minerals. The average value of trust assets is determined by using the assets' ending value for the fiscal year that ends one year before the beginning of the biennium and the assets' ending value for the four preceding fiscal years. Equal amounts must be distributed during each year of the biennium.

The year-end values used to calculate permanent trust distributions, as described in Article IX above, is the fund balance of each trust found in the Board's audited financial statements. When determining biennial distributions for the permanent trusts, annual distributions for each trust are rounded to the nearest one thousand dollars.

By statute, distributions from the Common Schools Trust Fund are paid to school districts monthly, from August to April of each fiscal year, through the state tuition fund.¹⁷ . At the request of the Office of

¹⁴ N.D. Const. art. X, § 24

¹⁵ N.D.C.C. § 47-30.1-23 and N.D. Const. art. IX, § 1

¹⁶ This distribution formula is the result of a constitutional amendment that was approved by North Dakota voters on November 7, 2006. This constitutional change was validated at the federal level by the passing of the Omnibus Public Land Management Act of 2009 (Pub. L. No. 111-11, 123 Stat. 1446) which amended the First Morrill Act (The Act of July 2, 1862 [7 U.S.C. 301 et seq.]) and the Enabling Act of February 22, 1889 (25 Stat. 676, ch. 180). Prior to these changes, distributions for the Permanent Trust Funds were based on projections of interest and income for the funds; distributions could only be paid out of interest earned.

¹⁷ N.D.C.C. § 15.1-28-01

Management and Budget, effective fiscal year 2018, distributions from the Common Schools Trust Fund will be made in relatively equal amounts from August to April of each fiscal year.

Distributions from the other 12 Permanent Trust Funds are made in equal amounts during January and June of each fiscal year and are distributed directly to the benefitting institutions.

Investment Objective

The assets of the Permanent Trust Funds are invested with a perpetual time horizon, in a manner that seeks to balance the longer-term goal of preserving the purchasing power of the trusts with the shorter-term goal of maintaining a stable stream of distributions to beneficiaries. The long-term nature of the funds, combined with a disciplined investment approach, provide the ability to the Permanent Trust Funds to withstand short-term volatility, to profit from periods of elevated risk aversion, and to be rewarded for providing liquidity.

The Permanent Trust Funds are invested by the Board in a single comingled pool, along with the Indian Cultural Education Trust and the Theodore Roosevelt Presidential Library and Museum Endowment Fund (described further on pages 2928 and 29).

Strategic Asset Allocation

The Board recognizes that the most important determinant of long-term return and risk is the asset allocation decision. The asset allocation decision is intended to reflect the return objective and risk tolerance expressed in this Investment Policy Statement. It is designed to provide the highest probability of meeting the Funds’ objectives at a level of risk and liquidity that is acceptable to the Board. In establishing its risk tolerance, the Board considers the Funds’ ability to withstand short- and intermediate-term volatility in investment performance and fluctuations in financial condition of the Funds.

To determine the strategic asset allocation target, the Board, with assistance from the Commissioner and Consultant, examines the historical and projected risk and return of the approved asset classes, the correlation among these asset classes as well as the effect the expected investment performance will have on the obligations of the Funds. Based on its long-term return expectations and its determination of the appropriate risk tolerance for the Funds, the Board has chosen the following strategic asset allocation policy for the Permanent Trust Funds:

Asset Class	Strategic Asset Allocation Target	Minimum	Maximum
Broad US Equity	1549%	124%	1824%
Broad International Equity	1549%	124%	1824%
Fixed Income	2522%	2017%	3027%
Public Credit	5%		
Private Credit	20%		
Absolute Return	15%	10%	20%
Global Tactical	5%		

<u>Multi-Strategy Hedge</u>	<u>10%</u>		
<u>Funds</u>			
Real Estate	15%	10%	20%
Private Equity	85%	0%	120%
Private Infrastructure	75%	0%	110%
Opportunistic Investments	0%	0%	5%

¹ Private Credit includes hybrid public/private strategies

The Board and the Commissioner will review the strategic asset allocation policy at least annually for reasonableness relative to significant economic and market changes or to changes in the Funds' long-term goals and objectives. A formal asset allocation study will be conducted at least every four years to verify or amend the targets.

Recognizing that a long-term target allocation utilizing alternative asset classes can take a matter of years to implement prudently, the Board delegates implementation of strategic asset allocation policy to the Commissioner including funding of alternative asset classes and setting interim asset allocation targets.

In addition, during the implementation of a change to or modification of the asset allocation, some strategies may fall outside the allowable allocation ranges until the revised asset allocation is fully implemented.

Opportunistic investments do not have a specified target allocation, as the availability of opportunities is episodic in nature, and the best opportunities tend to appear during periods of market stress. Opportunistic investments are allowable up to a maximum of 5% measured at the time of commitment.

Rebalancing

Rebalancing is the term that describes the periodic movement of funds from one asset or asset class to another in order to realign assets to the strategic asset allocation target. A rebalancing strategy is an important element of asset allocation policy. Systematic rebalancing can reduce portfolio volatility and increase portfolio return over the long-term. However, frequent rebalancing resulting from excessively tight ranges can lead to unnecessary transaction costs.

The Commissioner is responsible for developing and implementing a rebalancing plan that is appropriate for existing market conditions, with a primary objective of minimizing transaction costs, market impact, opportunity costs and portfolio disruptions. To the extent possible, cash flows and revenues will be used to maintain the strategic target allocation. The Commissioner may make minor changes among asset classes and within individual asset classes to more effectively maintain proper exposure to the strategic asset allocation and asset class portfolio structures.

Recognizing that at times it may be impractical or costly to reallocate assets when an upper or lower limit is breached, the asset class will be rebalanced to within its strategic asset allocation range as soon as is practically possible, subject to reasonable transaction costs.

Benchmarks

One return objective to be considered when evaluating the Funds' performance is measured by applying the investment performance of the asset class benchmarks to the Funds' strategic asset allocation target. The Policy Index permits the Board to compare the Funds' actual performance to its total fund benchmark, and to measure the contribution of active investment management and policy adherence.

The Board has selected the following Policy Index for the Permanent Trust Funds:

Asset Class	Policy Index	Strategic Asset Allocation Target
Broad US Equity	Russell 3000 Index	15 9%
Broad International Equity	MSCI ACWI Ex USA IMI	15 9%
Public Credit	<u>Barclays US Universal Index</u>	<u>5%</u>
Private Credit	<u>CS Leveraged Loans Index + 1.5%</u>	<u>20%</u>
Fixed Income	<u>Barclays US Universal Index</u>	<u>22%</u>
Global Tactical	<u>Global 60/40 ¹</u>	<u>5%</u>
Multi-Strategy Hedge Funds	<u>HFRI RV Multi-Strategy Index</u>	<u>10%</u>
Absolute Return	<u>Absolute Return Custom Index[†]</u>	<u>15%</u>
Real Estate	NCREIF ODCE Index	15%
Private Equity	Cambridge US Private Equity Index	8 5%
Private Infrastructure	MSCI World Infrastructure Index	7 5%

[†] Global 60/40 Absolute Return Custom Index: 60% Equity (MSCI All Country World IMI), 40% Fixed Income (Barclays US Aggregate Bond Index)

Recognizing that a long-term target allocation to alternative asset classes can often take a matter of years to implement prudently, the Board will also review an Interim Policy benchmark which will be adjusted as the Commissioner makes progress towards its long-term strategic asset allocation target.

Permitted Investments¹⁸

The Board may invest in the following securities and investment activities as long as such investments comply with the Prudent Investor Rule¹⁹. Fund of Fund strategies are allowable in any of the asset classes. All investments are subject to approval of the Board and satisfactory legal review of applicable contractual terms and conditions.

Equity

1. Preferred stock, common stock, initial public offerings, Real Estate Investment Trusts (REIT's), securities of foreign issuers listed on U.S. Exchanges, and any security convertible to common stock or American Depositary Receipts (ADR's) that are registered by the U.S. Securities and Exchange Commission (SEC) of any corporation whose securities are listed on at least one U.S. stock exchange that has been approved by or is controlled by the SEC or on the National Association of Securities Dealers (NASD). Global mandates may be considered.
2. Preferred stock, common stock, and convertible issues of any non-U.S. Corporation; which may be denominated in non U.S dollars, provided that the securities are traded on one or more national stock exchanges or included in a nationally recognized list of stocks; and the Board shall not be invested in more than ten percent of the voting stock of any company.

Fixed Income (Public and Private)

1. Bonds, notes, or other obligations of the United States government, its agencies, government-sponsored enterprises, corporations, or instrumentalities for which the credit of the United States

¹⁸ Investments listed here are for general information purposes only. Each manager retained by the Board will be given specific guidelines with regard to permissible investments relevant to their mandate.

¹⁹ N.D.C.C. § 15-03-04. See page 5 for more about the Prudent Investor Rule.

government is pledged for the payment of the principal and interest. Global mandates may be considered.

2. Bonds, notes or other obligations issued by a state, its municipalities, or other political subdivisions, that have received an investment grade bond rating.
3. Bonds, notes, commercial paper or other obligations of any corporation organized and operating within the United States.
4. Debt obligations of non-U.S. governmental or quasi-governmental entities, these may be denominated in foreign currencies; obligations, including but not limited to bonds, notes or commercial paper with an investment grade rating (unless otherwise approved by the Board) of any corporation organized outside of the United States. Currency transactions, including spot or cash basis currency transactions, forward contracts and buying or selling options or futures on foreign currencies, shall be permitted.
5. Collateralized obligations, including but not limited to mortgages, held in trust that: (1) are publicly traded and are registered by the SEC or other Self-Regulatory Organization (SRO) and (2) have underlying collateral that is either an obligation of the United States government or else has a credit rating above or equal to BBB according to the Standard and Poor's rating system or Baa according to the Moody's investors rating system or their equivalent by a national statistical ratings organization (NSRO) registered with the SEC(unless otherwise approved by the Board).
6. Derivatives including forwards, futures, options, mortgage derivatives, structured notes, and swaps.
7. High yield fixed income securities rated below 'BBB' according to the Standard and Poor's rating system and below 'Baa' according to the Moody's investors rating system.

8. Private Debt strategies approved by the Board.

8.9. Loans, warrants and other forms of debt approved by the Board, and managed in conjunction with the Bank of North Dakota, such as farm loans and energy construction loan, as long as the investment meets the Exclusive Benefit Rule described on page 7 of this Policy.

Absolute Return

1. Liquid multi-asset/global tactical asset allocation (GTAA) funds that have the ability to shift capital tactically based on relative valuations, providing broad diversification across a range of global investments.
2. Multi-Strategy Hedge Funds approved by the Board.

Real Estate

Real Estate Partnerships, including investments in private vehicles through limited partnerships or limited liability companies that have an ownership interest in direct real estate properties, whether income-producing or non-income producing. The investment strategies may include “core” and “value added” strategies, which derive their return from both income and appreciation. As well as, Real Estate Investment Trusts (REIT's) and other real estate securities and related index strategies for rebalancing tools.

Private Equity

Private Equity Partnerships, including investments in private vehicles through limited partnerships or limited liability corporations, which have an ownership interest in any type of security across a company's capital structure. The investment strategies may include “buyout”, “growth”, “venture

capital” and “special situations” that are in the business of providing capital for start-up, expansion, buyout/acquisition, recapitalization, debt financing (including distressed debt) and similar business purposes.

Private Infrastructure

Private Infrastructure Partnerships, including investments through limited partnerships or limited liability companies that have ownership interests in assets or properties where the majority of value of the investment is derived from revenue sources that have contractual linkages to inflation, implicit linkages to inflation and/or focus on the provision of services with low demand elasticity.

Opportunistic Investments

From time to time, Permanent Trust Funds investments may be made in opportunistic investments. The objective of such investments shall be to enhance returns through opportunities that present themselves due to stressed conditions in the markets or other unique opportunities. The guidelines for such investments shall be determined by the investment management agreement or appropriate offering documents in the case of commingled or partnership investments. An opportunistic investment would occur in a situation where it is deemed the potential return would exceed the Total Fund performance excluding opportunistic returns, or another benchmark as deemed appropriate by the Commissioner and approved by the Board.

Cash Investment Guidelines

The Commissioner will focus on quality when investing cash positions. Cash is an asset class that should emphasize minimal risk. Cash positions will be kept to the minimum necessary for liquidity, distributions and ongoing investment activities. Eligible securities include:

1. Repos secured by U. S. obligations or other securities backed by the U.S., A1 or P1 commercial paper, corporate obligations rated AA or better and maturing in five years or less, or asset-backed securities rated AAA. All repo collateral must have a market value of at least 102% of the market value of the contract;
2. Commercial paper issued by corporations organized and operating within the U.S. and rated “prime” quality by a national rating service;
3. Prime bankers’ acceptances issued by money center banks;
4. Funding agreements rated at least AA by a nationally recognized rating agency. As used in this paragraph, “funding agreement” means a floating or variable rate insurance company contract that is a general obligation of an insurance company organized and operating within the United States and that is senior to all other debt issued by the company;
5. Time deposits, with banks incorporated in the United States or time deposits that are fully guaranteed by banks incorporated in the United States.

Strategic Investment and Improvements Fund (SIIF)

Fund Purpose

The Strategic Investment and Improvements Fund (SIIF), was created July 1, 2011 with merger of the Lands and Minerals Trust Fund and the Permanent Oil Tax Trust Fund.²⁰ The SIIF holds the assets and collects the revenues earned from State owned mineral acres. The SIIF also receives a substantial portion of the oil and gas production and extraction taxes collected by the State. The Board is responsible for managing the physical and financial assets of the SIIF.

The purpose of the SIIF is to provide for one-time expenditures relating to improving state infrastructure or for initiatives to improve efficiency and effectiveness of state government.

Funding Sources

The SIIF collects the revenues earned from the mineral acres owned by the State, including those formerly owned by the Bank of North Dakota and State Treasurer, as well as the sovereign minerals located under navigable rivers and lakes. The SIIF also receives a portion of the oil and gas production and extraction taxes collected by the State.²¹ Legislative changes to the oil tax revenue allocations are common and can have a major impact on the timing and amount oil taxes collected by the SIIF each biennium.

Distribution Policy

There is no explicit distribution policy or objective; rather the Board is responsible for making sure funds are available to distribute or transfer when needed and as appropriated. The SIIF can be appropriated or obligated by the Legislature every two years, though State law dictates that the SIIF should be appropriated only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized.²²

Investment Objective

State law provides no guidance as to how the assets of the SIIF should be invested; however, due to the short-term nature of spending decisions and the uncertainty of the fund's mineral based revenues, the Board invests the SIIF with a focus on principal preservation and liquidity. The Board has adopted an investment objective for the SIIF that provides for a diversified portfolio of fixed income securities that will exceed on a multi-quarter basis, net of fees, the return of the benchmark described below.

Strategic Asset Allocation

Due to the expendable nature of the SIIF, the strategic asset allocation for the fund is 100% low duration investment grade fixed income investments.

²⁰ N.D.C.C. § 15-08.1-08 and § 61-33-07

²¹ N.D.C.C. § 57-51.1-07.5

²² N.D.C.C. § 15-08.1-08

Investment Guidelines

The SIF will be invested in a high quality portfolio that includes a combination of Treasuries, corporate bonds, asset and mortgaged backed securities, and commercial paper and will adhere to the following guidelines:

- Minimum average quality of AA
- Minimum quality for any security of BBB (limited to 10%)
- Neutral weighted average maturity of 1 year, range of 6 months to 1.5 years
- Maximum maturity: 3 years for fixed rate, 5 years for floating rate
- No more than 50% in investment grade corporate and agency backed securities
- Not more than 2% of the fund will be invested with any single issuer

Benchmark

The benchmark is composed of 50% of the three-month U.S. Treasury Bill and 50% Barclays 1 – 3 Year Gov't Corp Index.

Capitol Building Fund

Fund Purpose

The Capitol Building Fund was created at statehood with a grant of land from the federal government. The purpose of the fund, as described in the Enabling Act of 1889, is to provide for “public buildings at the capital”.²³ The Capitol Building Fund was created under Article IX of the North Dakota Constitution; however, unlike the other trusts, this fund is not permanent in that the entire fund is subject to legislative appropriation each biennium.

The Capitol Grounds Planning Commission is responsible for managing all of the assets of the Capitol Building Fund.²⁴ The Board’s role is to invest and manage the various assets of the fund, as directed by the Capitol Grounds Planning Commission. These roles are statutory, not constitutional in nature; the law specifically states:

The capitol grounds planning commission shall have general powers to superintend the administration of the capitol building fund, its interest and income fund, and its investments and properties. It may cause any lands now held in such funds to be sold at market value, direct the conversion of any securities now held by such funds to cash, approve expenditures from such funds subject to law and legislative appropriations, and to do all other things necessary to carry out the intent and purposes of this section. The board of university and school lands or its designee, on the commission's behalf, shall see to the investment and management of the capitol building fund and its interest and income fund and shall account to the commission concerning these funds at the commission's request.²⁵

Funding Sources

The Capitol Building Fund generates revenues from the almost 10,000 surface acres and more than 27,000 mineral acres, which provide revenue from agricultural leases, mineral royalties and lease bonuses.

Distribution Policy

Since the Capitol Building Fund is a fully expendable fund, there is no distribution policy or objective; rather the Board is responsible for making sure funds are available to distribute or transfer when needed and as appropriated.

State law provides a continuing appropriation of up to \$175,000 per biennium that is available to the Capital Ground Planning Commission without requiring a legislative appropriation for a given biennium.²⁶ Historically, the legislature has also included a \$25,000 biennial appropriation for the operations of the Capitol Grounds Planning Commission.

²³ The Enabling Act of February 22, 1889 (25 Stat. 676, chapter 180)

²⁴ N.D.C.C. § 48-10-02

²⁵ N.D.C.C. § 48-10-02

²⁶ N.D.C.C. § 48-10-02

Investment Objective

Due to the fact that the entire balance of this fund can be appropriated by the legislature each biennium and the uncertainty of the fund's mineral based revenues, the Board has adopted an investment objective with a focus on principal preservation and liquidity.

Strategic Asset Allocation

Due to the expendable nature of the Capitol Building Fund, the Capital Grounds Planning Commission has adopted a strategic asset allocation for the fund that is 100% fixed income investments.

Investment Guidelines²⁷

The Capital Grounds Planning Commission has adopted guidelines to invest the fund in a high quality portfolio that includes a combination of Treasuries, corporate bonds, asset and mortgaged backed securities, and commercial paper and will adhere to the following guidelines:

- Minimum average quality of AA
- Minimum quality for any security of BBB (limited to 10%)
- Neutral weighted average maturity of 1 year, range of 6 months to 1.5 years
- Maximum maturity: 3 years for fixed rate, 5 years for floating rate
- No more than 50% in investment grade corporate and agency backed securities
- Not more than 2% of the fund will be invested with any single issuer

Benchmark

The benchmark is composed of 50% of the three-month U.S. Treasury Bill and 50% Barclays 1 – 3 Year Gov't Corp Index.

²⁷ Due to the common investment objectives, strategic asset allocation, and investment guidelines, the assets of the Capitol Building Fund may be pooled with the SIIF for investment purposes.

Coal Development Trust Fund

Fund Purpose

The Coal Development Trust Fund is a permanent trust established under Article X, Section 21 of the North Dakota Constitution. The primary purpose of the fund is to provide loans to coal-impacted counties, cities, and school districts and to provide construction loans to school districts; any money that is not in use for loans may be invested by the Board. The trust fund must be perpetual and held in trust as a replacement for depleted natural resources.²⁸ Both the Constitution and state law mandate that the income earned by the fund be used first to replace any uncollectable loans and the balance must be deposited into the General Fund.²⁹

Funding Sources

State law provides that 15% of coal severance tax revenues be deposited into the fund.³⁰ The Constitution provides that up to 70% of the taxes deposited into the fund each year may be appropriated by the legislature for lignite research, development, and clean coal demonstration projects approved by the industrial commission.³¹ Thus, the Coal Development Trust Fund retains only 30% of the money deposited into the fund, which averages about \$500,000 per year.

Distribution Policy

The income earned by this fund each year must be used first to replace uncollectible loans made from the fund and the balance must be deposited in the State's general fund. The estimated fiscal year income for this fund is distributed in June of each year; any difference between estimated and actual income is distributed in November or December of each year, once final audited financial statements have been received.

Investment Objective

Preservation of capital and added value over the benchmark over a full market cycle through active management of the portfolio subject to the investment guidelines set forth below.

Strategic Asset Allocation

Due to the expendable nature of the income earned by the Coal Development Trust Fund, and the provision in state law about replacing any lost principal with income, the strategic asset allocation for the fund is 100% fixed income investments.

Investment Guidelines

The Coal Development Trust will be invested in a high quality portfolio that includes a combination of Treasuries, corporate bonds, asset and mortgaged backed securities, and commercial paper and will adhere to the following guidelines:

- Minimum average quality of AA

²⁸ N.D.C.C. § 57-62-02

²⁹ N.D. Const. art. X, § 21 and N.D.C.C. § 57-62-02

³⁰ N.D.C.C. § 57-62-02

³¹ N.D. Const. art. X, § 21

- Minimum quality for any security of BBB (limited to 10%)
- Neutral weighted average maturity of 1 year range of 6 months to 1.5 years
- Maximum maturity: 3 years for fixed rate, 5 years for floating rate
- No more than 50% in investment grade corporate and agency backed securities
- Not more than 2% of the fund will be invested with any single issuer

Benchmark

The benchmark is composed of 50% of the three-month U.S. Treasury Bill and 50% Barclays 1 – 3 Year Gov't Corp Index.

Indian Cultural Education Trust

Fund Purpose

The Indian Cultural Education Trust was created in 2003 for the purpose of generating income to benefit Indian culture.³² State law authorizes the Board to accept donations of money or land for this trust to be managed in the same manner that it manages its other trust land and financial assets, subject to state law and a required donor agreement with one or more federally recognized Indian tribes located in North Dakota, South Dakota, Montana, Minnesota, or Wyoming.

Three Affiliated Tribes Cultural Education Account

The Three Affiliated Tribes Cultural Education Account is the sole account in the trust, which serves to benefit the Mandan, Hidatsa & Arikara Nation Cultural Education Foundation. Under an agreement signed by the tribe, North American Coal, and the Commissioner, the Board must manage and invest this account exactly as the Permanent Trust Funds are managed and invested.

Funding Sources

Initial funding of the account was a result of donations of both money and land by North American Coal to the cultural education account. Revenue earned from the donated lands is deposited into the account. Further donations of land or money from Individuals or organizations may provide additional funding to the account.

Distribution Policy

The distribution calculation for the Indian Cultural Education Trust is identical to that of the Permanent Trust Funds as detailed on page 16, however, the specific donor agreement for an account may dedicate a portion of the amount available to distribute to principal.³³

The Three Affiliated Tribes Cultural Education Account donor agreement has mandated that no less than 25% of the annual amount available to distribute go to principal. Each year, the Commissioner notifies the Mandan, Hidatsa & Arikara Nation Cultural Education Foundation as to the amount eligible for disbursement. If written request for the disbursement is received by the Commissioner by March 31st, all or a portion of that amount shall be distributed as specified in the donor agreement.

Investment Objective, Strategic Asset Allocation, and Investment Guidelines

Like the Permanent Trust Funds, the investment objective is to preserve purchasing power and maintain stable distributions with a long-term investment horizon. The assets of the Indian Cultural Education Trust are pooled with the Permanent Trust Funds. The strategic asset allocation, benchmarks, and investment guidelines are identical to those of the Permanent Trust Funds, which can be found in the corresponding sections beginning on page 17 of this Policy.

³² N.D.C.C. ch. 15-68

³³ N.D.C.C. § 15-68-04

Theodore Roosevelt Presidential Library and Museum Endowment Fund

Fund Purpose

The Theodore Roosevelt Presidential Library and Museum Endowment Fund was created in 2019 during the 66th North Dakota Legislative Session as a permanent endowment for grants to support the operation and maintenance of the Theodore Roosevelt Presidential Library and Museum.³⁴ State law authorizes the Board to accept donations of money for this trust to be managed in the same manner that it manages its other trust land and financial assets, subject to state law.

Funding Sources

Initial funding of the account was a result of appropriation of money by 66th North Dakota Legislative Assembly and money borrowed from the Bank of North Dakota. Further appropriations from the North Dakota Legislature or donations of money from Individuals or organizations may provide additional funding to the account.

Distribution Policy

The distribution calculation for the Theodore Roosevelt Presidential Library and Museum Endowment Fund is calculated and paid as follows³⁵:

Annual distributions to the Theodore Roosevelt Presidential Library and Museum from the Theodore Roosevelt Presidential Library and Museum Endowment Fund in an amount equal to 4.0% of the Fund's trailing net average value calculated over the previous three (3) fiscal years shall be paid on or before December 31st of each year at the request of Theodore Roosevelt Presidential Library Foundation.

Investment Objective, Strategic Asset Allocation, and Investment Guidelines

Like the Permanent Trust Funds, the investment objective is to preserve purchasing power and maintain stable distributions with a long-term investment horizon. The assets of the Theodore Roosevelt Presidential Library and Museum Endowment Fund are pooled with the Permanent Trust Funds. The strategic asset allocation, benchmarks, and investment guidelines are identical to those of the Permanent Trust Funds, which can be found in the corresponding sections beginning on page 17 of this Policy.

³⁴ N.D.C.C. § 54-07-12

³⁵ Pursuant to the Agreement between the State of North Dakota and the Theodore Roosevelt Presidential Library Foundation executed June 30, 2020.

History

Adopted:	08/27/2015
Revised:	09/29/2016
Revised:	10/26/2017
Revised:	09/26/2019
Revised:	12/18/2019
Revised:	01/21/2020
Revised:	04/30/2020
Revised	02/24/2022

UNCLAIMED PROPERTY DIVISION

Claims

Compliance/Education

Two Very Distinct Functions to Unclaimed Property

1. Claiming Property

The Division returns money to its rightful owner/heir



2. Reporting Property

Businesses turn over liabilities to the Division



Key Concepts/Definitions

<i>Unclaimed Property</i>	A Liability owed to an individual or entity that has gone unclaimed by the rightful owner after a specified period.
<i>Holder</i>	Business or organization in possession of property subject to the unclaimed property law belonging to another
<i>Owner</i>	Person or entity who has a legal or equitable interest in property subject to the unclaimed property law
<i>Dormancy Period</i>	Amount of time property is inactive while in possession of the holder
<i>Due Diligence</i>	Final attempt by holders to reunite owners with property prior to reporting

Types of Unclaimed Property

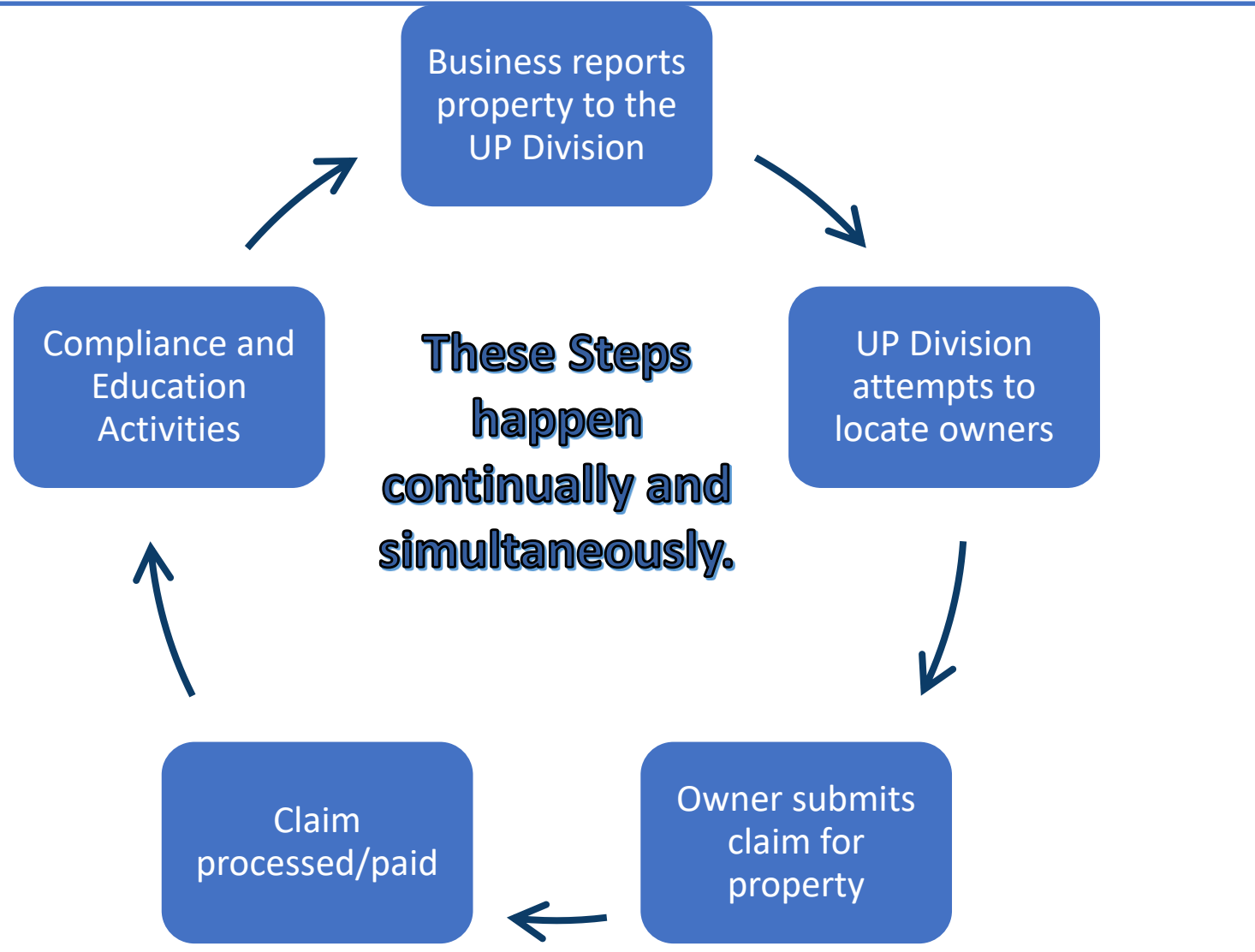
Common Types of Unclaimed Property

General Ledger	Banks & Financial Institutions	Securities & Investments	Insurance
Accounts Payable Accounts Receivable Credit Balances Escrow Accounts Expense Checks Funds from Dissolution/Liquidation Investment Accounts Payroll & Commissions Refunds/Rebates Vendor Checks	Certificate of Deposit Checking Accounts Educational & Health Savings Accounts IRA's Loan Overpayments Money Orders Official Checks Stored Value Cards Safe Deposit Contents	Bond Shares Credit Balances Dividends Investment Accounts Mutual Funds Stock Shares Redemption Checks Commission Checks	Annuities Endowments Matured Policies Proceeds due Beneficiaries Premium Refunds Retained Asset Accounts Uncashed Checks Individual or Group Policy Benefits
Utilities	Oil & Gas	Retail	Brokerages
Credit Balances Customer Deposits Customer Overpayments Refunds/Rebates Membership Fees	Lease Owner Royalties Mineral Rights Productions Payments Refunds Royalties	Payroll Accounts Payable Credit Memos	Dividends Stock Shares Bond Shares

Fact vs. Myth

- | | |
|--|------|
| • Unclaimed Property is the Law | Fact |
| • Reporting is Optional | Myth |
| • Consumer Protection | Fact |
| • States Hold the Funds in Perpetual Trust | Fact |
| • 1 in 10 North Dakotans have Unclaimed Property | Fact |
| • Certain Industries are Exempt | Myth |

UNCLAIMED PROPERTY LIFE CYCLE



5 steps in the life cycle of Unclaimed Property (UP)

1. Businesses (Holders) report Property to the UP Division
2. UP Division attempts to locate owners
3. Owner/heirs submit claim for property
4. Claims are processed/paid
5. Compliance/Education activities

UNCLAIMED PROPERTY

Questions?

Unclaimed Property Division

Susan Dollinger, Director

sdollinger@nd.gov

701.328.2800

**View N.D.C.C. Ch. 47-30.2 to report or claim
property:**

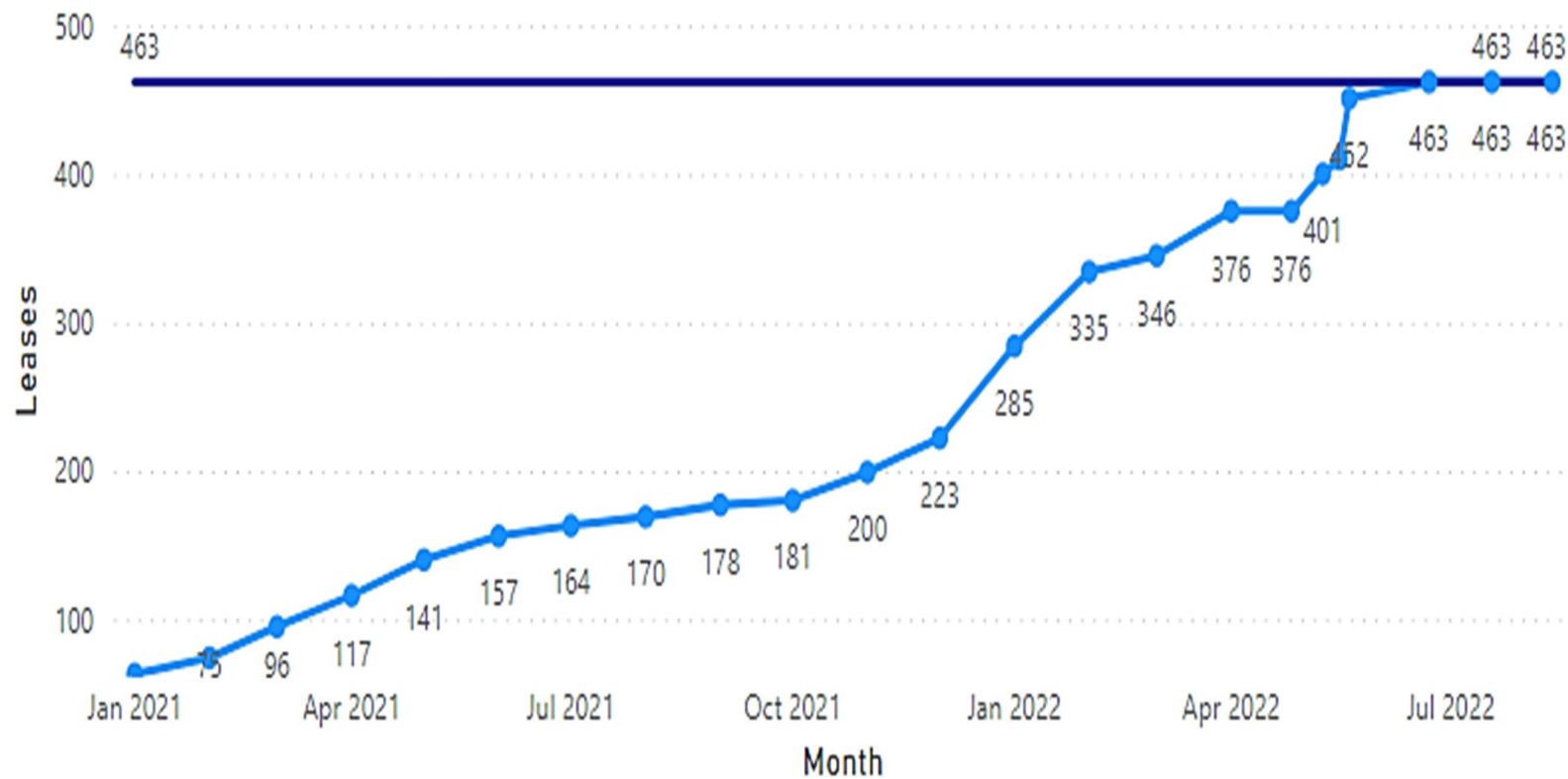
unclaimedproperty.nd.gov

ACREAGE ADJUSTMENT PART I

June 25th, 2022, DEADLINE

Project Progression

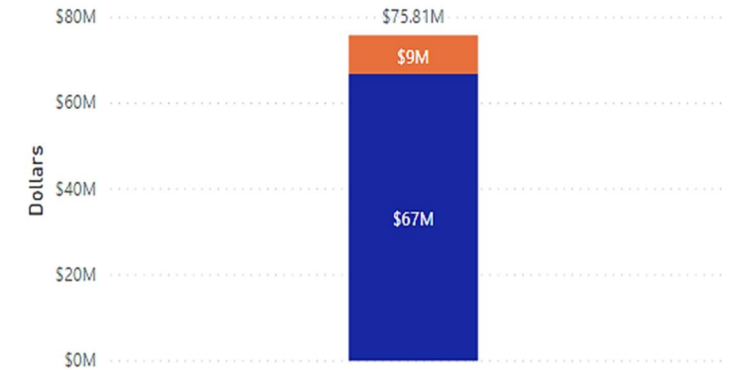
Leases Reviewed Total Project Leases



*5 Leases in Litigation Hold

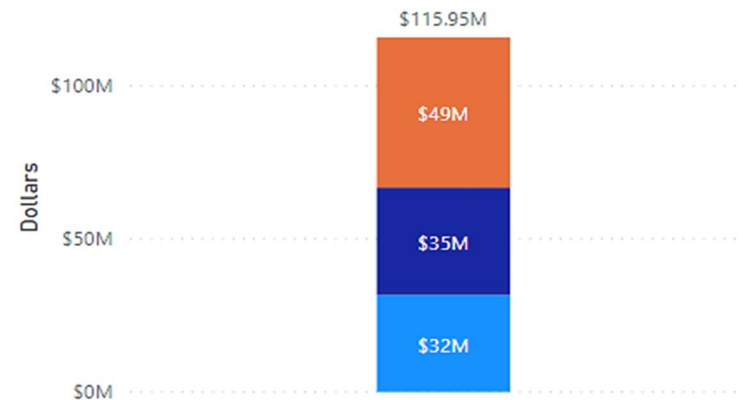
PROGRESS TO ESTIMATED \$76M BUDGET

Bonus/Royalty Paid Out Litigation Hold



TOTAL REFUNDED/RELEASED TO OPERATOR

Royalties Paid Bonus Paid Escrow Paid

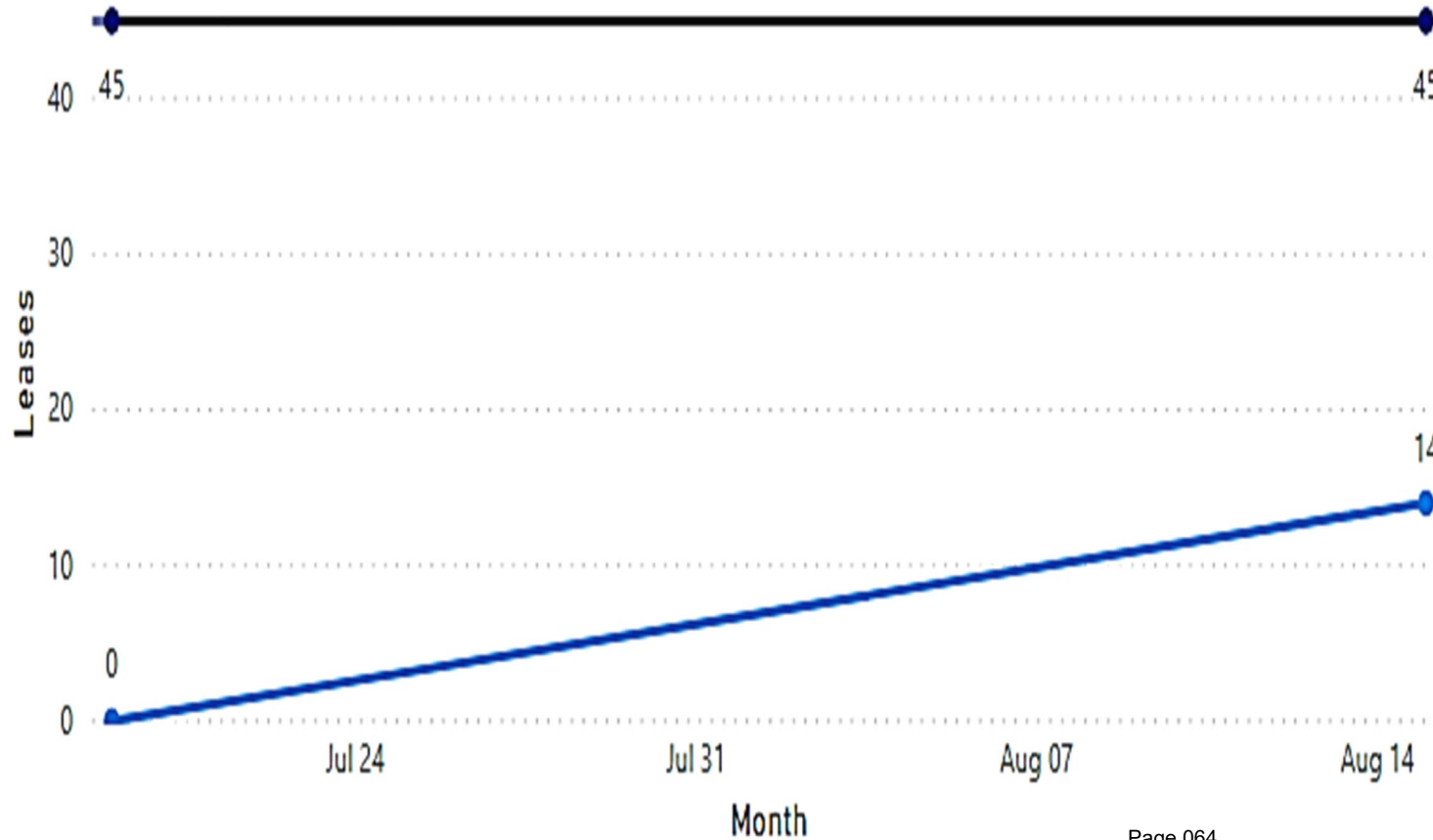


ACREAGE ADJUSTMENT PART II

November 1st, 2023, DEADLINE

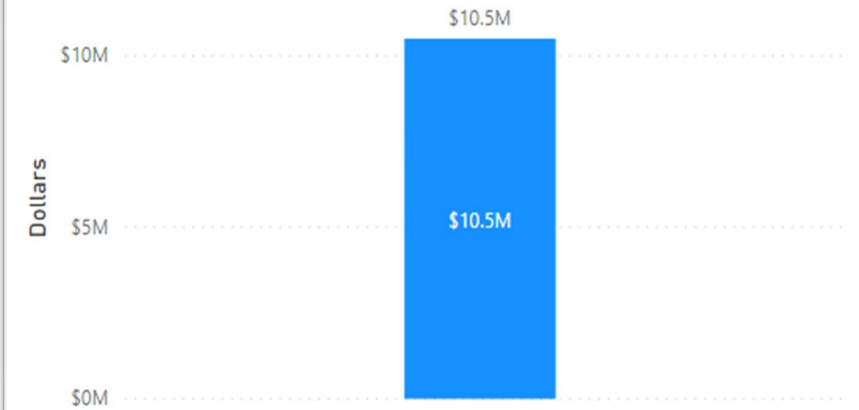
Project Progression (Trenton Lake)

Leases Reviewed Total Project Leases



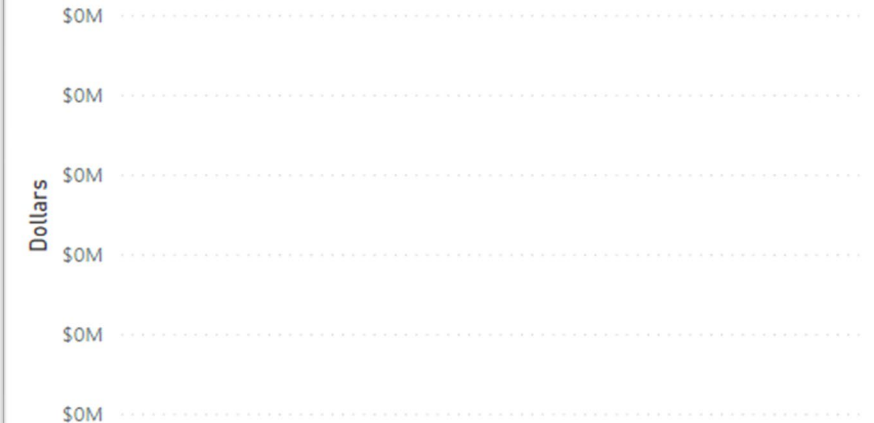
PROGRESS TO ESTIMATED \$10.5M BUDGET

November 1st Deadline Est. Remaining Bonus/Royalty Paid Out



TOTAL REFUNDED/RELEASED TO OPERATOR

Bonus Paid Royalties Paid Escrow Paid

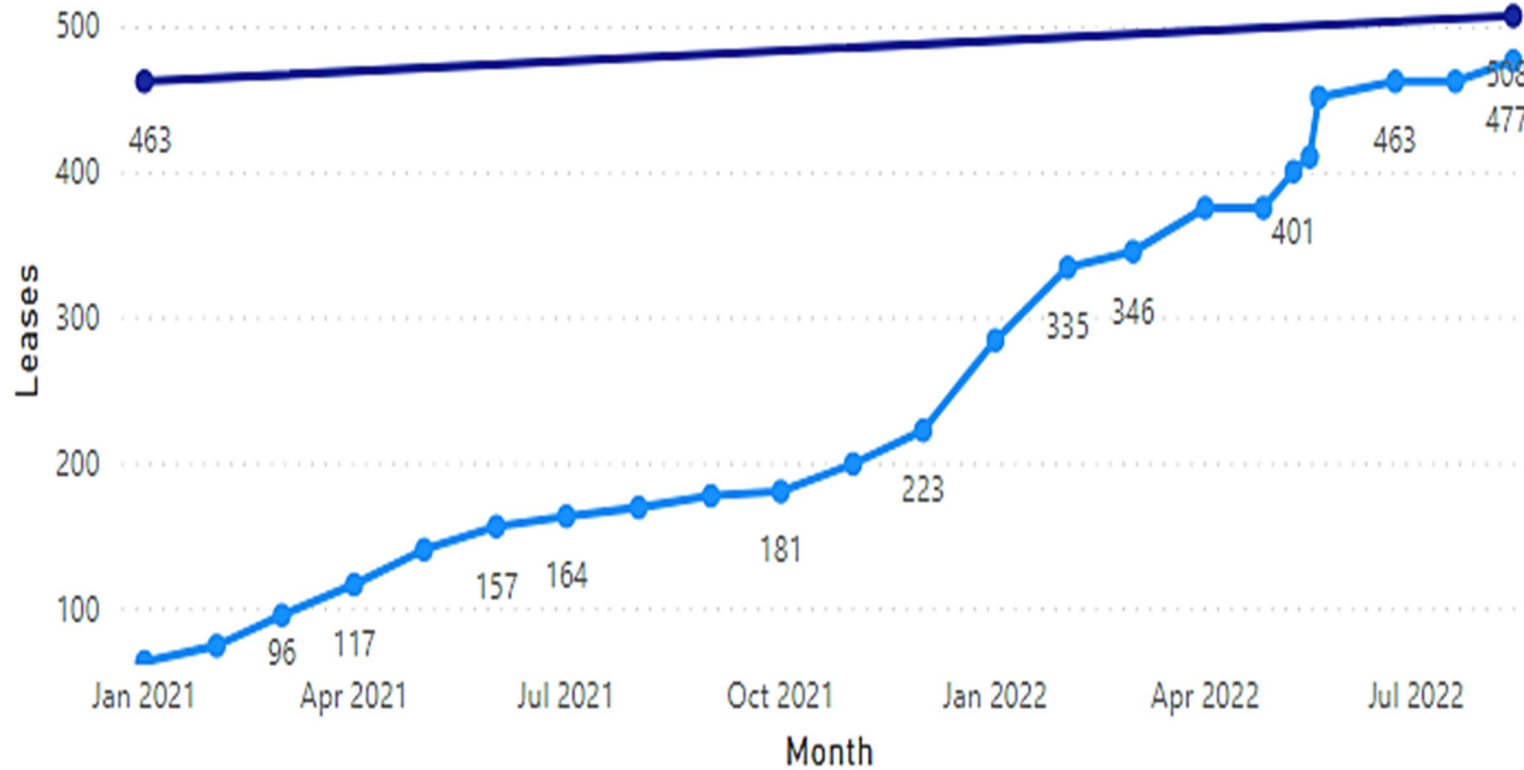


ACREAGE ADJUSTMENT SURVEY REPORT

PROJECT TOTAL

Total Project Progression

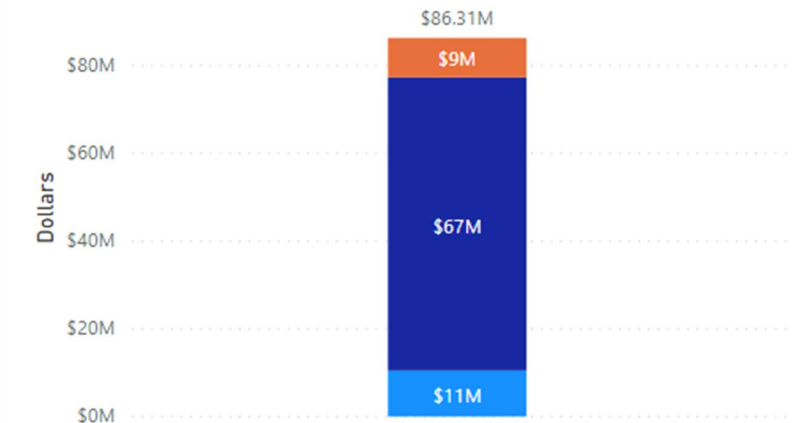
Leases Reviewed Total Project Leases



*5 Leases in Litigation Hold

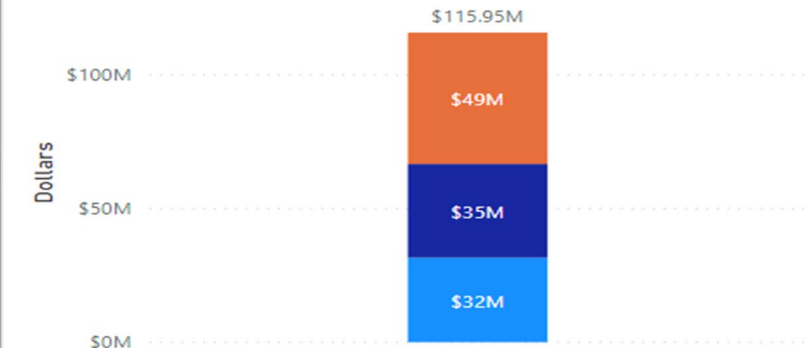
PROGRESS TO ESTIMATED \$87M BUDGET PROJECT VALUE

Total Project Est. Remaining Bonus/Royalty Paid Out Litigation Hold



TOTAL REFUNDED/RELEASED TO OPERATOR

Royalties Paid Bonus Paid Escrow Paid



RE: Strategic Investment and Improvements Fund - Assigned Fund Balance

On August 26, 2021, the Board approved the existing Assigned Fund Balance of \$218,780,117. Since then, the Department has been completing the necessary acreage adjustments pursuant to N.D.C.C. ch. 61-33.1. Based upon the review of the current adjustments, the Department has determined the Board can reduce the amount preserved in the Assigned Fund Balance. The recommended reduction is based upon the lease corrections and royalty adjustments that have been executed. The table below details the recommended Assigned Fund Balance which is \$150,431,077 less than the prior year. This reduction consists of \$61.8 million in acreage adjustment refund payments made and \$88.6 million in acreage adjustment project cost estimate savings.

	6/30/2022 Recommended Assigned Fund Balance
Reservation River Bonus	\$ 42,019,220
Reservation River Royalties	1,595,472
Litigation Hold Bonus	709,745
Litigation Hold Royalties	8,303,249
June 25 Survey (East of Trenton Lake) Bonus	5,213,557
Trenton Lake Area Bonus	8,808,887
Trenton Lake Area Royalties	1,698,910
Recommended Assigned Fund Balance	\$ 68,349,040

Recommendation: For purposes of its financial reporting, the Board affirms the “Assigned Fund Balance” of the Strategic Investment and Improvements Fund be set at \$68,349,040 as of June 30, 2022.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger					
Superintendent Baesler					
Treasurer Beadle					
Attorney General Wrigley					
Governor Burgum					

ALLOCATION OF STATE SHARE OF OIL & GAS TAXES

Based on allocations through June 30, 2022 and original 2021 Legislative forecast.

State General Fund



Tax Relief Fund



■ AMOUNT ALLOCATED
■ AMOUNT REMAINING

Budget Stabilization Fund



State General Fund



Lignite Research Fund



State Disaster Relief Fund



Strategic Investment & Improvements Fund



Non Oil Production Political Subdivision Infrastructure Funds

Municipal Infrastructure Fund County Township Infrastructure Fund



Airport Infrastructure Fund



Strategic Investment & Improvements Fund



RE: BNI COAL LEASE APPLICATION

The Board received coal lease applications from BNI Coal for the following tracts in Oliver County:

T142N, R84W Section 36 NE1/4 and NW1/4

- 320 gross acres - 50% coal interest owned by Board
- The Board does not have surface ownership of this tract. It is owned 100% by Minnkota Power and is currently under lease.

During its July 2022 meeting, the Board determined, according to Chapter 85-06-02 of the North Dakota Administrative Code, that it is willing to lease the tracts for coal. The Department posted notice on its website and did not receive any public comment. The Department has negotiated with BNI Coal the terms of the lease which are as follows:

Lease Bonus: \$100/acre

Total Bonus: \$16,000

Royalty: \$0.20/ton

Term: 5-year initial term; 5-year renewal upon payment of additional \$100/acre bonus

Delay Rental: \$5/acre per year for the duration of the lease, or until coal removal from the tract is completed

Total Delay Rental: \$800/year

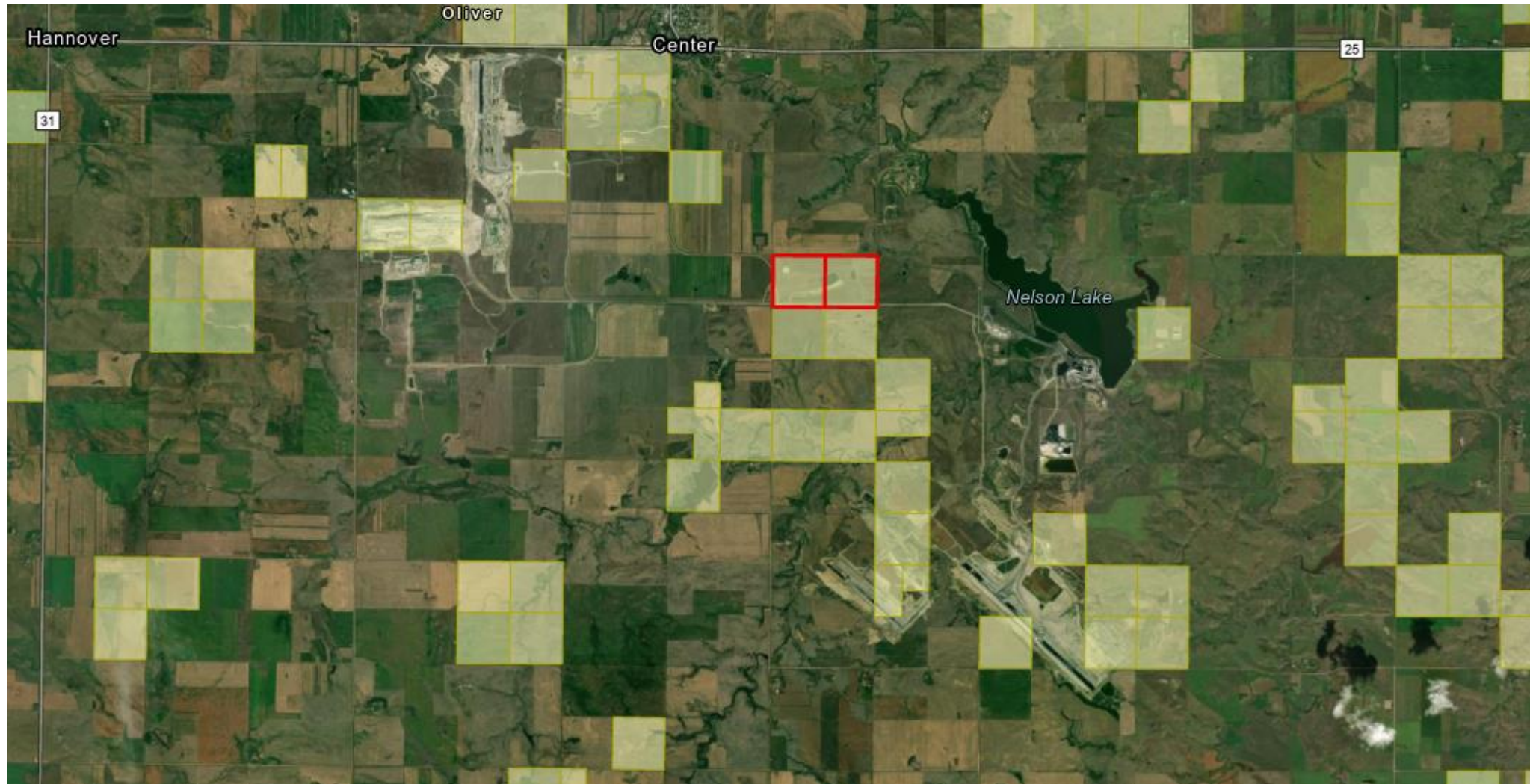
Recommendation: The Board accepts the proposed lease terms.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger					
Superintendent Baesler					
Treasurer Beadle					
Attorney General Wrigley					
Governor Burgum					

Oliver County, North Dakota

T142N, R84W Section 36 NE1/4 and NW1/4

- 320 gross acres - 50% coal interest owned by Board
- Surface owned by Minnkota



 Mineral Trust Lands

RE: Litigation Update
(No Action Requested)

- MHA (Missouri riverbed ownership) – Appealed D.C. Federal District Court denial of State’s motion to intervene; our brief due September 17th; opposing brief due Oct. 14; our reply due Oct. 28th
- EEE (OHWM title dispute / takings claim) – ND Federal District Court issued order May 31st granting Board’s motion to dismiss on all counts: federal preemption, sovereign immunity, takings; Plaintiffs appealed to 8th Circuit; our brief filed August 12th
- Leland/Whiting (OHWM river island ownership) – Watford City trial set for September 12-16
- Newfield (royalty deductions) – waiting for ND Supreme Court opinion; oral arguments - June 30
- Continental Interpleader (OHWM fed/state dispute) – “Acquired Federal Lands” issue briefing recently completed; awaiting ND Federal District Court decision
- Wilkinson (OHWM title dispute / takings claim) – waiting for ND Supreme Court opinion; oral arguments - May 18
- Whitetail Wave (OHWM title dispute / takings claim) – Briefing complete; ND Supreme Court oral arguments September 7th