

# BOARD OF UNIVERSITY AND SCHOOL LANDS

Coteau Meeting Room  
Judicial Wing, State Capitol  
May 28, 2020 at **8:00 AM**

This meeting is open to the public via Microsoft Teams –

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1-701-328-0950 United States, Fargo (Toll)

Conference ID: 176 155 806#

## AGENDA

➤ = Board Action Requested

### 1. **Approval of Meeting Minutes – Jodi Smith**

Consideration of Approval of Land Board Meeting Minutes by voice vote.

➤ A. April 30, 2020 – pg. 2

### 2. **Reports – Jodi Smith**

A. COVID-19 Funding – pg. 12

B. Summary of Spring Surface Lease Auction Results – pg. 31

C. Shut-In Report – pg. 32

D. Extension Report – pg. 34

E. Acreage Adjustment Update – pg. 35

F. Report of Encumbrances Issued by the Commissioner – pg. 37

G. Unclaimed Property Report – pg. 44

H. Energy Infrastructure and Impact Office Report – pg. 45

I. Financial Position – pg. 46

J. Investments Update – pg. 55

K. Gross Production Tax Backed School Construction Loan – pg. 56

L. Information Technology Update – pg. 57

### 3. **Operations – Jodi Smith**

A. Fees Policy – First Reading – pg. 58

B. Continuing Appropriation Authority Policy – First Reading – pg. 63

C. Mineral Valuation Policy – First Reading – pg. 67

### 4. **Surface – Mike Humann**

➤ A. Wetland Restoration Project – pg. 71

➤ B. 15-09 Sale Game and Fish Department – pg. 99

### 5. **Investments – Michael Shackelford**

➤ A. Investment April Performance Report – pg. 101

➤ B. Opportunistic Investments – pg. 135

➤ **Executive session under the authority of NDCC §§ 44-04-19.1(9) for attorney consultation with the Board's attorneys to discuss:**

– **Opportunistic Investments**

**Minutes of the Meeting of the  
Board of University and School Lands  
April 30, 2020**

The April 30, 2020 meeting of the Board of University and School Lands was called to order at 9:00 AM in the Coteau Meeting Room of the State Capitol by Chairman Doug Burgum.

**Members Present:**

|                 |                                      |
|-----------------|--------------------------------------|
| Doug Burgum     | Governor                             |
| Alvin A. Jaeger | Secretary of State                   |
| Wayne Stenehjem | Attorney General                     |
| Kelly Schmidt   | State Treasurer                      |
| Kirsten Baesler | Superintendent of Public Instruction |

**Department of Trust Lands Personnel present:**

|                  |                              |
|------------------|------------------------------|
| Jodi Smith       | Commissioner                 |
| Kristie McCusker | Paralegal – via telephone    |
| Catelin Newell   | Administrative Staff Officer |
| Mike Shackelford | Investment Division Director |

**Guests in Attendance:**

|                      |                          |
|----------------------|--------------------------|
| Leslie Bakken Oliver | Governor’s Legal Counsel |
|----------------------|--------------------------|

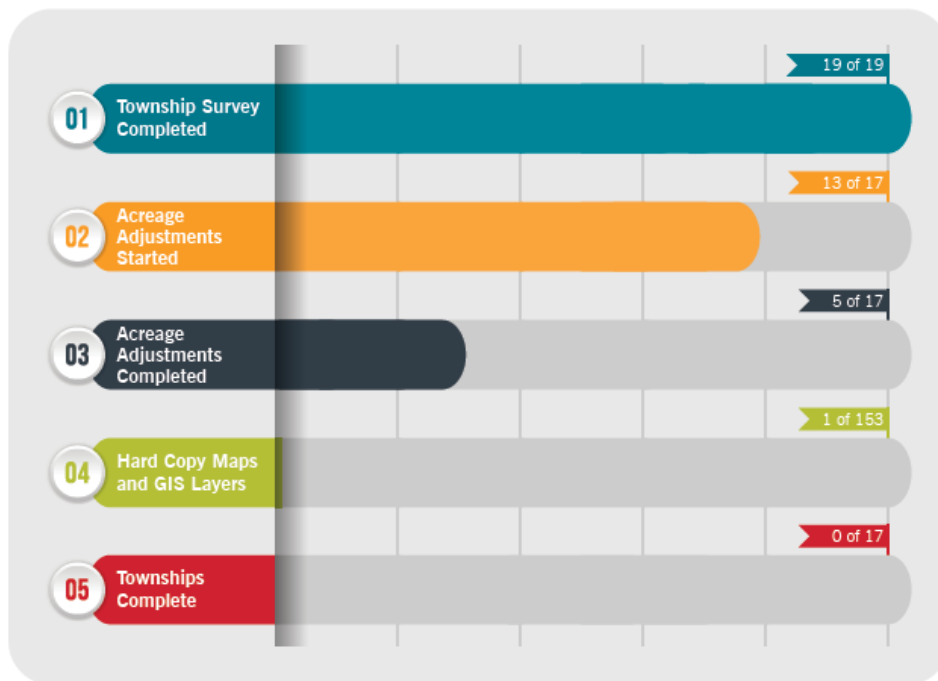
**A P P R O V A L   O F   M I N U T E S**

A motion to approve the minutes of the April 8, 2020 meeting was made by Attorney General Wayne Stenehjem and seconded by Secretary Alvin Jaeger and the motion carried unanimously on a voice vote.

**R E P O R T S**

**Acreage Adjustment Survey**

Senate Bill 2211 of the Sixty-Sixth Legislative Assembly amended N.D.C.C. ch. 61-33.1 relating to the ownership of mineral rights of land subject to inundation by Pick-Sloan Missouri basin project dams. Under N.D.C.C. § 61-33.1-03(8), the Department executed a contract with Kadrmas, Lee & Jackson, Inc. “to analyze the final review findings and determine the acreage on a quarter-quarter basis or government lot basis above and below the ordinary high water mark as delineated by the final review findings of the industrial commission.” The contract’s scope of work concludes twelve months from the date of execution, at a total cost of \$1,088,635.



## Extension Report

In January 2020, North Dakota Administrative Code § 85-06-01-06 was enacted. It provides the petroleum industry the option to request an extension of their lease.

Since March 2020, one operator filed for an extension. Sinclair Oil and Gas of Salt Lake City, Utah, received a second six-month extension on four leases in Section 16-147N-98W, McKenzie County. They have a permit to drill the Renae 16-21-H Well.

## INVESTMENTS

### RVK Contract Renewal

The Board's relationship with RVK began in 2013 when the firm was chosen through a competitive hiring process by the Board to submit a written report addressing various investment issues, such as, investment policies and procedures, asset allocation policy, transitioning from the old asset allocation plan to the new asset allocation plan, and analysis of the cash-like funds.

In January 2014, the Board entered into another agreement with RVK to implement the recommendations that resulted from of RVK's 2013 investment study and to provide performance monitoring services to the Board. This agreement was extended six months to provide for the completion of all searches and the adoption of an Investment Policy Statement by the Board

In July 2015 the Board directed the Commissioner to enter into an agreement with RVK for traditional investment consultant services. The initial two-year contract with RVK was for a fee of \$145,000 per year and concluded in August 2017. During the August 2017 Board meeting, a one-year extension of the contract was awarded to RVK with a fee increase of 3% for a total of \$149,350. This fee included four personal visits per year during which representatives of RVK have reviewed quarterly investment performance with the Board, advised on asset allocation and asset class structure issues, reviewed investment policy, information and guidance in three manager searches, and provided the Board with educational presentations and summaries.

In June 2018 the Board directed the Commissioner to enter into another agreement with RVK for investment consultant services. The two-year contract with RVK increased the fee by approximately 3% for a total of \$153,800 in year one and \$158,400 in year two; the current agreement will expire in August 2020. The agreement was substantially similar to the previous contract, which included four personal visits per year, a review quarterly investment performance, advice on asset allocation and asset class structure issues, review of investment policy, information and guidance in manager searches, guidance with the dismissal of one manager, and providing the Board with educational presentations and information.

Department staff previously conducted an internal assessment of similar sized permanent trust investment consulting practices throughout the western U.S. That review involved discussions with permanent trust investment officers in New Mexico and Oklahoma, as well as gathering data about other permanent trust investment programs. During that research it was found that many investment programs maintain consultant relationships for extended periods of time, for as long as the consultant continues to provide the desired services in an efficient and effective manner at a reasonable price. Consultants are trusted partners and they help shape programs over time. This philosophy is followed by the Oklahoma and New Mexico permanent trusts investment offices, and it is also followed by North Dakota's State Investment Board.

Research into other state permanent trust investment programs indicates that RVK is the consultant of choice for five of the seven largest permanent trust investment programs. The states that currently work with RVK are Montana, New Mexico, North Dakota, Oklahoma and Wyoming. The fees paid by each of those states is measurably more than North Dakota has paid historically; if fees are dollar weighted to consider the amount of asset under consultation, the fee being proposed by RVK is less than half what other states pay. The average fee paid to RVK by other permanent trusts is approximately \$325,000 per year.

RVK has \$67.4 billion in permanent trust assets under consultation from the five states noted above. Additionally, RVK is a Greenwich Quality Leader among large US investment consultants for the last two consecutive years. Greenwich Associates, a trusted independent investment research firm, conducted interviews with over 1,000 senior professionals of 924 large plan sponsors and ranked opinions of their investment consulting relationships on a series of key metrics, including, but not limited to:

- Understanding Clients' Goals and Objectives
- Advice on Long-term Asset Allocation
- Proactive Advice and Innovative Ideas
- Credibility with the Board and/or Investment Committee
- Knowledge of Investment Managers
- Advice on DC Plan Structure and Design
- Satisfaction with Manager Recommendations
- Responsiveness to Client Requests and Needs
- Competitive Fees

Based upon staff's review of other state programs and satisfaction with the services provided by RVK over the past five years, the Commissioner and staff recommend the Board continue contracting with RVK for investment consulting services.

The proposed contract is substantially similar to the previous contract with the following changes:

1. A contract that extends for three years with an optional two-year extension by mutual consent of the Board and RVK instead of a two-year contract with no optional extensions. Extending from September 2020 to August 2023, and optionally, from September 2023 to August 2025.
2. The fee for each year that increases as follows: \$163,000 in FY 2020, \$168,000 in FY 2021, \$173,000 in FY 2022, and optionally: \$178,000 in FY 2024 and \$183,000 in FY 2025. Each year's fee increase is approximately 3% over each prior year.
3. RVK would make six personal visits each year instead of four to better communicate with the Board and department staff.
4. The new agreement would list in more detail the services expected and provided in the annual fee and provide more detail on the additional cost of services not provided in the annual fee. The previous contract did not list all the services included in the annual fee and was silent on the exact fee for most additional services.

Due Diligence: The Department contacted three other investment consultants to request written proposals for general consulting services. Two of the three consultants responded with written proposals (see attached proposals from Cambridge Associates and Aon); the third consultant did not respond. After careful consideration of each proposal and the proposed contract with RVK the Department staff determined that it was in the best interests of the trusts that RVK continue as the general investment consultant under the terms of the proposed contract.

**Motion: The Board authorizes the Commissioner to enter into an agreement with RVK for comprehensive investment advisory services, including investment performance monitoring, assistance with investment manager searches, ongoing due diligence, investment advice and educational efforts, such agreement to be subject to final approval by the Attorney General.**

| Action Record              | Motion | Second | Aye | Nay | Absent |
|----------------------------|--------|--------|-----|-----|--------|
| Secretary Jaeger           |        | X      | X   |     |        |
| Superintendent Baesler     |        |        | X   |     |        |
| Treasurer Schmidt          | X      |        | X   |     |        |
| Attorney General Stenehjem |        |        | X   |     |        |
| Governor Burgum            |        |        | X   |     |        |

The following documents were presented to the Board for review and are available at the Department up on request: Draft RVK Contract, Cambridge Associates Proposal, Aon Proposal.

### Investment Policy Statement Update

On April 8, 2020 the Board approved a new Strategic Asset Allocation (SAA) for the permanent trust funds. As a result of the new SAA the Investment Policy Statement (IPS) must be approved.

The substantive changes as a result of the new SAA to the IPS are reflected in the new asset class targets including the elimination of the Diversified Inflation Strategies asset classes, addition of Private Equity and Private Infrastructure asset classes, the addition of an Opportunistic Investments asset class, and language added to allow for temporary deviations from policy targets

and ranges during the transitional period to the new portfolio structure. The changes are reflected in the chart below:

| Asset Class                           | OLD Strategic Asset Allocation Target | NEW Strategic Asset Allocation Target | CHANGE |
|---------------------------------------|---------------------------------------|---------------------------------------|--------|
| <b>Broad US Equity</b>                | 18.5%                                 | 19%                                   | +0.5%  |
| <b>Broad International Equity</b>     | 18.5%                                 | 19%                                   | +0.5%  |
| <b>Fixed Income</b>                   | 23%                                   | 22%                                   | -1%    |
| <b>Absolute Return</b>                | 15%                                   | 15%                                   | -      |
| <b>Real Estate</b>                    | 15%                                   | 15%                                   | -      |
| <b>Diversified Inflation Strategy</b> | 10%                                   | N/A                                   | -10%   |
| <b>Private Equity</b>                 | N/A                                   | 5%                                    | +5%    |
| <b>Private Infrastructure</b>         | N/A                                   | 5%                                    | +5%    |
| <b>Opportunistic Investments</b>      | N/A                                   | 0%                                    | +0-5%  |

Additionally, RVK and the staff recommend the Board review Opportunistic Investments. although there is no strategic asset allocation target to opportunistic investments, we believe that the current economic crisis is likely to provide a robust opportunity set for skilled asset managers in distressed credit. We would like to discuss with the Board the potential of allowing in policy “up to 5%” in Opportunistic Investments. Opportunistic Investments, being episodic in nature, will be evaluated as opportunities are identified. A number of potential opportunities have appeared in recent weeks related to recent dislocations in credit markets, and potential for distressed debt situations. This is reflected on page 17-18 of the IPS.

The substantive changes for 2020 include the following:

1. Strategic Asset Allocation (IPS pages 17-18) – IPS is updated to reflect the new SAA percentages approved on April 8, 2020. It also adds language granting the commissioner authority to implement the transition to the new SAA. Finally, it adds Opportunistic Investments to the SAA and language regarding its implementation (as discussed above).
2. Benchmarks (IPS page 19) – Benchmarks for the new asset classes are added:
  - a. Private Equity benchmark will be the Cambridge US Private Equity Index
  - b. Private Infrastructure it adds the MSCI World Infrastructure Index
3. Permitted Investments (IPS pages 19-21) – IPS is updated to add the newly approved assets to the list of permitted investments.

Per the Board’s Policy Introduction/Amendment/Passage the Board may take emergency measures:

The Board may, upon determination that an emergency or other circumstance requiring expeditious action exists, waive the requirement of a second reading and immediately approve the Measure following the introduction and first reading.

The Department staff believe it is in the best interest of the trusts to adopt the proposed Investment Policy Statement utilizing the emergency measure as state in the Board policy.

**Motion: The Board authorizes the Commissioner to update the Investment Policy Statement as attached, use the benchmarks recommended by RVK, and add Opportunistic Investments to the Permitted Investments list as described in the updated Investment Policy Statement. Per Board Policy, the Board waives the requirement of a second reading and immediately approves the updated Investment Policy Statement.**

| Action Record              | Motion | Second | Aye | Nay | Absent |
|----------------------------|--------|--------|-----|-----|--------|
| Secretary Jaeger           | X      |        | X   |     |        |
| Superintendent Baesler     |        | X      | X   |     |        |
| Treasurer Schmidt          |        |        |     | X   |        |
| Attorney General Stenehjem |        |        | X   |     |        |
| Governor Burgum            |        |        | X   |     |        |

The Investment Policy Statement (redline version) and Opportunistic Investments were provided to the Board for review and are available at the Department upon request.

### **Strategic Asset Allocation Transition Plan**

On April 8, 2020 the Board approved a new Strategic Asset Allocation (SAA) for the permanent trust funds. The Board requested a transition plan for the implementation of the new SAA. In accordance with the approval, RVK has completed a transition plan summary and is reflected in the weekly schedule of transition-related items (Attachment).

Following are the items that have been identified as necessary to address in order to implement the transition from the current targets to the newly approved targets:

1. Investment Policy – the Investment Policy Statement is to be updated to reflect the newly-approved targets, including the elimination of the Diversified Inflation Strategies asset classes, addition of Private Equity and Private Infrastructure asset classes, the addition of an Opportunistic Investments asset class, and language added to allow for temporary deviations from policy targets and ranges during the transitional period to the new portfolio structure.
2. New Asset Class: Private Equity – the Board approved a 5% target—approximately \$225M based on current asset values—to Private Equity in the Permanent Trust Funds portfolio. The inclusion of the Private Equity asset class necessitates that a number of key items are addressed, including a pacing study, the establishment of criteria for and issuance of a Request for Proposal (RFP), a review of RFP responses, interviews with potential candidates, and a recommendation to the Board.
3. New Asset Class: Private Infrastructure – the Board approved a 5% target—approximately \$225M based on current asset values—to Private Infrastructure in the Permanent Trust Funds portfolio. The inclusion of the Private Infrastructure asset class necessitates that a number of key items are addressed, including the establishment of criteria for and issuance of an RFP, a review of RFP responses, interviews with potential candidates, and a recommendation to the Board.
4. New Asset Class: Opportunistic Investments – although there is no strategic asset allocation target to opportunistic investments, we believe that the current economic crisis is likely to provide a robust opportunity set for skilled asset managers in distressed credit. We would like to discuss with the Board the potential of allowing

in policy “up to 5%” in Opportunistic Investments. Opportunistic Investments, being episodic in nature, will be evaluated as opportunities are identified. A number of potential opportunities have appeared in recent weeks related to the re-establishment of the Term Asset-Backed Security Loan Facility (“TALF”) by the Fed, recent dislocations in credit markets, and potential for distressed debt situations.

5. Existing Asset Class: Fixed Income – the Board approved a 1% reduction in the target to Fixed Income in the Permanent Trust Funds portfolio. In addition, given the extreme adjustment in valuation and yield levels we recommend formally reviewing the structure of the fixed income portfolio.
6. Existing Asset Class: Public Equity – the Board approved a 1% increase to public equity—0.5% each to Broad US Equity and Broad International Equity—in the Permanent Trust Funds portfolio. Given current volatility in public equity markets, a framework for systematically rebalancing to the new targets will be developed.
7. Removed Asset Class: Commodities – the Board approved the removal of Commodities from the Permanent Trust Funds portfolio. At current asset levels, this represents an approximately \$145M liquidation. Commodities will be liquidated gradually over a period of time to allow for best execution by the manager. We believe this liquidation can happen in the relative near-term as commodities are not income producing by their nature and predicting their long-term price behavior is difficult at best. The proceeds will be a source of funds for systematic rebalancing to new equity targets, and it is also expected that the Northern Trust (NT) Short Term Investment Fund (STIF) will also be used as short-term holding vehicle.
8. Removed Asset Class: Treasury Inflation-Protected Security (TIPS) - the Board approved the removal of TIPS from the Permanent Trust Funds portfolio. At current asset levels, this represents an approximately \$100M liquidation. The TIPS portfolio will be fully liquidated as expediently as is feasible. The proceeds will be a source of funds for systematic rebalancing to new equity targets, and it is also expected that the NT STIF will also be used as short-term holding vehicle.
9. Removed Asset Class: Natural Resource Equities – the Board approved the removal of TIPS from the Permanent Trust Funds portfolio. At current asset levels, this represents an approximately \$70M liquidation. Given the current depressed valuations of natural resource equities, a framework will be developed in order to systematically liquidate the portfolio based on prices and/or market conditions.
10. Removed Asset Class: Master Limited Partnerships (MLP) – the Board approved the removal of TIPS from the Permanent Trust Funds portfolio. At current asset levels, this represents an approximately \$85M liquidation. Given the current depressed valuations of MLPs, a framework will be developed in order to systematically liquidate the portfolio based on prices and/or market conditions.

The Weekly Schedule of Transition Related Items was provided to the Board for review and is available at the Department upon request.



## LITIGATION

## Wilkinson Litigation

**Case:** William S. Wilkinson, et. al. v. Board of University & School Lands, Brigham Oil & Gas, LLP; EOG Resources, Inc.; Case No. 53-2012-CV-00038

**Date Filed:** January, 2012

**Court:** Williams County District Court

**Judge:** Paul Jacobson

**Attorney:** Jennifer Verleger/Matthew Sagsveen/David Garner

**Opposing**

**Counsel:** Josh Swanson/Rob Stock, Lawrence Bender, Lyle Kirmis

**Issues:** The Wilkinson lawsuit was filed on January 10, 2012. The Plaintiffs assert that they own minerals in a 200 acre tract west of Williston. This suit was initially filed in state court as a quiet title action. The Attorney General's Office filed an Answer and Counterclaim on February 27, 2012.

On July 1, 2014, the Plaintiffs filed an amended complaint in the case and added claims of unconstitutional takings, conversion, constructive trust and unjust enrichment, civil conspiracy and deprivation of rights under 42 U.S.C. § 1983. Plaintiffs assert in their amended complaint that the Board should be issuing leases on the west side of the Highway 85 bridge pursuant to the Phase II Investigation – the estimated location of the ordinary high watermark (OHWM) prior to inundation of Lake Sakakawea – rather than the Phase I Delineation – current location of the OHWM. Plaintiffs argue that the subject property is located under Lake Sakakawea, which did not exist at statehood, and thus the state did not acquire title to it as sovereign lands. Therefore, the State's title to the Missouri River is limited to the channel as it existed prior to inundation of Lake Sakakawea as determined by the Phase II investigation.

In January of 2016, the State Engineer sought and was granted intervention. A joint motion for summary judgment was filed by the Board and the State Engineer on March 1, 2016. On May 18, 2016, the district court granted the motion for summary judgment finding that: (1) the subject property is located along the Missouri River, which is no doubt navigable; (2) The Phase I Delineation should be used to determine the OHWM for the subject property rather than the Phase II Investigation, and therefore the property is determined to be sovereign land of the state of North Dakota; (3) to the extent Plaintiffs are aggrieved by the Phase I Delineation, they must exhaust their administrative remedies through the State Engineer before making a claim in district court; and (4) there are no grounds to support Counts II through VII. Plaintiffs filed a notice of appeal on June 1, 2016. Both EOG Resources, Inc. and Statoil Oil and Gas LP filed cross-appeals.

On September 28, 2017, the North Dakota Supreme Court reversed the district court's decision and remanded the case back to the district court. The Supreme Court held that:

1. Surface ownership could not be determined without the United States as a party to the action;
2. N.D.C.C. ch. 61-33.1 has a retroactive clause and the district court did not have an opportunity to determine if it applies and governs ownership of the minerals at issue;

(04/30/20)

3. A “takings” analysis must be conducted if the district court determines the State owns the disputed minerals; and
4. The district court erroneously made findings of disputed fact.

**History:**

Due to the passage of S.B. 2134, the District Court ordered the case stayed and all deadlines be held in abeyance until the final review findings under S.B. 2134 are issued by the North Dakota Industrial Commission (NDIC). Plaintiff, after NDIC issued the review findings, requested a status conference with the Court to set a new trial date and other deadlines. The Board and State Engineer filed a Motion for Continued Stay of Proceedings on October 11, 2018. The telephonic status conference scheduled for November 2, 2018 was cancelled. A Hearing on the Motion for Continued Stay was held November 30, 2018. Defendants submitted a proposed Order and the Judge asked for Plaintiffs to submit a proposed Order, which was filed December 4, 2018. The Court issued its Order on December 12, 2018, denying the Motion for Continued Stay and requiring the parties confer on a scheduling order and submit a Rule 16 scheduling order by January 26, 2019. The State filed a Motion for Proposed Scheduling Order on January 28, 2019, and Plaintiffs filed a notice of hearing on January 31, 2019, and filed their Response to State’s Motion for Proposed Scheduling Order and Plaintiffs’ Request for Rule 16(F) Sanctions on February 1, 2019. State Defendants filed a Reply Brief in Support of Motion for Proposed Scheduling Order on February 8, 2019. Statoil & Gas LP filed a Response to State’s Motion for Proposed Scheduling Order and Plaintiff’s Proposed Scheduling Order on February 11, 2019. Plaintiffs scheduled a hearing in District Court on the Motion for Scheduling Order which was held March 5, 2019, at 2:00 p.m. The District Court didn’t rule on the scheduling motions but granted Plaintiffs’ request to file a motion for Summary Judgment within 30 days of the hearing. On April 15, 2019, Plaintiffs’ filed with the District Court a Notice of Motion, Motion for Summary Judgment, Brief in Support of Motion for Summary Judgment, Affidavit of Joshua Swanson, Notice of Hearing (requesting a hearing be held at the earliest possible date available on the Court’s calendar), and proposed Order Granting Plaintiffs’ Motion for Summary Judgment. On April 17, 2019, Plaintiffs’ filed a Notice of Hearing scheduling a hearing for 2:00 p.m. on July 30, 2019 before the Honorable Paul W. Jacobson, at the Williams County Courthouse, Williston. The parties entered into a Stipulation Extending Time to Respond to Plaintiffs’ Motion for Summary Judgment and Plaintiffs’ Time to Reply which was entered May 1, 2019. The Order Extending Time to Respond was entered May 2, 2019, extending Defendants’ time to respond to June 14, 2019, and extending Plaintiffs’ deadline to file reply to July 1, 2019. On June 10, 2019 Statoil & Gas LP filed its Opposition to Plaintiffs’ Motion for Summary Judgment. Also, on June 10, 2019, the Stipulated Motion to Dismiss Defendant XTO Energy Inc. was filed in which Plaintiffs, Cross-claimant EOG, and Defendant XTO stipulated and requested the Court dismiss XTO from the action with prejudice and without costs and disbursements to any party, as it holds no ownership interest in, right to, claim or title to any mineral interests as alleged by Plaintiffs. The Board of University and School Lands filed its Brief in Opposition to Plaintiffs’ Motion for Summary Judgment on June 14, 2019. Also filed on June 14, 2019 where the State Engineer’s Response to Brief in Opposition to Plaintiffs’ Motion for Summary and the Response of EOG Resources, Inc., to Plaintiffs’ Motion for Summary Judgment. On June 17, 2019, the Court entered its Order Dismissing Defendant XTO Energy, Inc. from the Action. On July 1, 2019, Plaintiff’s filed their Reply Brief in Support of Motion for Summary Judgment. The hearing on the Motion for Summary Judgment was held on July 30, 2019. Order Granting Plaintiffs’ Motion for Summary Judgment was entered on September 6, 2019. The proposed

(04/30/20)

Judgment was submitted on September 12, 2019. The Judgment and Notice of Entry of Judgment were filed with the District Court on September 16, 2019. Board of University and School Lands' Notice of Appeal to the North Dakota Supreme Court was filed on November 15, 2019. State Engineer's Notice of Appeal to the North Dakota Supreme Court was filed on November 15, 2019. Notice of Appeal to North Dakota Supreme Court filed by Statoil Oil & Gas LP f/k/a Brigham Oil & Gas, LLP on November 27, 2019. Appellant's Initial Briefs were due December 12, 2019; however, a Joint Motion for Extension of Time to File Briefs was filed and an extension was granted on December 13, 2019, with all briefs being due to the Supreme Court as follows:

- Appellants' (including Board of University and School Lands) Initial Briefs - January 13, 2020;
- Appellees' Response Briefs – March 2, 2020; and
- Appellants' (including Board of University and School Lands) Reply Briefs – March 16, 2020.

On January 13, 2020, the Brief of Appellant, Board of University and School Lands was filed with the Supreme Court. Appellant North Dakota State Engineer's Principal Brief was also filed on January 13, 2020. Plaintiffs/Appellees response Brief filed with the Supreme Court on March 2, 2020. Plaintiffs/Appellees Response Brief filed with the Supreme Court on March 2, 2020. Reply Brief of Defendant and Appellant, Board of University and School Lands filed on March 16, 2020. Appellant North Dakota State Engineer's Reply Brief filed March 16, 2020.

**Current  
Status:**

- **Supreme Court Argument held April 13, 2020.**

**A D J O U R N**

There being no further business, the meeting was adjourned at 9:40 AM.

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Doug Burgum, Chairman  
Board of University and School Lands

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Jodi Smith, Secretary  
Board of University and School Lands

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

May 28, 2020

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**RE: COVID-19 Update**  
(No Action Requested)

North Dakota received \$1.25 billion from the Coronavirus Relief Fund as part of the \$2.2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act. The North Dakota Budget Section voted last week to utilize more than half a billion dollars in federal funding for North Dakota's COVID-19 response and recovery efforts, with the majority of the money directed to support economic recovery.

The Commissioner cancelled all surface lease auctions scheduled for March 23, 2020 thru March 27, 2020. There were 141 tracts in 30 counties available for auction. Executive Order 2020-25 allowed the Department of Trust Lands (Department) to host surface auctions outside of the county seat. The Department of Trust Lands was able to secure \$100,000 in funding to pay the 3% convenience fee associated with the online surface lease auctions hosted by EnergyNet. The Department has issued refund checks to lessee's who participated in the online spring auction.

Additionally, the Department received \$20,000 to complete an analysis of shut-in and deferred producing wells analysis based upon various economic scenarios to anticipate production and the resulting direct impact on cash flow for the Department. The analysis will allow the Department to better manage cash flows and disbursement obligations through cash deposits versus being required to sell investments. A copy of the analysis has been attached for Board review.

Attachment 1 – North Dakota Department of Trust Lands Deferred Production Analysis

**NORTH DAKOTA  
DEPARTMENT OF TRUST LANDS**

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Deferred Production Analysis

Submitted: May 12, 2020



**MINERAL**  
**TRACKER**

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## INTRODUCTION

This report has been constructed to provide an analysis of the impact of deferred production of oil and natural gas, as it relates to future royalty payments expected to be received by the North Dakota Department of Trust Lands (the “State”). For the purpose of this report, the term “deferred production” shall refer to those volumes of oil and gas which may be intentionally withheld from the market, by means of operator intervention, due to inadequate commodity prices. Deferred production shall include volumes from wells which may be shut-in, as well as volumes from wells from which production may be intentionally reduced by limiting flow rates or lessening pump times. Reductions to production experienced at this time should not be viewed as “lost” production, but rather as “deferred” because the oil and gas reserves intentionally left in the reservoir today may be recovered at some point in the future if commercial factors were to improve.

The COVID-19 pandemic, which has impacted nearly all aspects of global socioeconomic markets is the leading cause of oil and gas prices falling over the past two months; namely the precipitous decrease in global demand which led to a swift supply and demand imbalance. On March 9, 2020, West Texas Intermediate (“WTI”) oil prices fell to a low of \$28.57 per barrel, a 39% drop from the previous trading day’s high of \$46.69. The rapid decrease in oil price was the greatest experienced in nearly two decades prior. Based on fears of falling global oil demand due to the COVID-19 pandemic, WTI prices continued to plummet to points below \$10 per barrel in April, even dipping into negative territory for some contracts traded during that time. At the time of this report, WTI is currently trading near \$25 per barrel, resulting in non-economic production for many operators in the Williston Basin of North Dakota.

Oil being sold in the state of North Dakota has historically traded below WTI due to the upstream production’s distance from downstream markets. As such, the recent decrease in oil prices has a more significant impact on operators in North Dakota. In response, operators are reducing the production of many wells, by shutting the wells in or reducing well flow rates, until commodity prices justify resuming production at full capacity. At the time of this report, many operations intended to reduce production are ongoing, operator strategies are dynamic, and there currently exists no comprehensive and accurate method of predicting which wells will be affected and to what degree. The effect, to those entities collecting oil and gas royalties in the state, will be widespread and significant.

MineralTracker is a company founded and operated by petroleum engineers, with the goal of implementing innovative technology to provide meaningful support to the mineral owners of North Dakota. In order to provide likely outcomes of the current economic environment, MineralTracker has constructed a comprehensive database including all oil and gas wells in which the State holds royalty interest, along with each well’s projected production, through the use of decline curve analysis. This analysis has been completed in conjunction with the ongoing Mineral Estate Valuation scope of work for which MineralTracker was contracted by the State in March 2020.

Though there is not currently an accurate way to predict the ongoing effects of production being deferred, it is possible to forecast the anticipated outcome of multiple scenarios based on varying circumstances. MineralTracker has employed its decline curve database to forecast varying scenarios and project the resulting royalty payments to the State through the remainder of this year.

## EXECUTIVE SUMMARY

In order to forecast oil and gas production from the State's royalty position, two factors must be considered: 1) the natural decline in production as a result of decreasing reservoir pressure over time, and 2) the operational impact of deferred production due to poor economic returns.

In order to account for the natural decline in production, it is necessary to perform a decline curve analysis on each well in which the State owns a royalty interest. Employing the Arps Equation, a best practice industry technique, MineralTracker constructed a complete database including all State wells and each well's forecasted oil and gas production. By multiplying the State's interest in each well by the forecasted gross production for each well, MineralTracker is able to calculate the anticipated "net production" proportional to the State's interests. Including all units in which the State holds interests, a total of 9,257 wells were considered in this analysis.

MineralTracker has constructed multiple scenarios for varying levels of deferred production impact utilizing the decline curve database. Further, the impact to royalty income will be subject to changing commodity prices, the most important of which is the price of oil. To account for changing oil prices, each scenario has been sensitized to oil price to provide a wide range of possible outcomes.

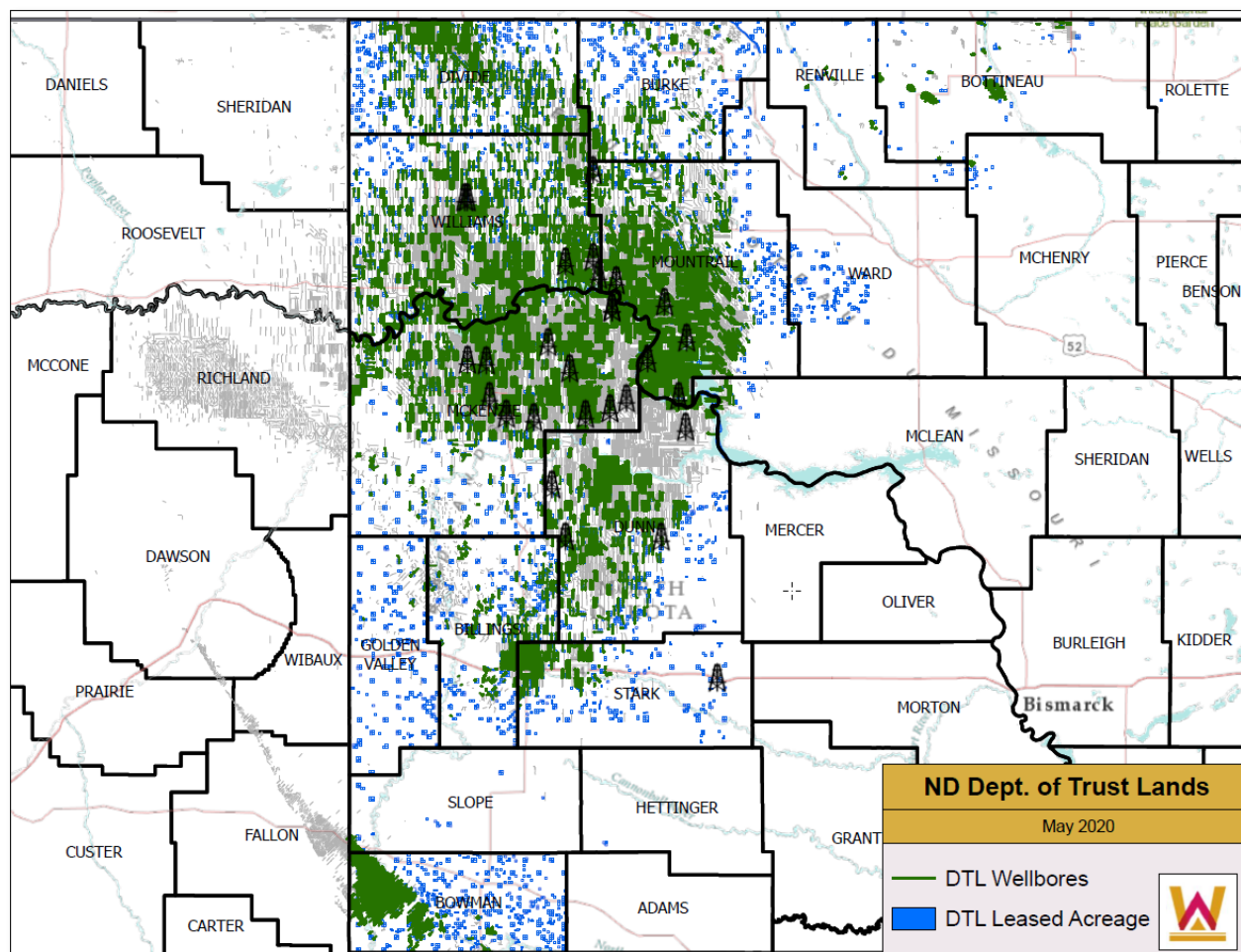


Figure 1: Royalty Position Overview Map



## THE IMPACT OF HEDGING

During periods of dramatically decreasing commodity prices, hedge positions become increasingly important. A “hedge” is a financial instrument intended to insure revenues and mitigate price risk, and many oil & gas operators in the Williston Basin have employed oil hedging strategies that may influence their operating strategies during this time of low oil prices. From a high level, operator hedge positions may be considered as a percentage of anticipated production, which the operator would be able to sell at a previously agreed-to price. Most contracts being fulfilled at this time are for prices between \$45-\$55 per barrel of oil.

While the mechanisms of the hedge positions displayed in this report are more complex than can be described herein, a general sense of the State’s exposure to operators with meaningful hedge positions is important when considering forecasted deferred production.

Table 1 depicts the reported hedge position of the State’s most impactful operators based on trailing 12-month net production. At least 21% of the State’s production comes from wells operated by companies with no hedges in place. Other top operators hold varying hedge positions compared to their forecasted 2020 production. For a frame of reference, if each operator reduced their production to the level of their hedge positions, and that was applied proportionally to the States interests, the State’s oil production would be reduced to approximately 27% of its trailing 12-month production.

| <b>Operator</b>       | <b>Trailing 12-month<br/>DTL Net Oil Sales<br/>(BBLs Oil)</b> | <b>% of 12-month<br/>State Net Oil Sales</b> | <b>2020<br/>% Hedged</b> |
|-----------------------|---|--|--------------------------|
| Continental Resources | 1,333,804   | 21%  | 0%                       |
| Marathon              | 749,102   | 12%  | 38%                      |
| Whiting               | 636,403   | 10%  | 35%                      |
| ConocoPhillips        | 558,804   | 9%   | Unknown                  |
| Hess                  | 492,904   | 8%   | 80%                      |
| XTO                   | 352,082   | 6%   | Unknown                  |
| Slawson               | 341,041   | 5%   | Unknown                  |
| Equinor               | 282,737   | 4%   | Unknown                  |
| Oasis                 | 235,937   | 4%   | 70%                      |
| Kraken                | 129,905   | 2%   | 54%                      |
| QEP                   | 117,816   | 2%   | 70%                      |
| Other                 | 953,391   | 17%  | Varying                  |

**Table 1: Top Operators’ 2020 Hedge Positions**  
*(Information derived from various investor presentations and other sources)*

However, it is not possible to accurately predict operating practices based on an individual operator’s hedge positions. Rather than exercise their hedges, operators could elect to sell their contracts and reduce production rates, which would result in lower net production for associated royalty owners such as the State.

## ECONOMIC SCENARIOS

The following economic scenarios were derived from the decline curve database constructed for the analysis of the State's royalty income. For each scenario, wells under litigation, as identified by the State, have been removed from the primary cash flow forecasts and are displayed separately as denoted by the "Litigation" label.

1. Base Case
2. 25% Deferred Case
3. 50% Deferred Case
4. 75% Deferred Case
5. Minimum Case

Each scenario, shown in the tables and figures below, is based on varying oil prices. Although the WTI oil price is approximately \$25 per barrel at the time of this report; North Dakota crude oil is typically selling for approximately \$20 per barrel according to the most recent pricing information published by the Energy Information Administration ("EIA")

| Month                 | Base Case<br>(BOPD) | 25% Deferred<br>(BOPD) | 50% Deferred<br>(BOPD) | 75% Deferred<br>(BOPD) | Minimum Case<br>(BOPD) |
|-----------------------|---------------------|------------------------|------------------------|------------------------|------------------------|
| Jan. 2020             | 14,677              | 14,677                 | 14,677                 | 14,677                 | 14,677                 |
| Feb. 2020             | 15,032              | 15,032                 | 15,032                 | 15,032                 | 15,032                 |
| Mar. 2020             | 12,689              | 12,689                 | 12,689                 | 12,689                 | 12,689                 |
| Apr. 2020             | 11,953              | 8,965                  | 5,976                  | 2,988                  | 3,414                  |
| May. 2020             | 11,342              | 8,507                  | 5,671                  | 2,836                  | 3,255                  |
| Jun. 2020             | 10,842              | 8,132                  | 5,421                  | 2,711                  | 3,126                  |
| Jul. 2020             | 10,422              | 7,816                  | 5,211                  | 2,605                  | 3,017                  |
| Aug. 2020             | 10,060              | 7,545                  | 5,030                  | 2,515                  | 2,920                  |
| Sep. 2020             | 9,758               | 7,318                  | 4,879                  | 2,439                  | 2,838                  |
| Oct. 2020             | 9,503               | 7,127                  | 4,751                  | 2,376                  | 2,769                  |
| Nov. 2020             | 9,358               | 7,018                  | 4,679                  | 2,339                  | 2,711                  |
| Dec. 2020             | 9,237               | 6,928                  | 4,619                  | 2,309                  | 2,741                  |
| <b>Annual Decline</b> | <b>37%</b>          | <b>53%</b>             | <b>69%</b>             | <b>84%</b>             | <b>81%</b>             |

Table 2: Net Production Forecasts

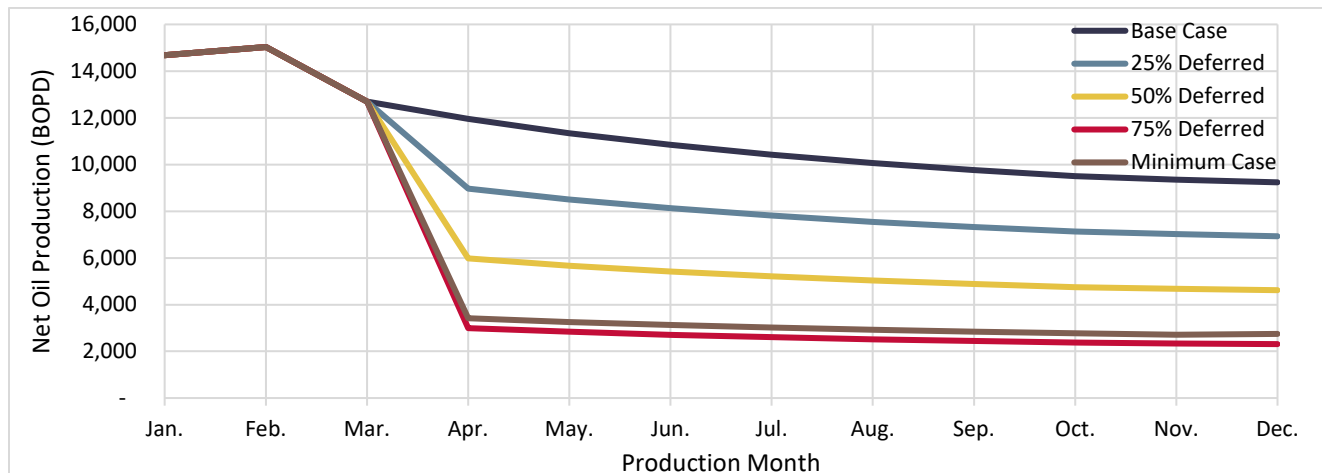


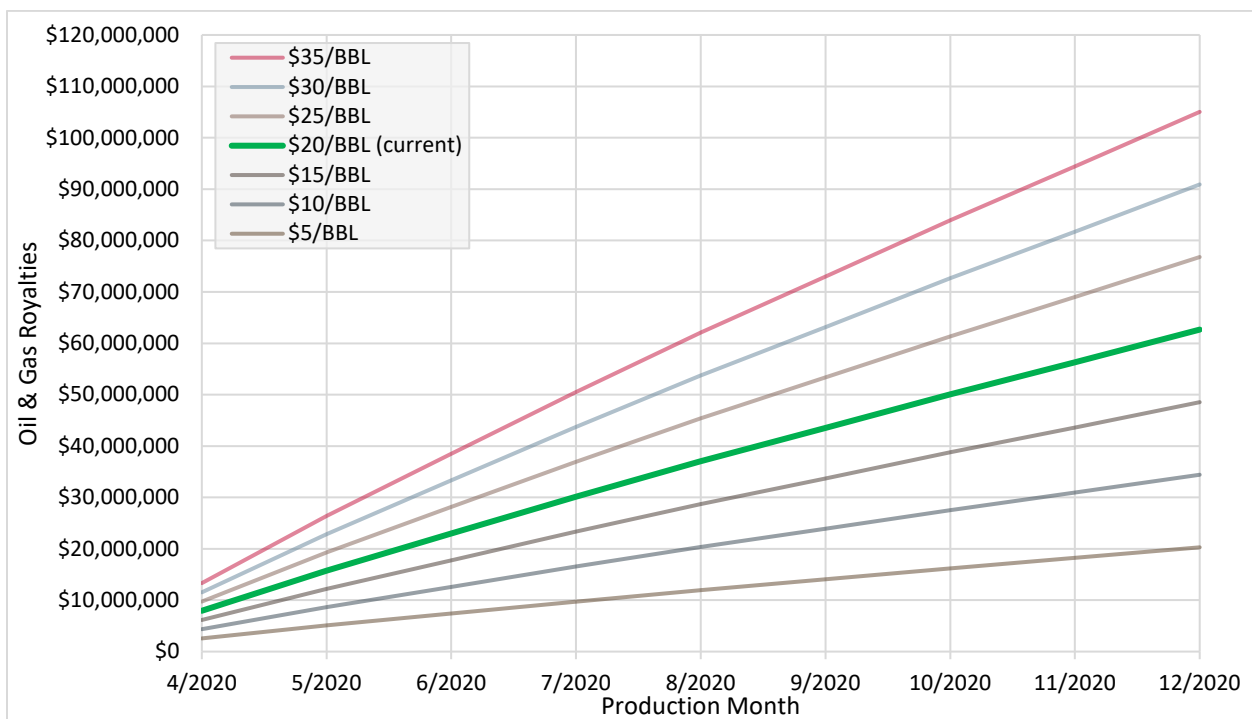
Figure 2: Net Production Forecasts

**BASE CASE**

The Base Case represents a situation in which no production is intentionally deferred, and no new wells are completed. The Base Case depicts only the anticipated decline in production due to the natural decrease in reservoir pressure. Commonly used throughout industry, the term “base rate decline” represents the natural decline in production experienced over a full year if no new production is added. The base rate decline for the State’s mineral royalty asset is 37%.

| Oil Price                  | \$35/BBL | \$30/BBL | \$25/BBL | <b>\$20/BBL</b> | \$15/BBL | \$10/BBL | \$5/BBL |
|----------------------------|----------|----------|----------|-----------------|----------|----------|---------|
| Apr. - Dec. 2020 Royalties | \$105M   | \$91M    | \$77M    | <b>\$63M</b>    | \$49M    | \$34M    | \$20M   |

**Table 3: Base Case Apr. thru Dec. Royalty Forecast**

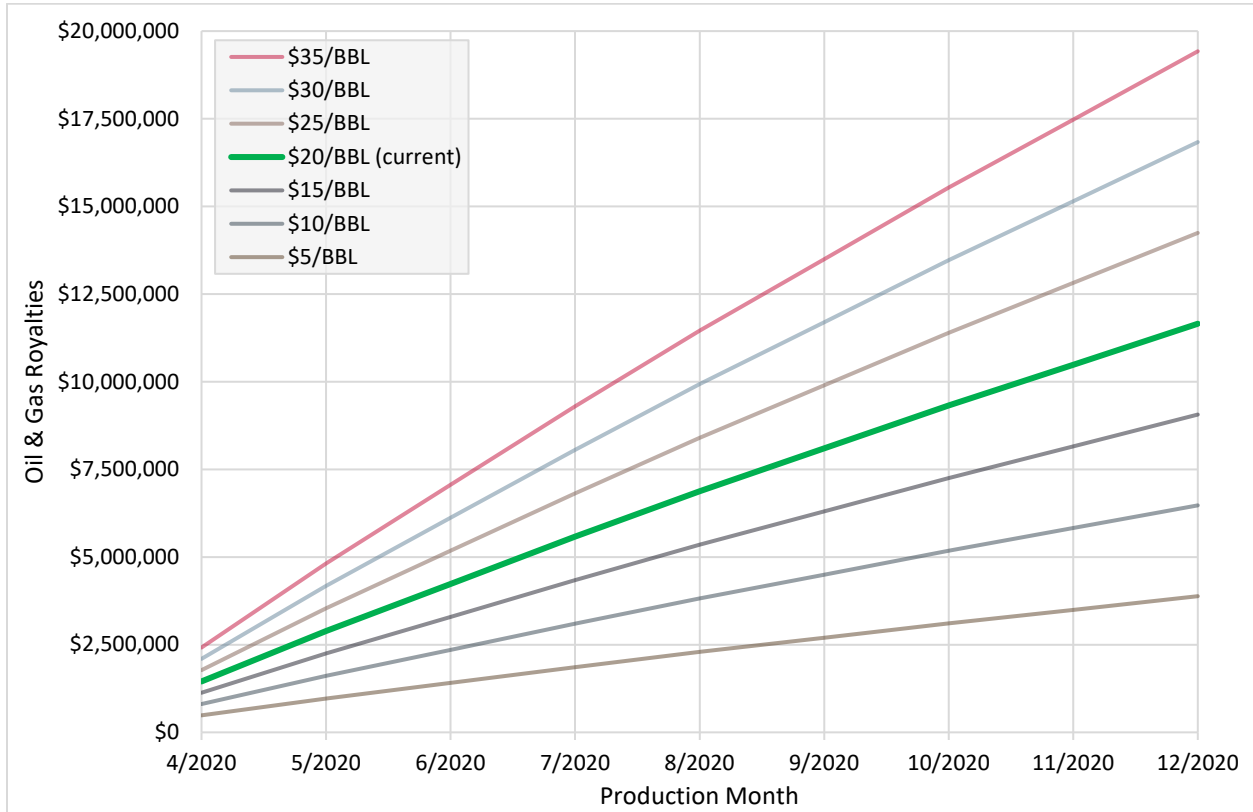


**Figure 3: Base Case Apr. thru Dec. Royalty Forecast**

Base Case: Wells Under Litigation

| Oil Price                  | \$35/BBL | \$30/BBL | \$25/BBL | \$20/BBL | \$15/BBL | \$10/BBL | \$5/BBL |
|----------------------------|----------|----------|----------|----------|----------|----------|---------|
| Apr. - Dec. 2020 Royalties | \$19M    | \$17M    | \$14M    | \$12M    | \$9M     | \$6M     | \$4M    |

**Table 4: Wells Under Litigation - Base Case Apr. thru Dec. Royalty Forecast**



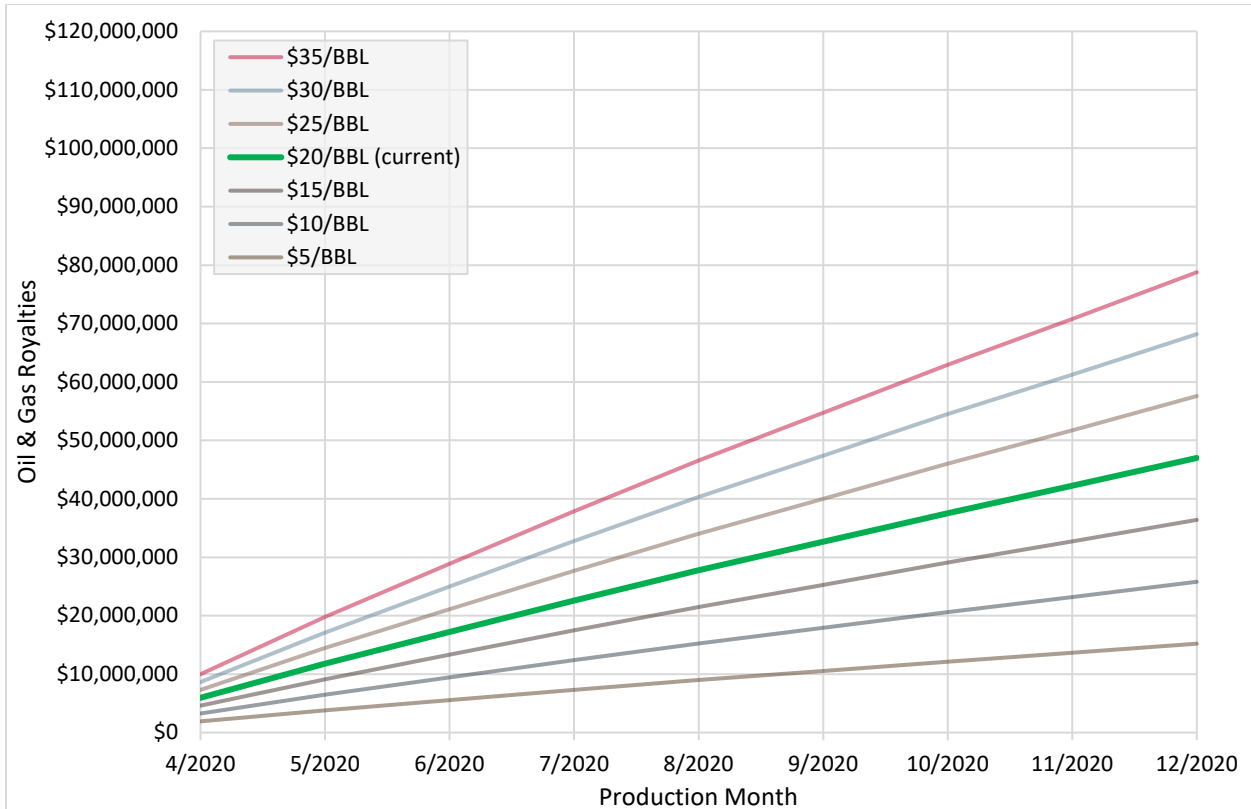
**Figure 4: Wells Under Litigation - Base Case Apr. thru Dec. Royalty Forecast**

25% DEFERRED CASE

The 25% Deferred Case depicts a scenario in which no new wells are added to the State’s royalty position, and 25% of the State’s net production is deferred due to poor operator economics

| Oil Price                  | \$35/BBL | \$30/BBL | \$25/BBL | <b>\$20/BBL</b> | \$15/BBL | \$10/BBL | \$5/BBL |
|----------------------------|----------|----------|----------|-----------------|----------|----------|---------|
| Apr. - Dec. 2020 Royalties | \$79M    | \$68M    | \$58M    | <b>\$47M</b>    | \$36M    | \$26M    | \$15M   |

**Table 5: 25% Deferred Case Apr. thru Dec. Royalty Forecast**

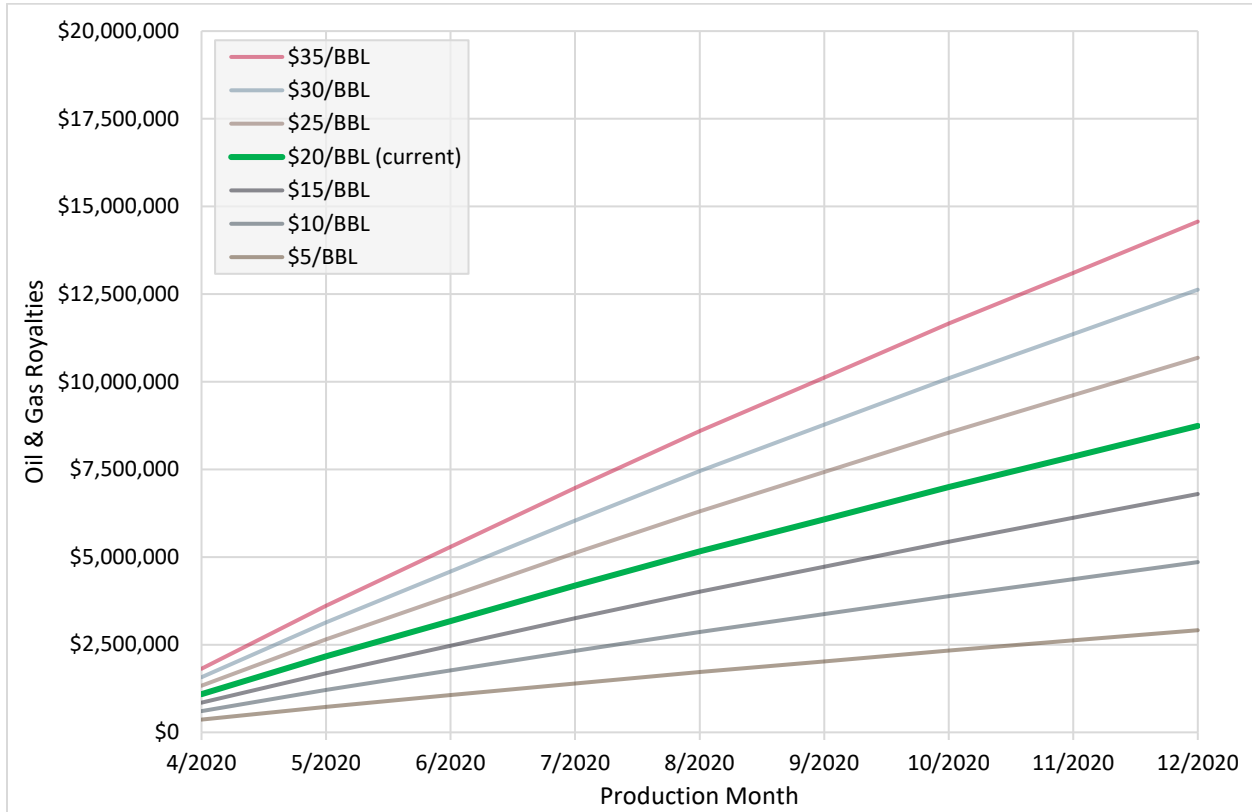


**Figure 5: 25% Deferred Case Apr. thru Dec. Royalty Forecast**

25% Deferred Case: Wells Under Litigation

| Oil Price                  | \$35/BBL | \$30/BBL | \$25/BBL | \$20/BBL | \$15/BBL | \$10/BBL | \$5/BBL |
|----------------------------|----------|----------|----------|----------|----------|----------|---------|
| Apr. - Dec. 2020 Royalties | \$15M    | \$13M    | \$11M    | \$9M     | \$7M     | \$5M     | \$3M    |

**Table 6: Wells Under Litigation – 25% Deferred Case Apr. thru Dec. Royalty Forecast**



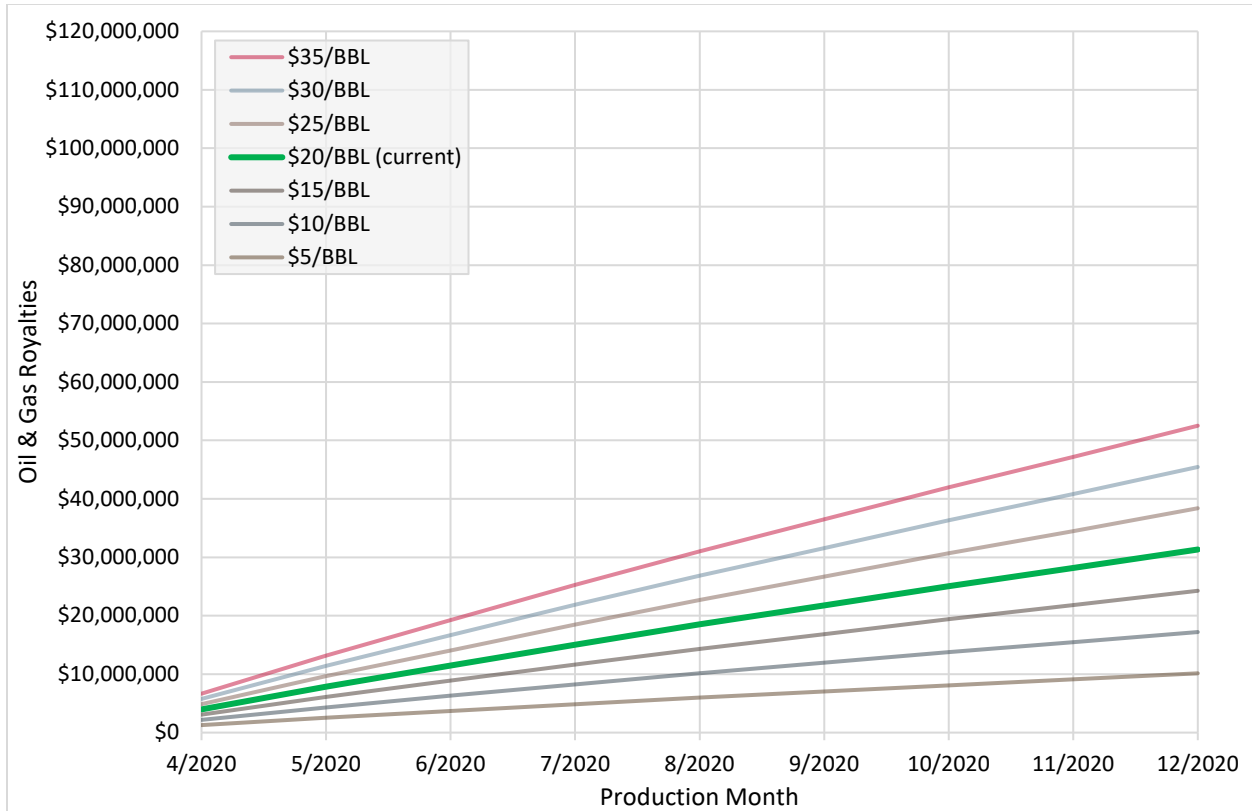
**Figure 6: Wells Under Litigation – 25% Deferred Case Apr. thru Dec. Royalty Forecast**

50% DEFERRED CASE

The 50% Deferred Case depicts a scenario in which no new wells are added to the State’s royalty position, and 50% of the State’s net production is deferred due to poor operator economics

| Oil Price                  | \$35/BBL | \$30/BBL | \$25/BBL | <b>\$20/BBL</b> | \$15/BBL | \$10/BBL | \$5/BBL |
|----------------------------|----------|----------|----------|-----------------|----------|----------|---------|
| Apr. - Dec. 2020 Royalties | \$53M    | \$45M    | \$38M    | <b>\$31M</b>    | \$24M    | \$17M    | \$10M   |

**Table 7: 50% Deferred Case Apr. thru Dec. Royalty Forecast**

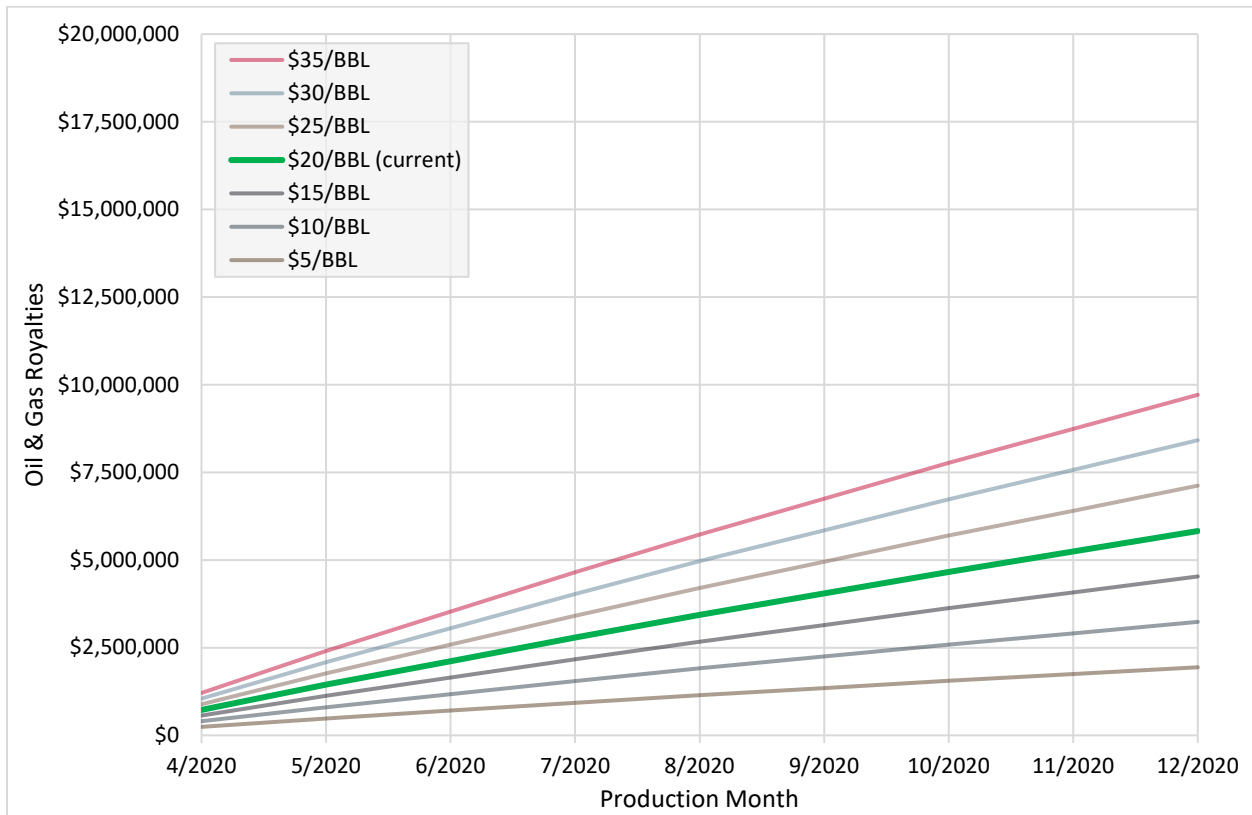


**Figure 7: 50% Deferred Case Apr. thru Dec. Royalty Forecast**

50% Deferred Case: Wells Under Litigation

| Oil Price                  | \$35/BBL | \$30/BBL | \$25/BBL | \$20/BBL | \$15/BBL | \$10/BBL | \$5/BBL |
|----------------------------|----------|----------|----------|----------|----------|----------|---------|
| Apr. - Dec. 2020 Royalties | \$10M    | \$8M     | \$7M     | \$6M     | \$5M     | \$3M     | \$2M    |

**Table 8: Wells Under Litigation – 50% Deferred Case Apr. thru Dec. Royalty Forecast**



**Figure 8: Wells Under Litigation – 50% Deferred Case Apr. thru Dec. Royalty Forecast**

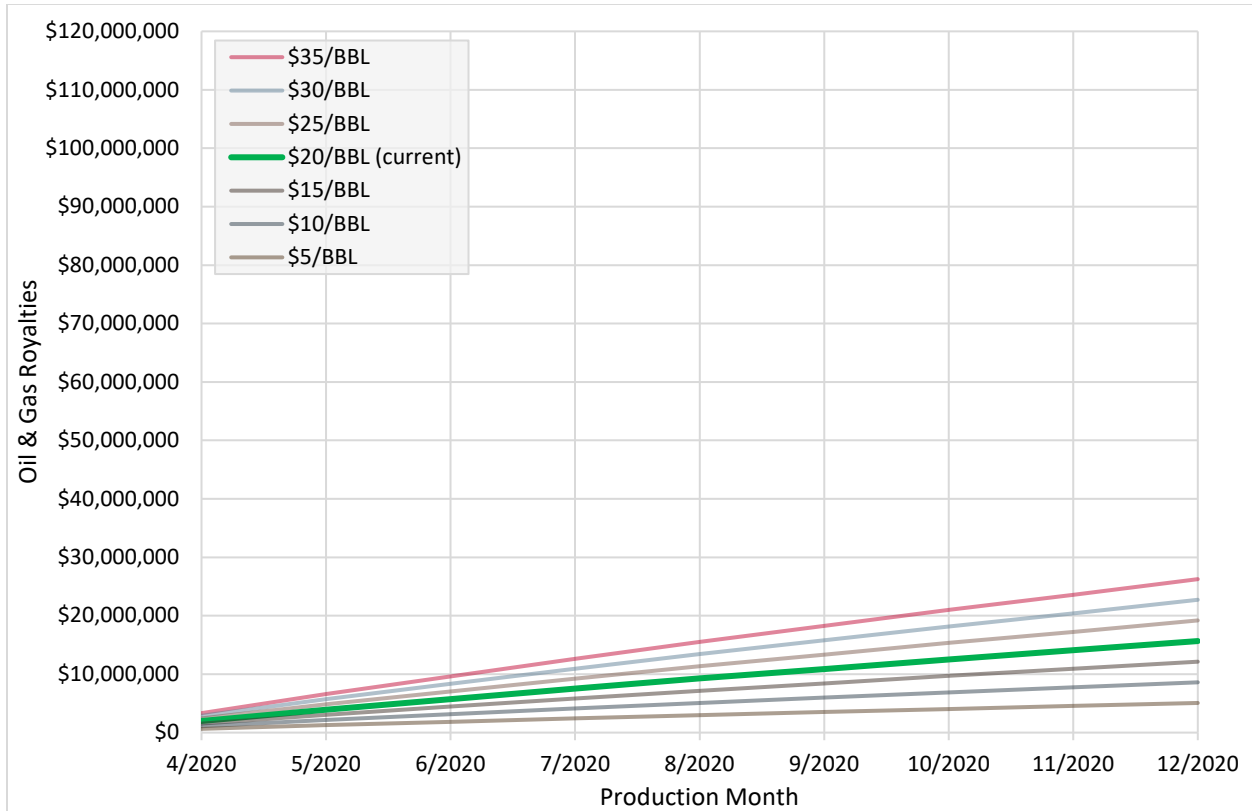


75% DEFERRED CASE

The 75% Deferred Case depicts a scenario in which no new wells are added to the State’s royalty position, and 75% of the State’s net production is deferred due to poor operator economics.

| Oil Price                  | \$35/BBL | \$30/BBL | \$25/BBL | <b>\$20/BBL</b> | \$15/BBL | \$10/BBL | \$5/BBL |
|----------------------------|----------|----------|----------|-----------------|----------|----------|---------|
| Apr. - Dec. 2020 Royalties | \$26M    | \$23M    | \$19M    | <b>\$16M</b>    | \$12M    | \$9M     | \$5M    |

**Table 9: 75% Deferred Case Apr. thru Dec. Royalty Forecast**

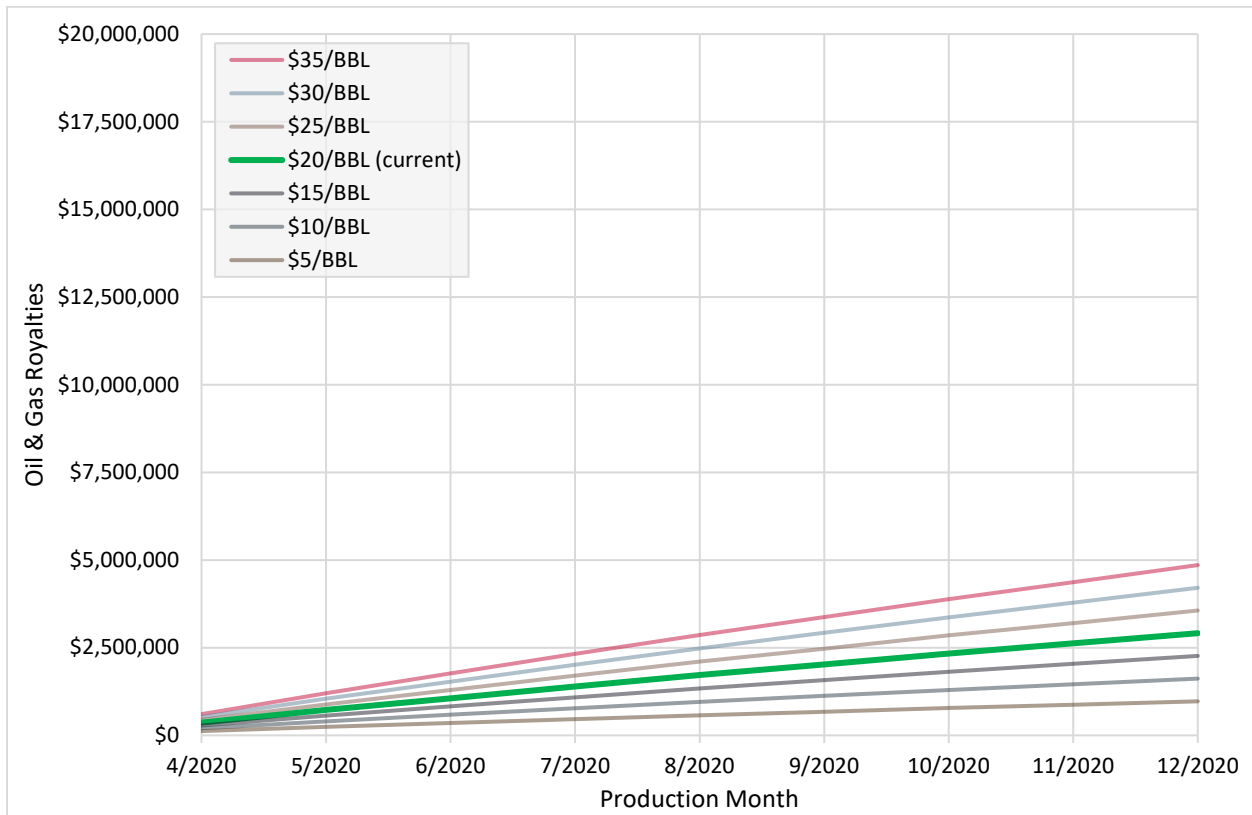


**Figure 9: 75% Deferred Case Apr. thru Dec. Royalty Forecast**

75% Deferred Case: Wells Under Litigation

| Oil Price                  | \$35/BBL | \$30/BBL | \$25/BBL | \$20/BBL | \$15/BBL | \$10/BBL | \$5/BBL |
|----------------------------|----------|----------|----------|----------|----------|----------|---------|
| Apr. - Dec. 2020 Royalties | \$5M     | \$4M     | \$4M     | \$3M     | \$2M     | \$2M     | \$1M    |

**Table 10: Wells Under Litigation – 75% Deferred Case Apr. thru Dec. Royalty Forecast**



**Figure 10: Wells Under Litigation – 75% Deferred Case Apr. thru Dec. Royalty Forecast**

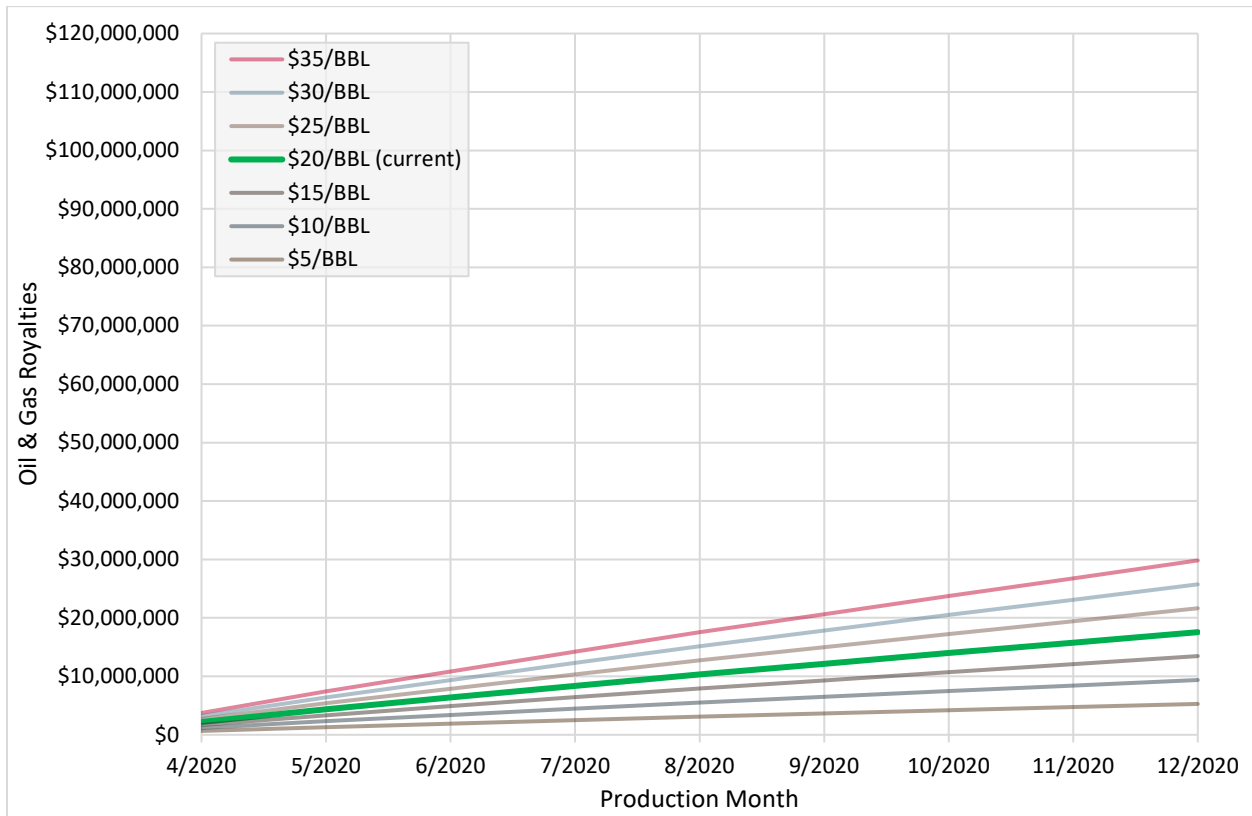
**MINIMUM CASE**

The Minimum Case has been constructed to depict an anticipated “worst case scenario”, in which each operator shuts-in all but one well per drill spacing unit (“DSU”). Such a practice would be the likely outcome of a situation in which operators intend to minimize operating expenses without losing their leasehold positions. Oil and gas leases in the state, typically require that a leaseholder must produce a minimal amount of oil or gas from the lease, or the lease will be terminated after a specified period of time.

A map depicting the wells considered for the Minimum Case is included, in Figure 13, of this report for reference.

| Oil Price                  | \$35/BBL | \$30/BBL | \$25/BBL | <b>\$20/BBL</b> | \$15/BBL | \$10/BBL | \$5/BBL |
|----------------------------|----------|----------|----------|-----------------|----------|----------|---------|
| Apr. - Dec. 2020 Royalties | \$30M    | \$26M    | \$22M    | <b>\$18M</b>    | \$13M    | \$9M     | \$5M    |

**Table 11: Minimum Case Apr. thru Dec. Royalty Forecast**

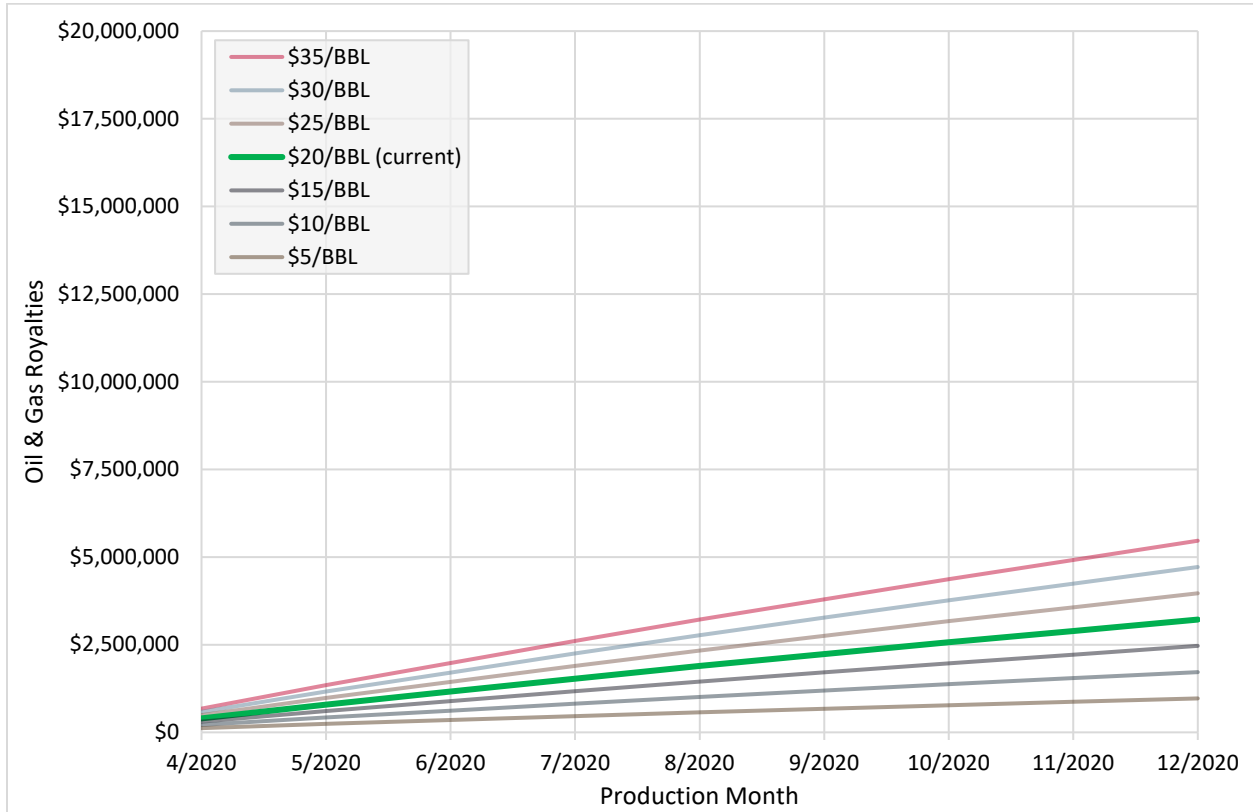


**Figure 11: Minimum Case Apr. thru Dec. Royalty Forecast**

Minimum Case: Wells Under Litigation

| Oil Price                  | \$35/BBL | \$30/BBL | \$25/BBL | \$20/BBL | \$15/BBL | \$10/BBL | \$5/BBL |
|----------------------------|----------|----------|----------|----------|----------|----------|---------|
| Apr. - Dec. 2020 Royalties | \$5M     | \$5M     | \$4M     | \$3M     | \$2M     | \$2M     | \$1M    |

**Table 12: Wells Under Litigation – Minimum Case Apr. thru Dec. Royalty Forecast**



**Figure 12: Wells Under Litigation – Minimum Case Apr. thru Dec. Royalty Forecast**

Minimum Case: Map

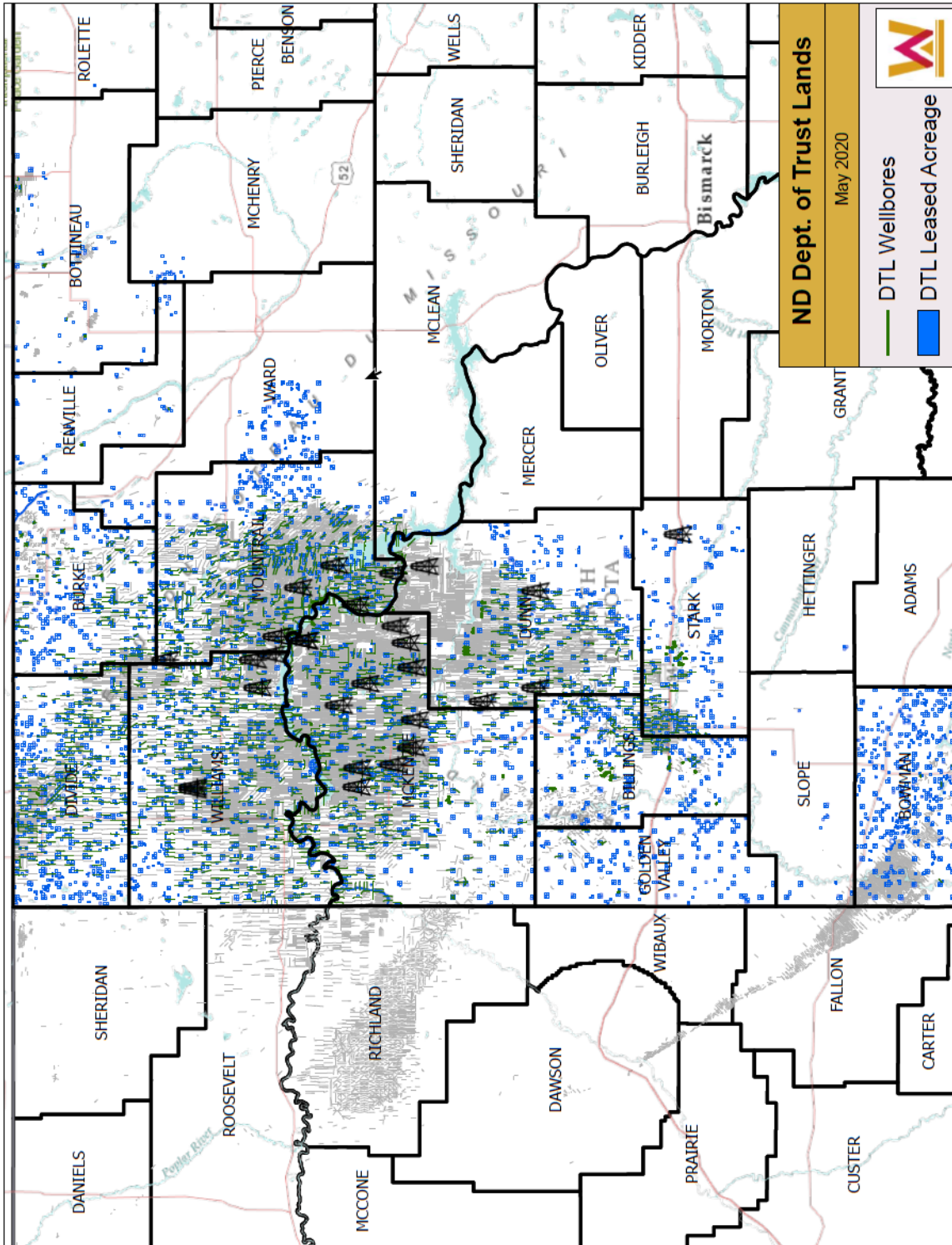


Figure 13: Minimum Case Map – Leasehold Wells Highlighted

## CONCLUSION

The cumulative forecasted revenues for the various scenarios considered herein for oil production from April 2020 through December 2020 is detailed in Table 13 below.

| April - December 2020   Royalties |          |          |          |          |          |          |         |
|-----------------------------------|----------|----------|----------|----------|----------|----------|---------|
| Oil Price                         | \$35/BBL | \$30/BBL | \$25/BBL | \$20/BBL | \$15/BBL | \$10/BBL | \$5/BBL |
| Base Case                         | \$105M   | \$91M    | \$77M    | \$63M    | \$49M    | \$34M    | \$20M   |
| 25% Deferred                      | \$79M    | \$68M    | \$58M    | \$47M    | \$36M    | \$26M    | \$15M   |
| 50% Deferred                      | \$53M    | \$45M    | \$38M    | \$31M    | \$24M    | \$17M    | \$10M   |
| 75% Deferred                      | \$26M    | \$23M    | \$19M    | \$16M    | \$12M    | \$9M     | \$5M    |
| Minimum Case                      | \$30M    | \$26M    | \$22M    | \$18M    | \$13M    | \$9M     | \$5M    |

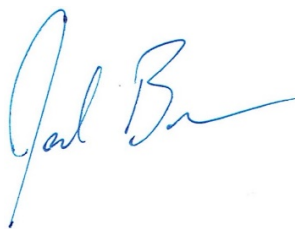
**Table 13: Apr. thru Dec. Royalty Forecast – All Cases**

It is pertinent to note that the Minimum Case projected royalties exceeds that of a scenario in which 75% of the State's production is deferred. Because the State's royalty position is vast and well distributed across the Williston Basin, it is logical to assume that the total reduction of production for the state of North Dakota will be nearly proportional to the State's royalty position. Therefore, it is likely that if operator's defer 75% of their production or more, they are running the risk of losing lease agreements.

Data files have been made available to the State's personnel in conjunction with this report.

MineralTracker appreciates this opportunity to provide this meaningful analysis in support of the State of North Dakota.

Respectfully Submitted,



**Joel Brown**

President

MineralTracker | Krown Energy Group

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Watford City, ND 58854

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C: (701) 570-1504

[jbrown@royaltymatters.com](mailto:jbrown@royaltymatters.com)

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

Date May 28, 2020

**RE: Summary of EnergyNet Surface Spring Auction  
(No Action Requested)**

From April 28<sup>th</sup> to May 4<sup>th</sup> the Department held their very first online surface lease auction with EnergyNet. The auction had 70 registered bidders with 56 placing bids.

The table below is a snapshot comparing prior years' spring auctions to EnergyNet's online auction.

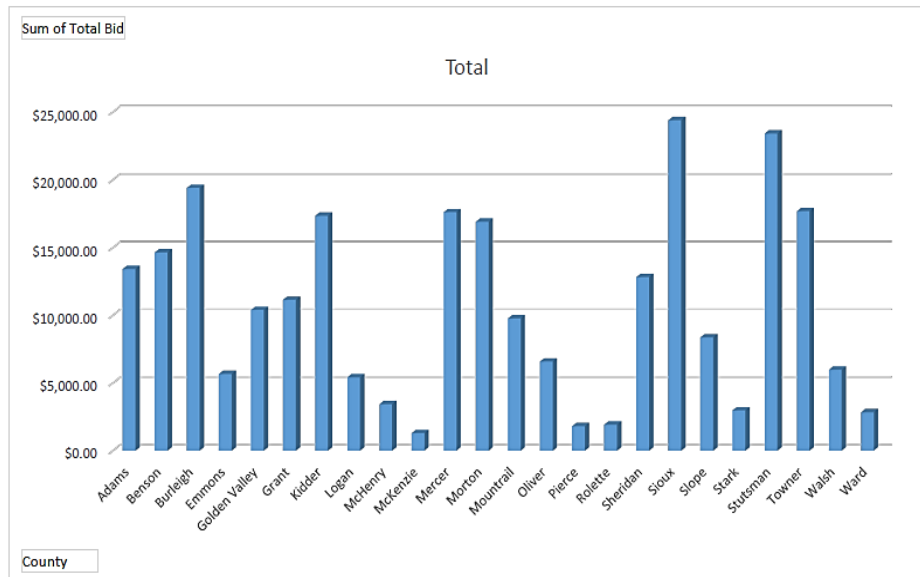
|   | <b>2018</b>               | <b>2019</b>               | <b>2020</b>               |
|---|---------------------------|---------------------------|---------------------------|
| Number of counties                      | 26                        | 27                        | 24                        |
| Total tracts offered                    | 82                        | 99                        | 144                       |
| Number of tracts bid                    | 66 (80.5%)                | 79 (79.8%)                | 108 (75%)                 |
| Number of bid tracts bid-up             | 14<br>(21% of bid tracts) | 27<br>(34% of bid tracts) | 27<br>(25% of bid tracts) |
| Total amount of minimum advertised bids | \$151,276.00              | \$220,960.00              | \$283,859.00              |
| Total amount received                   | \$156,286.00              | \$273,177.00              | \$255,173.00              |

Unleased tracts offered at the spring auction are available on a first come first serve basis for minimum opening bid until August 31, 2020.

As of May 21<sup>st</sup> an additional 8 tracts have been leased.

ND-AG-2020-Q2 Surface Lease Sale  
Bid Totals by County

| County             | Sum of Total Bid    |
|--------------------|---------------------|
| Adams              | \$13,423.00         |
| Benson             | \$14,633.00         |
| Burleigh           | \$19,402.00         |
| Emmons             | \$5,659.00          |
| Golden Valley      | \$10,400.00         |
| Grant              | \$11,138.00         |
| Kidder             | \$17,333.00         |
| Logan              | \$5,412.00          |
| McHenry            | \$3,434.00          |
| McKenzie           | \$1,295.00          |
| Mercer             | \$17,605.00         |
| Morton             | \$16,915.00         |
| Mountrail          | \$9,774.00          |
| Oliver             | \$6,586.00          |
| Pierce             | \$1,806.00          |
| Rolette            | \$1,914.00          |
| Sheridan           | \$12,814.00         |
| Sioux              | \$24,389.00         |
| Slope              | \$8,363.00          |
| Stark              | \$2,970.00          |
| Stutsman           | \$23,407.00         |
| Towner             | \$17,679.00         |
| Walsh              | \$5,986.00          |
| Ward               | \$2,826.00          |
| <b>Grand Total</b> | <b>\$255,163.00</b> |



MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 28, 2020

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**RE: Report of Shut-Ins Approved by Land Commissioner**  
(No Action Requested)

**Granted to:** WINDRIDGE OIL  
For the Purpose of: COVID-19  
Date Issued: 04/30/2020  
Trust: L– Bank of North Dakota  
Lease: OG-13-00025

**Granted to:** WINDRIDGE OIL  
For the Purpose of: COVID-19  
Date Issued: 04/30/2020  
Trust: A – Common Schools  
Lease: OG-13-00027

**Granted to:** WINDRIDGE OIL  
For the Purpose of: COVID-19  
Date Issued: 04/30/2020  
Trust: A – Common Schools  
Lease: OG-05-00110

**Granted to:** WINDRIDGE OIL  
For the Purpose of: COVID-19  
Date Issued: 04/30/2020  
Trust: A – Common Schools  
Lease: OG-05-00108

**Granted to:** PetroHunt  
For the Purpose of: COVID-19  
Date Issued: 5/13/2020  
Trust: A – Common Schools  
Lease: OG-84-00954

**Granted to:** PetroHunt  
For the Purpose of: COVID-19  
Date Issued: 05/13/2020  
Trust: A – Common Schools  
Lease: OG-84-00023

**Granted to:** PetroHunt  
For the Purpose of: COVID-19  
Date Issued: 05/13/2020  
Trust: A – Common Schools  
Lease: OG-10-03568

**Granted to:** PetroHunt  
For the Purpose of: COVID-19  
Date Issued: 05/13/2020  
Trust: A – Common Schools  
Lease: OG-10-02437



**Granted to:** PetroHunt  
For the Purpose of: COVID-19  
Date Issued: 05/14/2020  
Trust: A – Common Schools  
Lease: OG-08-00533

**Granted to:** PetroHunt  
For the Purpose of: COVID-19  
Date Issued: 05/14/2020  
Trust: A – Common Schools  
Lease: OG-08-00534

**Granted to:** PetroHunt  
For the Purpose of: COVID-19  
Date Issued: 05/14/2020  
Trust: A – Common Schools  
Lease: OG-08-00535

**Granted to:** PetroHunt  
For the Purpose of: COVID-19  
Date Issued: 05/14/2020  
Trust: A – Common Schools  
Lease: OG-08-00536

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

May 28, 2020

---

**RE: Report of Extensions Approved by Land Commissioner**  
(No Action Requested)

**Granted to:** Oasis Petroleum  
Date Issued: 05/20/2020  
Trust: A- Common Schools  
Lease: OG-15-00406

**Granted to:** Oasis Petroleum  
Date Issued: 05/20/2020  
Trust: A- Common Schools  
Lease: OG-15-00407

**Granted to:** Oasis Petroleum  
Date Issued: 05/20/2020  
Trust: A- Common Schools  
Lease: OG-15-00408

**Granted to:** Oasis Petroleum  
Date Issued: 05/20/2020  
Trust: A- Common Schools  
Lease: OG-15-00409

**Granted to:** Oasis Petroleum  
Date Issued: 05/20/2020  
Trust: D- School for the Deaf  
Lease: OG-15-00410

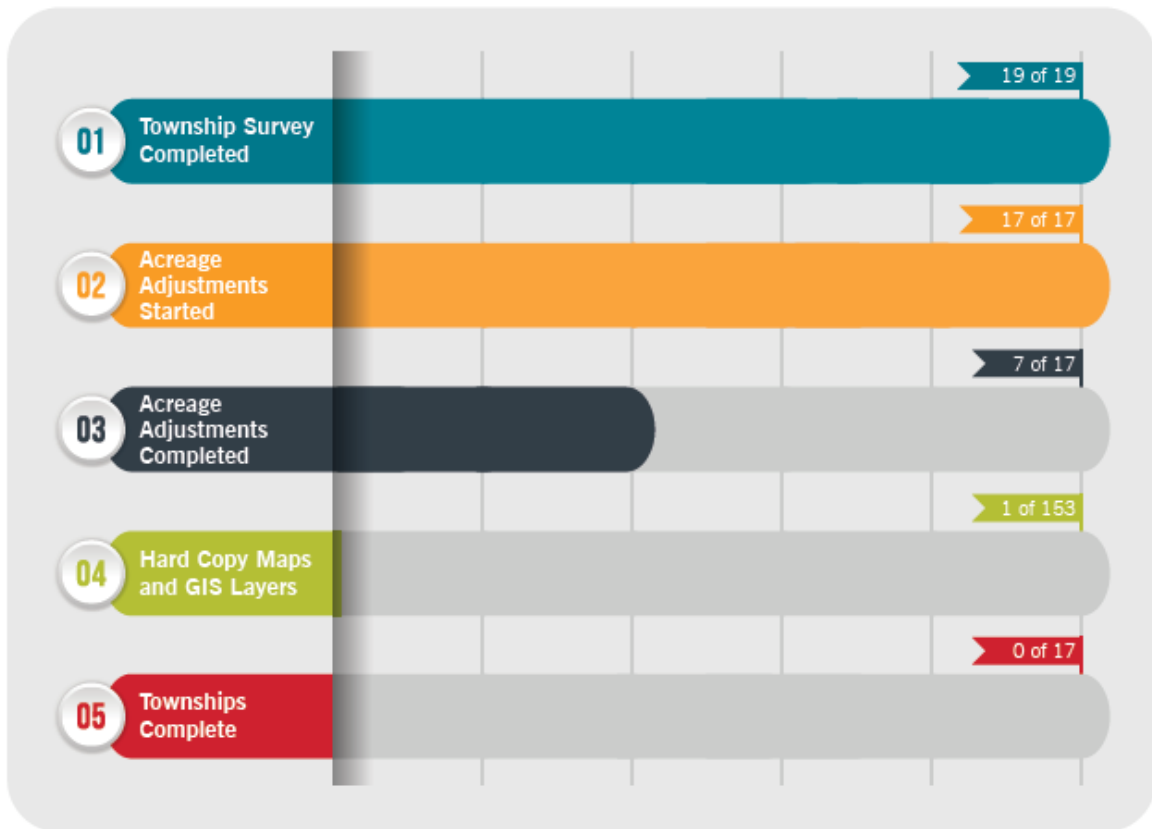
MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

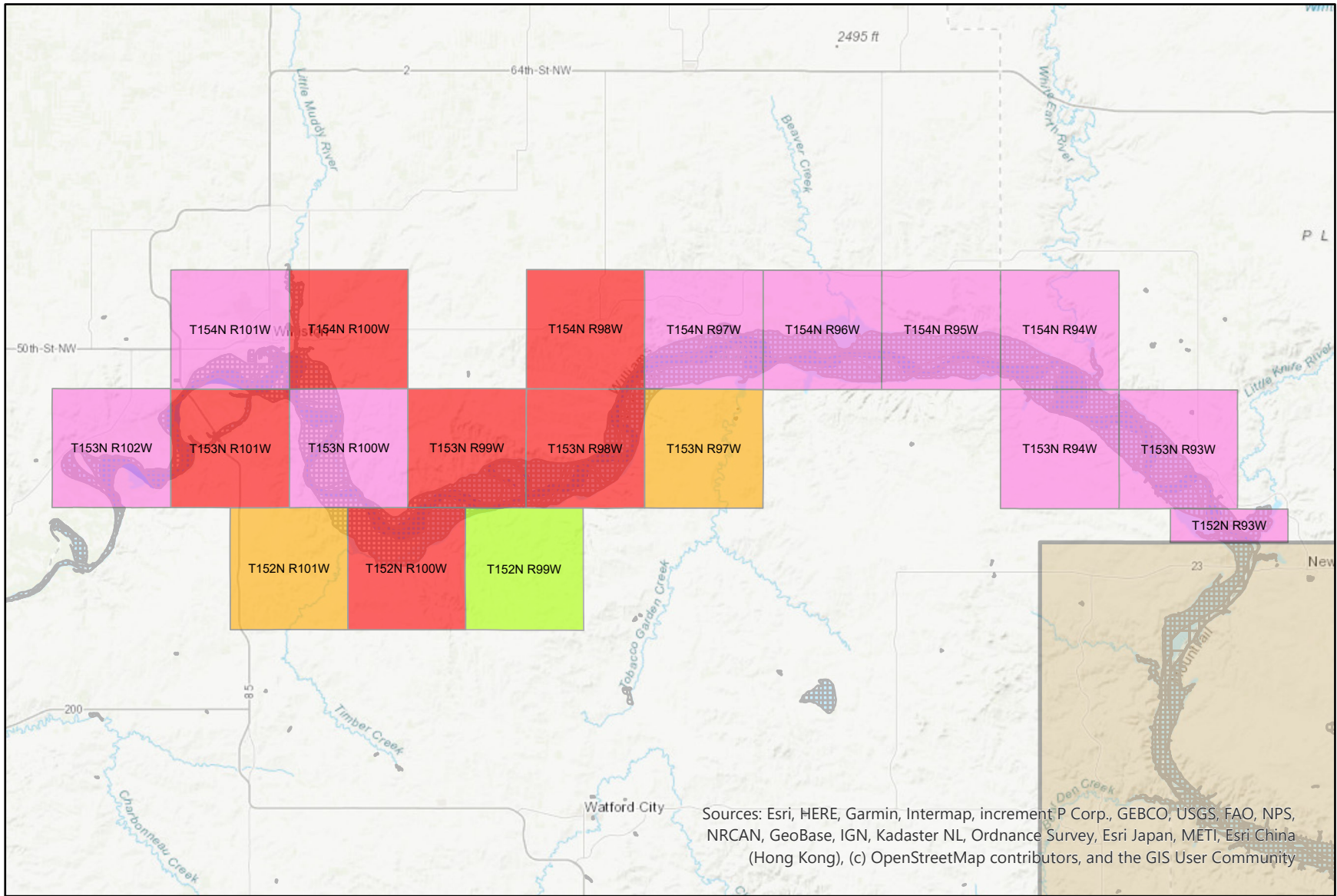
May 28, 2020

**RE: Acreage Adjustment Survey**

(No Action Requested)

Senate Bill 2211 of the Sixty-Sixth Legislative Assembly amended N.D.C.C. ch. 61-33.1 relating to the ownership of mineral rights of land subject to inundation by Pick-Sloan Missouri basin project dams. Under N.D.C.C. § 61-33.1-03(8), the Department executed a contract with Kadrmas, Lee & Jackson, Inc. "to analyze the final review findings and determine the acreage on a quarter-quarter basis or government lot basis above and below the ordinary high water mark as delineated by the final review findings of the industrial commission." The contract's scope of work concludes twelve months from the date of execution, at a total cost of \$1,088,635.










Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap contributors, and the GIS User Community

**North Dakota Department of Trust Lands  
Township Survey Status  
May 19, 2020**



**Project Area Townships STATUS**

|   |                               |
|---|-------------------------------|
|  | Acreage Calculations Started  |
|  | Acreage Adjustments Complete  |
|  | Hard Copy Maps Complete       |
|  | Township Survey Complete      |
|  | Township Deliverable Complete |



**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

May 28, 2020

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**RE: Report of Encumbrances Issued by Land Commissioner**

(3-17-2020 to 5-12-2020): No Action Requested

**Granted to:** **GOODNIGHT MIDSTREAM BAKKEN LLC, DALLAS-TX**  
For the Purpose of: Easement: Pipeline-Salt Water Pipeline  
Right-of-Way Number: RW0008250  
Date Issued: 3/24/2020  
Application Fee: \$100.00  
Right-of-way Income: \$115,443.50  
Damage Payment to Lessee: \$295.56  
Trust: A – Common Schools  
Length (Rods): 328.41  
Area (Acres): 4.10  
Legal Description: MCK-150-97-36-S2

**Granted to:** **GOODNIGHT MIDSTREAM BAKKEN LLC, DALLAS-TX**  
For the Purpose of: Easement: Pipeline-Salt Water Pipeline  
Right-of-Way Number: RW0008253  
Date Issued: 3/24/2020  
Application Fee: \$150.00  
Right-of-way Income: \$202,614.00  
Damage Payment to Lessee: \$442.80  
Trust: A – Common Schools  
Length (Rods): 576.03  
Area (Acres): 7.20  
Legal Description: MCK-149-96-16-NE4, S2

**Granted to:** **VAN HOOK GATHERING SERVICES LLC, IRVING-TX**  
For the Purpose of: Easement: Pipeline-Multiple Pipelines  
Right-of-Way Number: RW0008389  
Date Issued: 3/24/2020  
Application Fee: \$100.00  
Right-of-way Income: \$19,400.00  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): 159.98  
Area (Acres): 1.82  
Legal Description: MOU-150-92-15-W2SW4

**Granted to:** EQUINOR PIPELINES LLC, WILLISTON-ND  
For the Purpose of: Easement: Pipeline-Multiple Pipelines  
Right-of-Way Number: RW0008421  
Date Issued: 3/20/2020  
Application Fee: \$100.00  
Right-of-way Income: \$5,650.00  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): 22.60  
Area (Acres): 0.43  
Legal Description: MOU-155-92-16-NW4

**Granted to:** BILLINGS COUNTY, MEDORA-ND  
For the Purpose of: Easement-Amend: Road Right-of-Way  
Right-of-Way Number: RW0008452  
Date Issued: 5/11/2020  
Application Fee: \$100.00  
Right-of-way Income: \$6,314.00  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): 92.69  
Area (Acres): 3.28  
Legal Description: BIL-141-101-21-NE4

**Granted to:** EQUINOR ENERGY LP, WILLISTON-ND  
For the Purpose of: Permit: Road-Access Road  
Right-of-Way Number: RW0008479  
Date Issued: 4/3/2020  
Application Fee: \$100.00  
Right-of-way Income: \$2,050.00  
Damage Payment to Lessee: \$49.49  
Trust: A – Common Schools  
Length (Rods): 265.06  
Area (Acres): 3.32  
Legal Description: WIL-155-100-36-W2

**Granted to:** HILAND PARTNERS HOLDINGS LLC, HOUSTON-TX  
For the Purpose of: Easement: Pipeline-Gas Gathering Pipeline  
Right-of-Way Number: RW0008606  
Date Issued: 3/31/2020  
Application Fee: \$100.00  
Right-of-way Income: \$149,340.00  
Damage Payment to Lessee: \$271.60  
Trust: A – Common Schools  
Length (Rods): 372.10  
Area (Acres): 4.65  
Legal Description: MCK-148-98-16-NE4, SW4

**Granted to:** **ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT**  
For the Purpose of: Easement: Pipeline-Gas Gathering Pipeline  
Right-of-Way Number: RW0008618  
Date Issued: 3/24/2020  
Application Fee: \$150.00  
Right-of-way Income: \$129,600.00  
Damage Payment to Lessee: \$407.99  
Trust: A – Common Schools  
Length (Rods): 362.65  
Area (Acres): 4.53  
Legal Description: MCK-150-98-36-E2, SW4

**Granted to:** **XTO HOLDINGS, LLC, SPRING-TX**  
For the Purpose of: Permit: Road-Access Road  
Right-of-Way Number: RW0008631  
Date Issued: 3/24/2020  
Application Fee: \$100.00  
Right-of-way Income: N/A  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): N/A  
Area (Acres): N/A  
Legal Description: GOL-143-103-36-E2

**Granted to:** **MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE,**  
**WILLISTON-ND**  
For the Purpose of: Easement: Drop Line-Above Ground Electric Distribution Line  
Right-of-Way Number: RW0008635  
Date Issued: 3/18/2020  
Application Fee: \$100.00  
Right-of-way Income: N/A  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): 5.77  
Area (Acres): 0.07  
Legal Description: WIL-158-95-36-SE4

**Granted to:** **MOUNTRAIL-WILLIAMS ELECTRIC COOPERATIVE**  
**WILLISTON-ND**  
For the Purpose of: Easement: Release of Easement  
Right-of-Way Number: RW0008636  
Date Issued: 3/31/2020  
Application Fee: N/A  
Right-of-way Income: N/A  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): 283.70  
Area (Acres): 3.54  
Legal Description: WIL-158-95-36-S2

**Granted to:** **MOUNTRAIL-WILLIAMS ELECTRIC COOP.,WILLISTON-ND**  
For the Purpose of: Easement-Amend: Electric-Above Ground Distribution Line  
Right-of-Way Number: RW0008659  
Date Issued: 3/18/2020  
Application Fee: \$100.00  
Right-of-way Income: \$2,520.00  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): 201.43  
Area (Acres): 2.51  
Legal Description: WIL-158-95-36-E2

**Granted to:** **USDA-NRCS, JAMESTOWN-ND**  
For the Purpose of: Letter of Permission: Access to School Land (National Resource Inventory)  
Right-of-Way Number: RW0008671  
Date Issued: 4/1/2020  
Application Fee: N/A  
Right-of-way Income: N/A  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): N/A  
Area (Acres): N/A  
Legal Description: MOU-155-92-25-SW4  
SLO-134-106-36-NE4  
SLO-134-98-36-NE4  
WIL-153-104-36-NE4 W OF HWY

**Granted to:** **B O B ENTERPRISES LLC, KILLDEER-ND**  
For the Purpose of: Permit: Temporary Water Layflat Line  
Right-of-Way Number: RW0008675  
Date Issued: 4/22/2020  
Application Fee: \$100.00  
Right-of-way Income: \$5,280.00  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): 320.0  
Area (Acres): N/A  
Legal Description: DUN-146-95-16-NE4



**Granted to:** **B O B ENTERPRISES LLC, KILLDEER-ND**  
For the Purpose of: Permit: Temporary Water Layflat Line  
Right-of-Way Number: RW0008677  
Date Issued: 4/22/2020  
Application Fee: \$200.00  
Right-of-way Income: \$7,755.00  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): 376.0  
Area (Acres): N/A  
Legal Description: DUN-148-96-36-LOTS 1,2,6,7  
DUN-148-96-36-NW4SE4, S2SE4, LOT 8  
DUN-148-96-36-S2NW4, LOTS 3,4,5  
DUN-148-96-36-SW4

**Granted to:** **USDA-NRCS MLRA 53B SOIL SURVEY OFFICE,  
BISMARCK- ND**  
For the Purpose of: Letter of Permission: Access to School Land (Soil Survey Update)  
Right-of-Way Number: RW0008680  
Date Issued: 4/1/2020  
Application Fee: N/A  
Right-of-way Income: N/A  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): N/A  
Area (Acres): N/A  
Legal Description: Numerous tracts in 9 ND Counties

**Granted to:** **EQUINOR ENERGY LP, WILLISTON-ND**  
For the Purpose of: On-lease Act. Amend: Site-Tank Battery Site  
Right-of-Way Number: RW0008682  
Date Issued: 4/28/2020  
Application Fee: N/A  
Right-of-way Income: N/A  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): N/A  
Area (Acres): N/A  
Legal Description: MOU-155-92-16-NW4

**Granted to:** **NTB ASSOCIATES INC, SHREVEPORT-LA**  
For the Purpose of: Permit: Planning & Preconstruction Survey  
Right-of-Way Number: RW0008688  
Date Issued: 3/20/2020  
Application Fee: \$100.00  
Right-of-way Income: \$500.00  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): N/A  
Area (Acres): N/A  
Legal Description: N/A

**Granted to:** **NORTH RANGE RESOURCES LLC, DICKINSON-ND**  
For the Purpose of: On-lease Activity: Well-Vertical Oil Well  
Right-of-Way Number: RW0008690  
Date Issued: 3/18/2020  
Application Fee: N/A  
Right-of-way Income: \$15,000.00  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): 47.52  
Area (Acres): 3.44  
Legal Description: MCK-146-100-36-SE4

**Granted to:** **NORTH RANGE RESOURCES LLC, DICKINSON-ND**  
For the Purpose of: On-lease Activity: Well-Horizontal Oil Well  
Right-of-Way Number: RW0008691  
Date Issued: 3/18/2020  
Application Fee: N/A  
Right-of-way Income: \$15,000.00  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): 5.09  
Area (Acres): 5.16  
Legal Description: MCK-146-100-36-SW4

**Granted to:** **WEST DAKOTA WATER LLC, WILLISTON-ND**  
For the Purpose of: Permit: Temporary Water Layflat Line  
Right-of-Way Number: RW0008697  
Date Issued: 4/22/2020  
Application Fee: \$100.00  
Right-of-way Income: \$5,436.00  
Damage Payment to Lessee: N/A  
Trust: A – Common Schools  
Length (Rods): 329.5  
Area (Acres): N/A  
Legal Description: WIL-158-95-16-N2

**Granted to:** **NDSU (School of Natural Resource Science),  
FARGO-ND**  
For the Purpose of: Letter of Permission: Access to School Land (Native Pollinator  
Right-of-Way Number: RW0008699  
Date Issued: 4/7/2020  
Application Fee: N/A  
Right-of-way Income: N/A  
Damage Payment to Lessee: N/A  
Trust: N - NDSU  
Length (Rods): N/A  
Area (Acres): N/A  
Legal Description: Numerous tracts in 6 ND Counties

|                           |  |
|---------------------------|--|
| <b>Granted to:</b>        | <b>CALIBER MIDSTREAM NORTH DAKOTA LLC, DENVER-CO</b> |
| For the Purpose of:       | Permit: Temporary Construction                       |
| Right-of-Way Number:      | RW0008706  |
| Date Issued:              | 4/16/2020  |
| Application Fee:          | \$100.00   |
| Right-of-way Income:      | \$500.00   |
| Damage Payment to Lessee: | N/A  |
| Trust:                    | A – Common Schools                                   |
| Length (Rods):            | 12.12  |
| Area (Acres):             | N/A  |
| Legal Description:        | MCK-152-102-36-SE4                                   |

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

May 28, 2020

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**RE: Unclaimed Property  
Program Report**  
(No Action Requested)

Unclaimed property is all property held, issued, or owing in the ordinary course of a holder's business that has remained unclaimed by the owner for more than the established time frame for the type of property. It can include checks, unpaid wages, stocks, amounts payable under the terms of insurance policies, contents of safe deposit boxes, etc.

An owner is a person or entity having a legal or equitable interest in property subject to the unclaimed property law. A holder can include a bank, insurance company, hospital, utility company, retailer, local government, etc.

Since 1975, the Unclaimed Property Division (Division) of the Department of Trust Lands has been responsible for reuniting individuals with property presumed abandoned. The Division acts as custodian of the unclaimed property received from holders. The property is held in trust in perpetuity by the State and funds are deposited in the Common Schools Trust Fund. The 1981 Uniform Unclaimed Property Act created by the national Uniform Law Commission was adopted by the State in 1985.

For the month of April 2020, the Division received 98 holder reports with a property value of \$808,690 and paid 600 claims with a total value of \$610,019.

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

May 28, 2020

**RE: Energy Infrastructure and Impact Office  
Program Report  
(No Action Requested)**

The Energy Infrastructure and Impact Office (EIIO) is a division within the Department of Trust Lands (Department). EIIO provides financial assistance to local units of government that are impacted by oil and gas activity. In turn, EIIO receives a portion of the Oil and Gas Gross Production Tax. The office has been a part of the Department since 1977 and was formally known as the Energy Development Impact Office created under N.D.C.C. ch. 57-62. Over the course of the past 40 years, EIIO has dispersed over \$624 million in funding.

The Oil and Gas Impact Grant Fund currently has 28 grants with a balance of \$7,049,556.08 as of May 13, 2020. The following shows grant activity for the last five months:

| Oil and Gas Impact Grant Fund | Grants with balances | Current Balance Obligated to Grants |
|-------------------------------|----------------------|-------------------------------------|
| 12/9/2019                     | 36                   | \$15,477,345.77                     |
| 12/31/2019                    | 30                   | \$14,388,087.28                     |
| 2/13/2020                     | 21                   | \$7,207,988.75                      |
| 5/13/2020                     | 28                   | \$7,049,556.08                      |

The Energy Impact Fund, established within Senate Bill 2013 as enacted by the Sixty-fifth Legislative Assembly, was created to supplement the Oil and Gas Impact Grant Fund for the 2017-2019 biennium. This fund currently has three grants with a balance of \$2,394,929.22 as of May 13, 2020. House Bill 1013 of the Sixty-sixth Legislative Assembly requires the Commissioner of University and School Lands to transfer any unexpended funds remaining in the Energy Impact Fund when the fund is repealed on June 30, 2021, to the Oil and Gas Impact Grant Fund. The following shows grant activity for the last five months:

| Energy Impact Fund | Grants with balances | Current Balance Obligated to Grants |
|--------------------|----------------------|-------------------------------------|
| 12/9/2019          | 4                    | \$4,793,191.14                      |
| 12/31/2019         | 4                    | \$4,108,325.39                      |
| 2/13/2020          | 3                    | \$3,447,448.60                      |
| 5/13/2020          | 3                    | \$2,394,929.22                      |

The Energy Infrastructure and Impact Office is currently managing 31 grants for a total of \$9,444,485.30. The following shows grant activity for the last four months:

| Oil and Gas Impact Grant Fund | Grants with balances | Current Balance Obligated to Grants | Energy Impact Fund | Grants with balances | Current Balance Obligated to Grants | Total between both Funds |
|-------------------------------|----------------------|-------------------------------------|--------------------|----------------------|-------------------------------------|--------------------------|
| 12/9/2019                     | 36                   | \$15,477,345.77                     | 12/9/2019          | 4                    | \$4,793,191.14                      | \$20,270,536.91          |
| 12/31/2019                    | 30                   | \$14,388,087.28                     | 12/31/2019         | 4                    | \$4,108,325.39                      | \$18,496,412.67          |
| 2/13/2020                     | 21                   | \$7,207,988.75                      | 2/13/2020          | 3                    | \$3,447,448.60                      | \$10,655,437.35          |
| 5/13/2020                     | 31                   | \$7,049,556.08                      | 5/13/2020          | 3                    | \$2,394,929.22                      | \$9,444,485.30           |

ITEM 2H

NORTH DAKOTA  
BOARD OF UNIVERSITY AND SCHOOL LANDS

Financial Position Report  
(Unaudited)

For period ended February 29, 2020



ITEM 21

**Board of University and School Lands**

**Comparative Financial Position (Unaudited)**

**Schedule of Net Assets**

| <b>Assets by Trust:</b>                 | February 29, 2020      | February 28, 2019      |
|---|------------------------|------------------------|
| Common Schools                          | \$4,656,158,187        | \$4,410,555,761        |
| North Dakota State University           | 70,236,470             | 69,593,682             |
| School for the Blind                    | 12,580,397             | 11,980,440             |
| School for the Deaf                     | 20,636,728             | 20,758,293             |
| State Hospital                          | 13,985,648             | 14,298,600             |
| Ellendale *                             | 22,227,259             | 21,060,717             |
| Valley City State University            | 12,578,719             | 12,528,894             |
| Mayville State University               | 8,028,718              | 7,611,521              |
| Youth Correctional Center               | 23,331,572             | 23,070,685             |
| State College of Science                | 18,036,007             | 16,647,737             |
| School of Mines **                      | 21,549,550             | 20,831,365             |
| Veterans Home                           | 5,168,800              | 5,272,933              |
| University of North Dakota              | 33,849,284             | 32,744,303             |
| Capitol Building                        | 6,390,887              | 6,620,699              |
| Strategic Investment and Improvements   | 744,893,343            | 851,760,908            |
| Coal Development                        | 71,343,498             | 70,549,399             |
| Indian Cultural Education Trust         | 1,275,784              | 1,243,182              |
| Theodore Roosevelt Presidential Library | 15,063,398             | -                      |
| <b>Total</b>                            | <b>\$5,757,334,249</b> | <b>\$5,597,129,119</b> |
| <br>                                    |                        |                        |
| <b>Assets by Type:</b>                  |                        |                        |
| Cash                                    | \$94,573,494           | \$40,652,196           |
| Receivables                             | 9,401,525              | 10,976,885             |
| Investments ***                         | 5,574,553,925          | 5,341,179,810          |
| Office Building (Net of Depreciation)   | 400,092                | 455,931                |
| Farm Loans                              | 9,382,004              | 12,425,711             |
| Energy Construction Loans               | 928,332                | 990,187                |
| Energy Development Impact Loans         | 10,783,653             | 11,505,984             |
| School Construction Loans (Coal)        | 41,391,562             | 44,670,542             |
| Due to/from Other Trusts and Agencies   | 15,919,662             | 134,271,873            |
| <b>Total</b>                            | <b>\$5,757,334,249</b> | <b>\$5,597,129,119</b> |

**\* 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

|                                       | February 29, 2020 | February 28, 2019 |
|---------------------------------------|-------------------|-------------------|
| <b>Balance Sheet</b>                  |                   |                   |
| <b>Assets:</b>                        |                   |                   |
| Cash                                  | \$60,566,935      | \$33,991,794      |
| Interest Receivable                   | 5,873,291         | 7,085,890         |
| Investments                           | 4,841,939,333     | 4,616,163,248     |
| Farm Loans                            | 9,382,004         | 12,425,711        |
| Energy Construction Loans             | 928,332           | 990,187           |
| Due from Other Agencies               | 15,836,693        | 13,363,335        |
| Office Building (Net of Depreciation) | 400,092           | 455,931           |
| Total Assets                          | \$4,934,926,680   | \$4,684,476,096   |
| <b>Liabilities:</b>                   |                   |                   |
| Unclaimed Property Claimant Liability | \$16,551,604      | \$17,510,901      |
| Due to Other Trusts                   | -                 | -                 |
| Due to Other Funds                    | 7,736             | 10,262            |
| Accounts Payable                      | -                 | -                 |
| Total Liabilities                     | 16,559,340        | 17,521,163        |
| <b>Equity:</b>                        |                   |                   |
| Fund Balance                          | 4,919,177,984     | 4,571,686,280     |
| Net Income/(Loss)                     | (810,644)         | 95,268,653        |
| Total Liabilities and Equity          | 4,934,926,680     | \$4,684,476,096   |
| <b>Income Statement</b>               |                   |                   |
| <b>Income:</b>                        |                   |                   |
| Investment Income                     | \$76,618,062      | \$83,400,117      |
| Realized Gain/(Loss)                  | (14,538,709)      | (20,647,281)      |
| Unrealized Gain/(Loss)                | (99,075,262)      | (35,785,083)      |
| Royalties - Oil and Gas               | 97,991,784        | 107,037,095       |
| Royalties - Coal                      | 336,652           | 329,051           |
| Royalties - Aggregate                 | 181,718           | 30,999            |
| Bonuses - Oil and Gas                 | 8,407,997         | 674,167           |
| Bonuses - Coal                        | 24,000            | -                 |
| Rents - Surface                       | 11,677,190        | 11,631,866        |
| Rents - Mineral                       | 141,832           | 31,597            |
| Rents - Coal                          | 38,132            | 51,900            |
| Rents - Office Building               | 68,276            | -                 |
| Gain/Loss on Sale of Land - OREO      | -                 | -                 |
| Sale of Capital Asset                 | 25,000            | -                 |
| Oil Extraction Tax Income             | 69,813,500        | 63,236,719        |
| Unclaimed Property Income             | 8,749,321         | 9,039,681         |
| Total Income                          | 160,459,493       | 219,030,826       |
| <b>Expenses and Transfers:</b>        |                   |                   |
| Investment Expense                    | 5,184,427         | 5,330,404         |
| In-Lieu and 5% County Payments        | 248,837           | -                 |
| Administrative Expense                | 2,061,313         | 1,975,259         |
| Operating Expense - Building          | 265,560           | 52,836            |
| Transfers to Beneficiaries            | 153,510,000       | 116,403,676       |
| Total Expense and Transfers           | 161,270,137       | 123,762,175       |
| Net Income/(Loss)                     | (\$810,644)       | \$95,268,651      |

ITEM 2I



**Board of University and School Lands**

**Comparative Financial Position (Unaudited)**

**Capitol Building Trust**

|                                     | <u>February 29, 2020</u>  | <u>February 28, 2019</u>  |
|-------------------------------------|---------------------------|---------------------------|
| <b><u>Balance Sheet</u></b>         |                           |                           |
| <b>Assets:</b>                      |                           |                           |
| Cash                                | \$716,835                 | \$76,514                  |
| Interest Receivable                 | 36,497                    | 39,601                    |
| Investments                         | 5,637,555                 | 6,504,585                 |
| <b>Total Assets</b>                 | <b><u>\$6,390,887</u></b> | <b><u>\$6,620,700</u></b> |
| <b>Liabilities:</b>                 |                           |                           |
| Due to Other Trusts and Agencies    | \$0                       | \$0                       |
| <b>Equity:</b>                      |                           |                           |
| Fund Balance                        | 6,548,608                 | 4,723,483                 |
| Net Income                          | (157,721)                 | 1,897,217                 |
| <b>Total Liabilities and Equity</b> | <b><u>\$6,390,887</u></b> | <b><u>\$6,620,700</u></b> |
| <b><u>Income Statement</u></b>      |                           |                           |
| <b>Income:</b>                      |                           |                           |
| Investment Income                   | \$108,362                 | \$93,687                  |
| Realized Gain(Loss)                 | 22,165                    | 5,396                     |
| Unrealized Gain/(Loss)              | 12,286                    | 27,866                    |
| Rents - Surface                     | 158,525                   | 136,869                   |
| Rents - Mineral                     | 1,602                     | 240                       |
| Royalties - Oil and Gas             | 714,204                   | 577,775                   |
| Bonuses - Oil and Gas               | 802                       | -                         |
| Royalties - Coal                    | -                         | -                         |
| Royalties - Aggregate               | -                         | 1,070,995                 |
| <b>Total Income</b>                 | <b><u>1,017,946</u></b>   | <b><u>1,912,828</u></b>   |
| <b>Expenses and Transfers:</b>      |                           |                           |
| Investment Expense                  | 2,712                     | 1,394                     |
| In-Lieu and 5% County Payments      | 3,398                     | -                         |
| Administrative Expense              | 15,197                    | 14,217                    |
| Transfers to Facility Management    | 1,154,360                 | -                         |
| <b>Total Expense and Transfers</b>  | <b><u>1,175,667</u></b>   | <b><u>15,611</u></b>      |
| <b>Net Income/(Loss)</b>            | <b><u>(\$157,721)</u></b> | <b><u>\$1,897,217</u></b> |

**Board of University and School Lands**

**Comparative Financial Position (Unaudited)**

**Coal Development Trust**

|                                       | <u>February 29, 2020</u>   | <u>February 28, 2019</u>   |
|---------------------------------------|----------------------------|----------------------------|
| <b>Balance Sheet</b>                  |                            |                            |
| <b>Assets:</b>                        |                            |                            |
| Cash                                  | \$116,731                  | \$9,349                    |
| Interest Receivable                   | 540,241                    | 524,722                    |
| Investments                           | 18,428,027                 | 13,757,672                 |
| Coal Impact Loans                     | 10,783,653                 | 11,505,984                 |
| School Construction Loans             | 41,391,562                 | 44,670,542                 |
| Due from other Trusts and Agencies    | 277,614                    | 270,423                    |
| <b>Total Assets</b>                   | <b><u>\$71,537,828</u></b> | <b><u>\$70,738,692</u></b> |
| <b>Liabilities:</b>                   |                            |                            |
| Due to Other Trusts and Agencies      | \$194,329                  | \$189,296                  |
| <b>Equity:</b>                        |                            |                            |
| Fund Balance                          | 70,296,353                 | 69,591,292                 |
| Net Income                            | 1,047,146                  | 958,104                    |
| <b>Total Liabilities and Equity</b>   | <b><u>\$71,537,828</u></b> | <b><u>\$70,738,692</u></b> |
| <b>Income Statement</b>               |                            |                            |
| <b>Income:</b>                        |                            |                            |
| Investment Income                     | \$290,429                  | \$194,637                  |
| Interest on School Construction Loans | 421,844                    | 401,303                    |
| Realized Gain/(Loss)                  | 62,400                     | 13,780                     |
| Unrealized Gain/(Loss)                | 44,783                     | 71,334                     |
| Coal Severance Tax Income             | 321,075                    | 334,112                    |
| <b>Total Income</b>                   | <b><u>1,140,531</u></b>    | <b><u>1,015,166</u></b>    |
| <b>Expenses and Transfers:</b>        |                            |                            |
| Investment                            | 8,339                      | 3,488                      |
| Administrative                        | 2,568                      | 902                        |
| Transfers to General Fund             | 82,478                     | 52,672                     |
| <b>Total Expense and Transfers</b>    | <b><u>93,385</u></b>       | <b><u>57,062</u></b>       |
| <b>Net Income/(Loss)</b>              | <b><u>\$1,047,146</u></b>  | <b><u>\$958,104</u></b>    |

## Board of University and School Lands

### Comparative Financial Position (Unaudited)

#### Strategic Investment and Improvements Fund

|   | February 29, 2020 | February 28, 2019 |
|---|-------------------|-------------------|
| <b>Balance Sheet</b>                                  |                   |                   |
| <b>Assets:</b>  |                   |                   |
| Cash  | \$32,993,777      | \$6,573,120       |
| Interest Receivable                                   | 2,962,282         | 3,325,721         |
| Investments   | 708,937,283       | 721,034,657       |
| Due from other Trusts or Agencies                     | -                 | 120,827,410       |
| Total Assets  | \$744,893,342     | \$851,760,908     |
| <b>Liabilities:</b>                                   |                   |                   |
| Accounts Payable                                      | \$0               | \$0               |
| <b>Equity:</b>  |                   |                   |
| Fund Balance  | 1,134,326,018     | 354,701,097       |
| Net Income  | (389,432,676)     | 497,059,811       |
| Total Liabilities and Equity                          | \$744,893,342     | \$851,760,908     |
| <b>Income Statement</b>                               |                   |                   |
| <b>Income:</b>  |                   |                   |
| Investment Income                                     | \$11,443,744      | \$6,063,760       |
| Realized Gain/(Loss)                                  | 2,332,490         | 448,581           |
| Unrealized Gain/(Loss)                                | 1,803,779         | 2,561,723         |
| Interest on Fuel Prod Facility                        | -                 | 100,445           |
| Royalties - Oil and Gas                               | 58,220,847        | 69,033,673        |
| Bonuses - Oil and Gas                                 | 1,166,894         | 2,247,413         |
| Royalties - Coal                                      | 300,500           | 330,938           |
| Rents - Mineral                                       | 52,981            | 40,283            |
| Tax Income - Oil Extraction & Production Distribution | -                 | 545,433,458       |
| Total Income  | 75,321,235        | 626,260,274       |
| <b>Expenses and Transfers:</b>                        |                   |                   |
| Administrative  | 973,512           | 591,935           |
| Investment Expense                                    | 284,550           | 89,058            |
| Transfers to General Fund                             | 382,200,000       | 124,000,000       |
| Transfer to State Highway Patrol                      |                   | 358,000           |
| Transfer to Commerce Department                       | 3,000,000         | 4,000,000         |
| Transfer to Adjutant General                          | 2,502,253         | 300,000           |
| Transfer to ND Department of Health                   |                   | 75,736            |
| Transfer to Energy Infrastructure & Impact Office     | 2,000,000         | -                 |
| Transfer to Aeronautics Commission                    | 20,000,000        | -                 |
| Transfer from ND Parks & Recreation                   | 1,877,500         | -                 |
| Transfer to Information Technology Department         | 25,150,000        | -                 |
| Transfer to Industrial Commission                     | 270,000           | -                 |
| Transfer to Bank of North Dakota                      | 25,137,707        | -                 |
| Transfer to ND Department of Corrections              | 1,218,000         | -                 |
| Transfer to Office of Management & Budget             | 100,000           | -                 |
| Transfer to Agencies with Litigation Pool             | 328,201           | -                 |
| Transfer from NDSU - Vet Diag Lab (HB 1008)           | -                 | (214,266)         |
| Transfer from Public Service Commission               | (52,818)          | -                 |
| Transfer from Department of Health Department         | (67,310)          | -                 |
| Transfer from Attorney General Office                 | (6,387)           | -                 |
| Transfer from State Highway Patrol                    | (49,403)          | -                 |
| Transfer from Commerce Department                     | (111,895)         | -                 |
| Total Expense and Transfers                           | 464,753,911       | 129,200,463       |
| Net Income/(Loss)                                     | (389,432,676)     | \$497,059,811     |

ITEM 2I

As of February 29, 2020 the SIIF had a fund balance of \$744,893,342. 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 \$64,312,834 as of February 29, 2020.

## ITEM 2I

**Board of University and School Lands**

**Comparative Fiduciary Statements (Unaudited)**

**Indian Cultural Trust**

|   | February 29, 2020   | February 28, 2019   |
|---|---------------------|---------------------|
| <b><u>Fiduciary Net Position</u></b>            |                     |                     |
| <b>Assets:</b>                                  |                     |                     |
| Cash  | \$ 45,883           | \$ 1,420            |
| Interest receivable                             | 642                 | 951                 |
| Investments                                     | 1,229,259           | 1,240,811           |
| Total Assets                                    | <u>1,275,784</u>    | <u>1,243,182</u>    |
| <b>Liabilities:</b>                             |                     |                     |
| Accounts payable                                | -                   | -                   |
| Total Liabilities                               | -                   | -                   |
| <b>Net Position:</b>                            |                     |                     |
| Net position restricted                         | 1,275,784           | 1,243,182           |
| Total Net Position                              | <u>\$ 1,275,784</u> | <u>\$ 1,243,182</u> |
| <b><u>Changes in Fiduciary Net Position</u></b> |                     |                     |
| <b>Additions:</b>                               |                     |                     |
| Contributions:                                  |                     |                     |
| Donations                                       | -                   | -                   |
| Total Contributions                             | <u>\$ -</u>         | <u>\$ -</u>         |
| Investment Income:                              |                     |                     |
| Net change in fair value of investments         | (28,165)            | (15,957)            |
| Interest  | 19,592              | 22,857              |
| Less investment expense                         | (1,320)             | (1,452)             |
| Net Investment Income                           | <u>(9,893)</u>      | <u>5,448</u>        |
| Miscellaneous Income                            | 3,062               | 2,952               |
| Total Additions                                 | <u>(6,831)</u>      | <u>8,400</u>        |
| <b>Deductions:</b>                              |                     |                     |
| Payments in accordance with Trust agreement     | -                   | -                   |
| Administrative expenses                         | 2,167               | 247                 |
| Total Deductions                                | <u>2,167</u>        | <u>247</u>          |
| Change in net position held in Trust for:       |                     |                     |
| Private-Purpose                                 | (8,998)             | 8,153               |
| Total Change in Net Position                    | <u>(8,998)</u>      | <u>8,153</u>        |
| Net Position - Beginning of Year                | 1,285,265           | 1,269,707           |
| Net Position                                    | <u>\$ 1,276,267</u> | <u>\$ 1,277,860</u> |

ITEM 2I

**Board of University and School Lands**

**Comparative Fiduciary Statements (Unaudited)**

**Theodore Roosevelt Presidential Library**

February 29, 2020

**Fiduciary Net Position**

**Assets:**

|                     |    |                   |
|---------------------|----|-------------------|
| Cash                | \$ | 133,333           |
| Interest receivable |    | (11,428)          |
| Investments         |    | 14,941,808        |
| <b>Total Assets</b> |    | <b>15,063,713</b> |

**Liabilities:**

|                          |  |            |
|--------------------------|--|------------|
| Accounts payable         |  | 315        |
| <b>Total Liabilities</b> |  | <b>315</b> |

**Net Position:**

|                           |    |                   |
|---------------------------|----|-------------------|
| Net position restricted   |    | 15,063,398        |
| <b>Total Net Position</b> | \$ | <b>15,063,713</b> |

**Changes in Fiduciary Net Position**

**Additions:**

|                            |    |          |
|----------------------------|----|----------|
| Contributions:             |    |          |
| Donations                  |    | -        |
| <b>Total Contributions</b> | \$ | <b>-</b> |

**Investment Income:**

|   |  |                 |
|---|--|-----------------|
| Net change in fair value of investments |  | (212,644)       |
| Interest                                |  | 155,344         |
| Less investment expense                 |  | 12,442          |
| <b>Net Investment Income</b>            |  | <b>(69,742)</b> |

|                        |  |               |
|------------------------|--|---------------|
| Miscellaneous Income   |  | 82,708        |
| <b>Total Additions</b> |  | <b>12,965</b> |

**Deductions:**

|   |  |            |
|---|--|------------|
| Payments in accordance with Trust agreement |  | -          |
| Administrative expenses                     |  | 315        |
| <b>Total Deductions</b>                     |  | <b>315</b> |

**Change in net position held in Trust for:**

|                                     |  |               |
|-------------------------------------|--|---------------|
| Private-Purpose                     |  | 12,650        |
| <b>Total Change in Net Position</b> |  | <b>12,650</b> |

|                                  |    |                   |
|----------------------------------|----|-------------------|
| Net Position - Beginning of Year |    | 15,050,748        |
| <b>Net Position</b>              | \$ | <b>15,063,398</b> |

ITEM 2I

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

May 28, 2020

**RE: Investment Updates**

(No Action Requested)

**Asset Allocation**

The table below shows the status of the permanent trusts' asset allocation as of May 11, 2020. The figures provided are unaudited.

| <b>Account/Asset Class</b>        | <b>Long-Term Asset Allocation</b> | <b>5/11/20 Actual Allocation \$</b> | <b>5/11/20 Actual Allocation %</b> | <b>5/11/20 % Diff.</b> |
|-----------------------------------|-----------------------------------|-------------------------------------|------------------------------------|------------------------|
| Large Cap US Equity               | 15.0%                             | \$ 707,657,371                      | 15.3%                              | 0.27%                  |
| Mid/Small Cap US Equity           | 4.0%                              | \$ 171,677,041                      | 3.7%                               | -0.30%                 |
| <b>Total Broad US Equities</b>    | <b>19.0%</b>                      | <b>\$ 879,334,412</b>               | <b>19.0%</b>                       | <b>-0.03%</b>          |
| International Equity              | 12.0%                             | \$ 628,251,275                      | 13.6%                              | 1.55%                  |
| Emerging Market Equity            | 7.0%                              | \$ 173,048,140                      | 3.7%                               | -3.27%                 |
| <b>Total Broad Int'l Equities</b> | <b>19.0%</b>                      | <b>\$ 801,299,415</b>               | <b>17.3%</b>                       | <b>-1.71%</b>          |
| Core Fixed Income                 | 13.0%                             | \$ 724,519,861                      | 15.6%                              | 2.63%                  |
| Non-Core Fixed Income             | 9.0%                              | \$ 434,848,464                      | 9.4%                               | 0.38%                  |
| <b>Total Fixed Income</b>         | <b>22.0%</b>                      | <b>\$ 1,159,368,325</b>             | <b>25.0%</b>                       | <b>3.01%</b>           |
| <b>Transition Account</b>         | <b>0.0%</b>                       | <b>\$ 102,577,794</b>               | <b>2.2%</b>                        | <b>2.21%</b>           |
| <b>Total Absolute Return</b>      | <b>15.0%</b>                      | <b>\$ 658,518,394</b>               | <b>14.2%</b>                       | <b>-0.79%</b>          |
| Commodities                       | 0.0%                              | \$ 114,684,273                      | 2.5%                               | 2.47%                  |
| MLPs                              | 0.0%                              | \$ 96,695,041                       | 2.1%                               | 2.09%                  |
| Natural Resource Equities         | 0.0%                              | \$ 77,774,895                       | 1.7%                               | 1.68%                  |
| <b>Total Inflation Strategies</b> | <b>0.0%</b>                       | <b>\$ 289,154,209</b>               | <b>6.2%</b>                        | <b>6.24%</b>           |
| Core Real Estate                  | 8.0%                              | \$ 397,114,752                      | 8.6%                               | 0.57%                  |
| Core Plus Real Estate             | 7.0%                              | \$ 347,475,975                      | 7.5%                               | 0.50%                  |
| <b>Total Real Estate</b>          | <b>15.0%</b>                      | <b>\$ 744,590,727</b>               | <b>16.1%</b>                       | <b>1.07%</b>           |
| <b>Private Equity</b>             | <b>5.0%</b>                       | <b>\$ -</b>                         | <b>0.0%</b>                        | <b>-5.00%</b>          |
| <b>Private Infrastructure</b>     | <b>5.0%</b>                       | <b>\$ -</b>                         | <b>0.0%</b>                        | <b>-5.00%</b>          |
| <b>Opportunistic Investments</b>  | <b>0.0%</b>                       | <b>\$ -</b>                         | <b>0.0%</b>                        |                        |
| <b>Total Asset</b>                | <b>100.0%</b>                     | <b>\$ 4,634,843,276</b>             | <b>100.0%</b>                      | <b>0.0%</b>            |

**Portfolio Rebalancing**

On May 8, 2020, the Treasury Inflation-Protected Security (TIPS) Fund was liquidated with the proceeds transferred to an actively managed "transition account" that will hold all cash proceeds through the transition to the new asset allocation. The transition account is managed similar to the Strategic Investment Improvement Fund Ultra-Short Bonds account.

Gresham was informed of the Board of University and School Land's decision to liquidate the Gresham Commodities investments on May 14, 2020 and an exit strategy has been determined.

**Upcoming Investment Manager Meetings**

There is no upcoming meeting scheduled.

## MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 28, 2020

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**RE: Gross Production Tax Backed School Construction Loans**  
(No Action Required)

In 2013, the Legislature amended N.D.C.C. ch. 15.1-36 to provide for a mechanism for schools to use a portion of the gross production tax (GPT) revenues received under N.D.C.C. § 57-51-15 to repay school construction loans that have been approved by the Department of Public Instruction (DPI). The first GPT backed school construction loan was funded in March 2015.

DPI is responsible for the school construction loan program; the Board University and School Lands (Board) is only responsible for funding the loans and collecting loan payments. The Board does not have any formal policies related to school construction loans.

Department (Department) of Trust Lands' staff worked with DPI, the Bank of North Dakota (BND), the State Treasurer's Office, and bond counsel to develop a GPT backed loan program that works for schools, while also seeking to ensure that the money gets repaid in a timely manner.

In March 2020, the Department received notification that DPI had approved a school construction loan application from the Bottineau School District for a loan principal amount of \$650,000 at an interest rate of 2% for a loan term of 20 years.

The following is a brief overview of the processes and procedures used to manage GPT backed school construction loans:

- BND will review all paperwork, provide amortization schedules, coordinate the closing, and hold the actual bond in safe keeping. For these services BND will charge school districts a one-time fee of \$200.
- The maximum amount of a GPT backed loan will be determined based on the school district's previous fiscal year's GPT revenues. With voter approval of the debt, school districts can get a loan with an annual payment that totals up to 80% of the previous year's GPT revenues. If there is no voter approval of the debt (as it is not classified as a debt by law), the annual loan payment may equal up to 50% of the previous year's GPT revenues.
- Loans will be set up with annual payments for up to 20 years with an annual payment due date of December 1.
- Starting in September of each year (this is when GPT distributions "reset" and are thus at their highest rate), the State Treasurer will withhold GPT payments to the school district until 100% of the annual loan payment in the amortization schedule is withheld. Once the authorized amount is withheld and paid over to the Department, the State Treasurer will continue distributing all the GPT revenues to the school district as provided by law.
- Payments will be applied each month, first to interest and then to principal. Because there is a yearly amortization schedule but monthly payments, at any given point in time a school district could be slightly over- or underpaid versus what is state on the annual loan amortization schedule. Any difference will be made up in the final year of the loan.
- If by April 1st of each year it appears that GPT revenues owed to the school district by law are not enough to cover the loan payment due, the Department will contact the district and make arrangements to collect the additional amount due either from the DPI distribution or from other sources the district may have.



## MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 28, 2020

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### **RE: Information Technology Project Status Update**

(No Action Requested)

The Department of Trust Land's (Department) 2017-2019 biennial budget appropriation includes \$3.6 million to replace legacy information technology (IT) systems as authorized by Senate Bill 2013 of the Sixty-fifth Legislative Assembly.

Severe limitations in the current IT system, including redundant manual processes, have hampered efficiencies. Many of the Department's core data management systems were developed in the 1980s and 1990s, using designs and tools no longer supported by vendors. Some supplemental system improvements and purchases have been implemented; however, the outdated database structure restricts many potential improvements.

On April 29, 2019, the new system for Unclaimed Property was successfully launched.

In 2017, Department created a Request for Proposals (RFP) for the Land Management and Accounting functions; however, the number of responses were limited and those proposals did not meet the Department's requirements.

Subsequently, the Department issued an RFP for the Financial Management and Accounting (FMA) system in October 2018. In December 2019, the Department awarded a contract to Ernst and Young to implement the Microsoft Dynamics 365 for Finance and Operations system with a go-live date of July 1, 2020.

During April 2020 the Investment Division participated in three demonstrations by vendors to implement the Microsoft Dynamics 365 product. On April 27, 2020 the RFP was issued to all three vendors. The Department received responses from all three vendors and is in the process of awarding the contract. The Investments Division, Commissioner and Project Manager are working to determine a go-live for software.

Additionally, the Revenue Compliance Division, Commissioner and Project Manager will be working with Wolters Kluwer on upgrading the auditing software used by the Department. The team is working on a go-live for the upgraded software and completion of data migration.

On December 16, 2019, the Department issued the RFP for the Land Management system with responses due February 2020. The Department reviewed responses from five vendors. A Best and Final Offer was requested from vendors that are reasonably susceptible for award on May 4, 2020 and responses were due May 22, 2020.

## MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 28, 2020

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**RE: Fee Policy – First Reading**  
(No Action Requested)

The Board of University and School Land's (Board) last comprehensive fee schedule was established on July 25, 1985 and was last reviewed by the Board on June 26, 2014. The recommended action will revise 2014 fee schedule. In 2019, the Department of Trust Lands (Department) participated in the North Dakota State Auditors Office's comprehensive study of North Dakota state agency fees overseen by the North Dakota Government Finance Committee. In this study, the Department provided information regarding:

- Review of the dates state agency fee provisions were created and modified.
- Revenue generated by the fee as compared to the expenditures related to the purposes for which the fee is imposed.
- The fund or funds in which fee revenue is deposited and from which fee revenue is expended.
- Consideration of whether the fees should be changed and whether the imposition of a fee is appropriate or if other government revenues should be used to fund the provision of services.

"Fees" in the context of this request are those payments which are not specific to any trust fund or tract of land but are deposited in the maintenance fund, which serves as the Department's operating fund.

Attached is a red-lined and clean version of the proposed Fee Policy. Fees were revised based upon the Department's expenditures related to the purposes for which the fee is imposed and if the fee is determined by the Board or the Commissioner.

The substantive changes include the following:

- A unified fee for certified copies has been established.
- Application and certain assignment, extension and amendment fees have been established for leasing based upon the internal expenses associated with processing the application.
- Fees that are determined by the Commissioner have been removed from the Board Fee Policy and placed in a Department Fee Policy.
  - Coal Amendment, renewal request fee
  - Coal Extension request fee
  - Oil and Gas Application and Nomination fee
  - Oil and Gas Application Shut-In Application Fee per Unit
  - Subsurface Mineral Lease Assignment Filing Fee
  - Salt-Water Disposal Site Application, Extension and Renewal Fee

Attachment 1 – Board of University and School Lands Fee Policy (redline version)

Attachment 2 – Board of University and School Lands Fee Policy (clean version)

TITLE 85  
~~North Dakota BOARD Board of University and School Lands: General~~ OF UNIVERSITY AND SCHOOL  
LANDS

ARTICLE 85-06

~~Chapter 85-06-01~~  
**FEES**

**Section**

~~85-06-01-01 Definitions~~

~~85-06-01-02 Public Information Requests~~

~~85-06-01-03 Minerals~~

~~85-06-01-04 Surface~~

The following fees are non-refundable, unless otherwise noted or unless it is determined by the Commissioner of University and School Lands that circumstances require the fees be waived:

**General Fees:**

~~85-06-01-01 DEFINITIONS. The terms used throughout this chapter and in documents used pursuant herewith have the same meaning as in the North Dakota Century Code Chapter 15-01 and 15-02, except:~~

~~"Board" means the Board of University and School Lands.~~

~~"Commissioner" means the Commissioner of University and School Lands.~~

~~"North Dakota Department of Trust Lands" means the Office of the Commissioner of University and School Lands.~~

~~85-06-01-02 PUBLIC INFORMATION REQUESTS. The following fees may be charged:~~

|  |   |
|--|---|
| <del>Locating records (excludes first hour)</del>        | <del>\$25.00 per hour per request</del>   |
| <del>Printing — paper copies</del>                       | <del>\$0.25 per page</del>                |
| <del>Electronic copies (excludes first 30 minutes)</del> | <del>\$25.00 per hour per request</del>   |
| <del>Postage</del>                                       | <del>Actual cost</del>                    |
| <del>Certified copy of deed/patent copies</del>          | <del>\$ <u>1025.00</u> per document</del> |

~~General Authority \_\_\_\_\_ Law~~

~~Implemented~~

~~NDCC 44-04-18; 15-01-02 \_\_\_\_\_ NDCC~~

~~44-04-18~~

~~History: Effective June 26, 2014~~

~~Minerals Fees: 85-06-01-03 MINERALS. The following fees may be charged:~~

**1. Coal leasing**

Application ~~filing~~-fee \_\_\_\_\_ \$650.00 per lease (~~non-~~  
~~refundable~~)

Lease assignment ~~filing~~-fee \_\_\_\_\_ \$ 1025.00 (~~non-refundable~~)  
per assignment per lease

**2. Oil and gas leasing**

ITEM 3A 1

~~Application filing fee~~ \_\_\_\_\_ ~~\$10.00 per tract (non-refundable)~~  
~~Lease assignment filing fee~~ \_\_\_\_\_ ~~\$ 1025.00 per tract (non-refundable) per assignment per lease~~

~~Oil & Gas lease extension or amendment application fee~~ \_\_\_\_\_ ~~\$250.00 per lease~~

~~a. Certified copies of oil and gas leases~~ \_\_\_\_\_ ~~\$25.00 per document~~

~~b. Lease filing fee (advertising fee)~~ \_\_\_\_\_ ~~\$10.00 per tract~~

**3. Subsurface mineral leasing – potash and other subsurface minerals mining solution**

~~Application filing fee~~ \_\_\_\_\_ ~~\$ 50.00 per tract~~

~~a. Lease assignment filing fee~~ \_\_\_\_\_ ~~\$50.00 per tract (non-refundable)~~

~~b. Certified copies~~ \_\_\_\_\_ ~~\$25.00 per document~~

~~c. Lease filing fee (advertising fee)~~ \_\_\_\_\_ ~~\$50.00 per tract~~

~~General Authority~~ \_\_\_\_\_ ~~Law~~

~~Implemented~~

~~NDCC 15-01-02.1~~ \_\_\_\_\_ ~~NDCC 15-01-02.1~~

~~History: Effective June 26, 2014~~

**85-06-01-04 SURFACE Surface Fees:** The following fees may be charged:

**1. Construction Aggregate Leasing**

Application ~~filing~~ fee for Lease, \_\_\_\_\_ \$50.00 per quarter section, \$100.00  
minimum 250.00  
Amendment, assignment, extension, renewal

**2. ~~Easements~~ Encumbrances/ Permits**

Application ~~filing~~ fee for Encumbrances, \_\_\_\_\_ \$50.00 per quarter section, \$100.00  
minimum 250.00  
Amendment, assignment, extension, renewal

~~3. Exploration and Prospecting (geophysical, coal, construction, etc.)~~

~~\$50.00 per quarter section, \$100.00 minimum~~

~~4. Land Sale Fee (deed preparation/recording costs) \_\_\_\_\_ \$100.00 per tract~~

~~5. Survey access (five year permit) \_\_\_\_\_ \$500.00~~

~~3. Land sale/exchange application fee \_\_\_\_\_ \$500.00 per tract~~

~~6. Trespassing~~

~~Inspection fee \_\_\_\_\_ Assessed at the discretion of the Commissioner if it is determined that NDCC 15-08-20 would apply.4. Appraisal fee \_\_\_\_\_ based on actual cost~~

~~5. Recording fee \_\_\_\_\_ based on actual cost~~

~~6. Surface Lease assignment \_\_\_\_\_ \$ 25.00 per lease~~

General Authority: N.D.C.C. § 15-01-02.1; N.D. Admin. Code §§ 85-04-02-01, 85-04-04-01, 85-06-01-06, 85-06-02-03, 85-06-02-12, 85-06-07-02

General Authority \_\_\_\_\_ Law

Implemented

NDCC 15-01-02.1 \_\_\_\_\_ NDCC

15-01-02.1 Effective Date: June 26, 2014

History Revised: \_\_\_\_\_ Effective June 26, 2014 July 1, 2020

**FEES**

The following fees are non-refundable, unless otherwise noted or unless it is determined by the Commissioner of University and School Lands that circumstances require the fees be waived:

**General Fees:**

Certified copies \$ 25.00 per document

**Minerals Fees:**

**1. Coal leasing**

Application fee \$650.00 per lease  
Lease assignment fee \$ 25.00 per assignment per lease

**2. Oil and gas leasing**

Lease assignment fee \$ 25.00 per assignment per lease  
Oil & Gas lease extension or amendment application fee \$250.00 per lease

**3. Subsurface mineral leasing – potash and other subsurface minerals mining solution**

Application filing fee \$ 50.00 per tract

**Surface Fees:**

**1. Construction Aggregate Leasing**

Application fee for Lease, Amendment, assignment, extension, renewal \$250.00

**2. Encumbrances**

Application fee for Encumbrances, Amendment, assignment, extension, renewal \$250.00

**3. Land sale/exchange application fee**

\$500.00 per tract

**4. Appraisal fee**

based on actual cost

**5. Recording fee**

based on actual cost

**6. Surface Lease assignment**

\$ 25.00 per lease

General Authority: N.D.C.C. § 15-01-02.1; N.D. Admin. Code §§ 85-04-02-01, 85-04-04-01, 85-06-01-06, 85-06-02-03, 85-06-02-12, 85-06-07-02

Effective Date: June 26, 2014

Revised: July 1, 2020

# MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 28, 2020

---

**RE: Continuing Appropriation Authority Policy – First Reading**  
(No Action Requested)

The following North Dakota Century Code pronounces continuing authority:

- N.D.C.C. § 15-03-16
- N.D.C.C. § 15-04-23
- N.D.C.C. § 15-04-24
- N.D.C.C. § 15-05-19
- N.D.C.C. § 15-06-22
- N.D.C.C. § 15-07-22
- N.D.C.C. § 15-08-04
- N.D.C.C. § 47-30.1-23
- N.D.C.C. § 57-02.3-07

In 2016, the Board provided clarification on certain expenses allowed through continuing appropriation as outlined below:

## **Board of University and School Lands Continuing Appropriation Authority Policy**

Continuing appropriation authority is provided in state law for certain operating expenditures.

### **A. Unclaimed Property - Continuing Authority.**

Unclaimed property expenses as outlined in NDCC Section 47-30.1-23 may be paid under continuing appropriation authority including, but not limited to: payments of claims, service charges for address verification and updates, advertising costs, audit services, legal costs and outreach efforts.

### **B. Grant Land, Non-Grant Land and Mineral Leases - Continuing Authority.**

NDCC Sections 15-04-24, 15-07-22 and 15-05-19 permit expenditures to be considered as continuing appropriation expenditures. These sections appropriate annually the expenses determined by the Board as necessary to manage, preserve, and enhance the value of the trust land and mineral assets.

Specifically authorized by the Board as continuing appropriation authority:

1. Salaries and travel expenses for temporary field men who conduct inspections to ensure rangeland integrity and surface reclamation.
2. Advertising surface and mineral lease auctions. Section 15-04-09 of the NDCC requires the Board to publish multiple notices of surface and mineral leases auctions. Advertising of the lease auctions are done to ensure the trusts receive competitive bids to enhance the trusts' value.
3. Legal expenditures that are incurred by a specific trust or trusts to maintain their value and integrity.
4. Costs of hiring independent contract firms to perform accounting, audit, compliance review or collection efforts to ensure the proper payment of oil, gas, coal or other mineral royalty.

The Commissioner has reviewed, in conjunction with the Attorney General's Office, the Continuing Appropriation Authority Policy and is recommending changes based upon statutory changes and to accommodate the consideration of technology as a continuing appropriation.

Attachment 1 - Continuing Appropriation Authority Policy (red-line version)

Attachment 2 – Continuing Appropriation Authority Policy (clean version)



## CONTINUING APPROPRIATION AUTHORITY POLICY

Continuing appropriation authority is provided in state law for certain operating expenditures. In addition to that specific statutory authority, the Board provides guidance as to approved expenditures outlined below.

### Unclaimed Property ~~–Continuing Authority.~~

Unclaimed property expenses as outlined in N.D.C.C. ~~§Section~~ 47-30.1-23 may be paid under continuing appropriation authority. Those expenses include including, but not limited to: payments of claims, service charges for address verification and updates, advertising costs, audit services, legal costs, computer software, and outreach efforts.

### Grant Land, Non-Grant Land, and Mineral Leases, and Investments ~~–Continuing Authority.~~

N.D.C.C. ~~Sections §§~~ 15-03-16, 15-04-24, 15-05-19, 15-06-22, 15-07-22, and 15-08-04 15-05-19 permit certain expenditures ~~to be considered as under~~ continuing appropriation ~~expenditures.~~ These sections and appropriate annually the expenses determined by the Board as necessary to manage, preserve, and enhance the value of the trust land and mineral assets.

Those expenditures ~~S~~ specifically authorized by the Board ~~as under~~ continuing appropriation authority include:

1. Salaries ~~Equipment, technology service fees and licenses,~~ and travel expenses for Surface Division staff and temporary field inspectors ~~men, and temporary field inspectors' salaries, who conduct inspections to ensure rangeland integrity and surface reclamation.~~
2. Advertising surface and mineral lease auctions. ~~Section N.D.C.C. § 15-04-09 of the NDCC~~ requires the Board to publish multiple notices of surface and mineral leases auctions. Advertising of the lease auctions are done to ensure the trusts receive competitive bids to enhance the trusts' value.
3. Legal expenditures that are incurred by a specific trust or trusts to maintain their value and integrity.
4. Costs of hiring independent contract firms to perform accounting, audit, compliance review, or collection efforts to ensure the proper payment of oil, gas, coal or other mineral royalty.
- 4.5. Technology service fees and licenses associated with management of investments by Department staff.

Effective date: May 26, 2011 (effective July 1, 2011)

Revised: February 25, 2016; June 25, 2020 (effective July 1, 2020)

## **CONTINUING APPROPRIATION AUTHORITY POLICY**

Continuing appropriation authority is provided in state law for certain operating expenditures. In addition to that specific statutory authority, the Board provides guidance as to approved expenditures outlined below.

### **Unclaimed Property.**

Unclaimed property expenses as outlined in N.D.C.C. § 47-30.1-23 may be paid under continuing appropriation authority. Those expenses include payment of claims, service charges for address verification and updates, advertising costs, audit services, legal costs, computer software, and outreach efforts.

### **Grant Land, Non-Grant Land, Mineral Leases, and Investments.**

N.D.C.C. §§ 15-03-16, 15-04-24, 15-05-19, 15-06-22, 15-07-22, and 15-08-04 permit certain expenditures under continuing appropriation and appropriate annually the expenses determined by the Board as necessary to manage, preserve, and enhance the value of the trust land and mineral assets.

Those expenditures specifically authorized by the Board under continuing appropriation authority include:

1. Equipment, technology service fees and licenses, and travel expenses for Surface Division staff and temporary field inspectors, and temporary field inspectors' salaries.
2. Advertising surface and mineral lease auctions. N.D.C.C. § 15-04-09 requires the Board to publish multiple notices of surface and mineral leases auctions. Advertising of the lease auctions are done to ensure the trusts receive competitive bids to enhance the trusts' value.
3. Legal expenditures that are incurred by a specific trust or trusts to maintain their value and integrity.
4. Costs of hiring independent contract firms to perform accounting, audit, compliance review, or collection efforts to ensure the proper payment of oil, gas, coal or other mineral royalty.
5. Technology service fees and licenses associated with management of investments by Department staff.

Effective date: May 26, 2011 (effective July 1, 2011)

Revised: February 25, 2016; June 25, 2020 (effective July 1, 2020)

## MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

Date May 28,2020

---

**RE: Commodity Effective Date and Discount Rate Policy – First Reading  
(No Action Requested)**

Senate Bill 1013 of the Sixty-Sixth Legislative Assembly approved one-time funding for a mineral valuation study.

The Department of Trust Lands (Department) has been tasked with conducting a study to determine the estimated value of the mineral assets, 2.6 million acres, held in trust by the Board of University and School Lands (Board).

The oil and gas mineral estate assessment (Assessment) will reflect the estimated value of oil and gas mineral assets managed by the Board. This Assessment is complicated by the mineral assets' sheer size, variance in geological aspects, and topography. MineralTracker, LLC was awarded the project and is working with the Department to complete the Assessment.

As a part of the Assessment, MineralTracker needs three variables to be approved by the Board: (1) the commodity effective date, (2) Commodity Price Schedule, and (3) the discount rate.

The commodity effective date is the date set by the Board by which the asset shall be appraised. An effective date is a date that is used for determining the present value of a product or security that fluctuates in price. It is the date at which funds, assets or money's value becomes effective. Typically, value dates are used in determining the payment of financial products and accounts where there is a possibility for discrepancies due to differences in the timing of valuations.

**Commodity Effective Date:** the date as of which the State's asset shall be appraised.

- Only production and cash flow forecasts from the effective date forward shall be considered subject to the appraisal.
- The effective date is not the same as the "report date". The report date is the date on which the valuation report is submitted.
- Commonly, the effective date corresponds to a transaction date, inheritance date, or gifting date. The effective date in this instance is left to the discretion of the State.

**Commodity Price Schedule:** the oil and gas prices that shall be applied to forecasted cash flows.

- Appraisals performed for special purposes may employ a specified commodity pricing schedule to achieve the intended purpose. For fair market appraisals, the New York Mercantile Exchange pricing schedule is often employed. NYMEX pricing is based on the closing price of commodity futures contracts executed on a specified date. An example of a recent NYMEX price schedule is included below.

| <b>NYMEX as of March 31, 2020</b> |                              |  |
|-----------------------------------|------------------------------|--|
| Year                              | WTI<br>Oil Price<br>(\$/BBL) | Henry Hub<br>Natural Gas Price<br>(\$/MMBtu) |
| 2020                              | 28.03                        | 1.991  |
| 2021                              | 36.22                        | 2.484  |
| 2022                              | 39.19                        | 2.405  |
| 2023                              | 41.19                        | 2.419  |
| 2024                              | 42.98                        | 2.440  |
| 2025                              | 44.61                        | 2.464  |
| 2026                              | 46.00                        | 2.499  |
| 2027                              | 47.17                        | 2.557  |
| 2028                              | 47.82                        | 2.592  |
| 2029                              | 48.09                        | 2.615  |
| 2030                              | 48.18                        | 2.674  |
| 2031                              | 49.65                        | 2.849  |

- Often, commodity pricing is tied to the effective date (i.e. – an appraisal with an effective date of 1/1/2020 would use a NYMEX Strip price as of 1/1/2020), however a combination of historical and forward looking data could be employed. For example, if the State were to specify an effective date of 1/1/2020, the State could dictate that MineralTracker use available historical data from the effective date to the reporting date and NYMEX pricing from the reporting date forward (see example below).

| <b>Historical - NYMEX as of March 31, 2020</b> |                              |  |
|--|------------------------------|--|
| Year   | WTI<br>Oil Price<br>(\$/BBL) | Henry Hub<br>Natural Gas Price<br>(\$/MMBtu) |
| Jan 2020                                       | 57.52                        | 2.020  |
| Feb 2020                                       | 51.23                        | 1.930  |
| Mar 2020                                       | 33.15                        | 1.850  |
| Apr-Dec 2020                                   | 28.03                        | 1.991  |
| 2021   | 36.22                        | 2.484  |
| 2022   | 39.19                        | 2.405  |
| 2023   | 41.19                        | 2.419  |
| 2024   | 42.98                        | 2.440  |
| 2025   | 44.61                        | 2.464  |
| 2026   | 46.00                        | 2.499  |
| 2027   | 47.17                        | 2.557  |
| 2028   | 47.82                        | 2.592  |
| 2029   | 48.09                        | 2.615  |
| 2030   | 48.18                        | 2.674  |
| 2031   | 49.65                        | 2.849  |

- Alternatively, a “flat” pricing schedule may be employed using a single price for oil and a single price for natural gas for all forward looking cash flow projections.

- The projected commodity pricing will have a significant impact on the overall valuation of the State's mineral assets.

In the oil and gas industry, standardized reporting and industry analysis typically use a 10% discount rate on projects' future cash flows. This standardized discount rate also appears in other calculations where a quick, rough estimate of the present value of a project's cash flow is needed.

**Net Present Value Discounting Rates:** the various discounting rates employed in the net present value calculations applied to the forecasted cash flows.

- Variable discounting rates are applied to account for increasing risk factors associated with various reserve categories.
- Mineral Tracker had indicated typical fair market valuation discounting rates as follows:
  - a) Proved Developed Producing (PDP) – 15.0%
  - b) Proved Developed Shut-In (PDSI) – 17.5%
  - c) Proved Developed Non-Producing (PDNP) – 20.0%
  - d) Proved Undeveloped (PUD) – 25.0%
  - e) Probable Undeveloped (PROB) – 30.0%
  - f) Possible Undeveloped (POSS) – 35.0%

Lands managed by the Board are different than privately held minerals in that they are held generationally and for the public good. Additionally, the minerals managed spread across the state, thus its overall risk profile is different than a typical mineral owner. These factors argue for a lower discount rate to be applied when valuing minerals managed by the Board.

The Department consulted with Mineral Tracker and the US Department of the Interior's Division of Minerals Evaluation during the process of drafting a proposed the proposed policies. The Board will need to adopt an Effective Date and Discount Rate Policy. Attached is a recommended policy.

The Commissioner is seeking Board feedback prior to the June 25, 2020, Board meeting.

Attachment – Mineral Valuation Policy

## **Minerals Valuation**

In order to provide a uniform and equitable leasing system for the Board's oil and gas mineral estate, the Department will conduct a Mineral Valuation Assessment (Assessment). In executing the Assessment, the Department shall consider all Proved Developed Producing wells currently under the Board's management and perform decline curve analysis to project future oil, gas, and water production for each well. For any undeveloped mineral acreage in which oil and gas reserves are prospective but unproven, the Board shall employ market rate conversions related to the recent leasing bonus payments.

As a part of the Assessment, the Board will approve the Commodity Effective Date, Commodity Price Schedule, and the Discount Rate.

### Commodity Effective Date

The Commodity Effective Date for the Board will be set for December 31 of each year.

### Commodity Price Schedule

Historical data from the Commodity Effective Date to the date economic reports are generated and NYMEX pricing from the date economic reports are generated forward shall be used.

### Discount Rate

The Board shall use the Discount Rate as follows:

- Proved Developed Producing (PDP) – 10.0%
- Proved Developed Shut-In (PDSI) – 12.5%
- Proved Developed Non-Producing (PDNP) – 15.0%
- Proved Undeveloped (PUD) – 20.0%
- Probable Undeveloped (PROB) – 25.0%
- Possible Undeveloped (POSS) – 30.0%

Effective Date: June 25, 2020

Revised:

## MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 28, 2020

---

**RE: Wetland Restoration Project, also known as the Leeson In-Lieu Fee Mitigation Site (Mountrail County: SW¼-36-157-88)**

### **Project Objectives and Location:**

Ducks Unlimited, Inc. (DU) is proposing to include a tract of state owned School Trust Land (Trust Land) in their proposed wetland restoration project known as the Leeson In-lieu Fee Mitigation Project (LMP) which will establish wetland mitigation credits in the Missouri River Basin Northern Zone Service Area (see Figure 1 Project Location and Service Area). Objectives to achieve high quality wetland mitigation credits consist of restoring and enhancing wetland hydrology, re-establishing native wetland and upland vegetation communities, and providing long-term management and site protection to ensure the wetlands and adjacent uplands function individually and collectively as healthy, sustainable resources. In addition to restoring wetland hydrology and water quality within the watershed, the proposed LMP also presents the opportunity to reestablish a portion of the adjacent upland grass community which will provide additional habitat and connectivity to adjacent areas that consist of several permanently protected state and federally owned properties. This will create an ecologically valuable patch of habitat and connectivity (see Figure 2 Additive Conservation Value).

The proposed LMP area is located approximately 4 miles north and 12 miles west of Berthold, North Dakota, within the Missouri River Basin Northern Zone Service Area. The proposed LMP area consists of approximately 40 acres of private land and approximately 50 acres of Trust Land that together will consist of approximately 90 acres located within the W½, Section 36, T157N, R88W, Mountrail County (see figure 3 Land Ownership). The private land is located in the S½NW¼ of the section and is characterized by mostly grassland with two drained wetlands in an area of a field that is unsuitable for farming. The grassland portion of the private property is currently not being utilized for grazing or haying. The remainder of the private property consists of a minimal amount of property which drains a wetland basin running west to east into a larger co-owned basin. This basin also contains a drain on the neighboring Trust Land which effectively drains the entire wetland. The 50 acres of Trust Land is located directly south of the private property in the N½SW¼ of the section. The Trust Land is characterized by native grasslands and wetlands used for cattle grazing. The three drained wetland basins are in the NW corner of the SW¼ (see Figure 4 Project Boundary). It is believed these wetlands were drained prior to 1950.

### **Restoration Design & Credit Determination**

The primary source of water for the wetlands will be surface water runoff, which is typical of the Prairie Pothole Region. Construction of the project will be completed by a contractor and a DU construction manager. It is likely the project will be constructed in phases, with the private land portion considered Phase 1 and the Trust Land portion being Phase 2. Constructed ditch plugs, embankments, excavations, and fill areas will be used to raise the outlet elevations to historical wetland and overflow elevations and will have gradual slopes to minimize erosion due to moving water and will be protected with erosion control materials. Fill material would be sourced locally (see Figure 5 Design Concept). The cultivated upland areas on the private land will be seeded to native grasses and forbs representative of the local grassland community. Shallow wetland plant communities and deeper areas of the wetlands will rely on revegetation by the existing wetland seed bank. Credits are determined using the mitigation ratios from the Wetland Mitigation Banking In North Dakota Interagency Guidance for Mitigation Bank Sponsors Document. It is anticipated that the project should produce approximately 29 wetland credits. Credits would be released based on project milestones and monitoring results.

## **Monitoring & Management**

DU will monitor the site for a period of five years starting with the first growing season after construction completion. Monitoring will consist of delineating wetland boundaries based on hydrology and vegetation criteria in the Regional Supplement to the Corps of Engineers Wetland Delineation Manual: Great Plains Region (Version 2.0). DU will implement maintenance activities to maintain the success and viability of the wetland mitigation site which may include haying, grazing, weed control, planting/seeding, prescribed fire, hydrological modifications, or other management activities as needed. Monitoring and management activities will be reported in an annual report given to the United States Army Corps of Engineers (USACE) to determine the status of achieving performance standards.

Long-term management and maintenance would be provided by DU, its heirs, assigns or successors, unless the easement lands are transferred to a state or federal resource management agency or this responsibility is contractually conveyed to another entity, subject to approval by USACE. DU will be responsible for a long-term management endowment fund to include a minimum of \$100,000 to be held by DU in an interest-bearing account dedicated for long term management of the LMP as required by USACE. Long-term management fund amount are determined by estimating the average annual cost for long term management activities. Yearly control of noxious weeds and other minor items was estimated at \$1,000. Periodic erosion control or various repairs due to flood events was estimated at \$60,000 every 20 years, at a rate of \$3,000 per year. A capitalization rate of 4% and average annual cost of \$4,000 equates to the \$100,000 endowment amount.

## **Project Site Agreements**

DU and the private landowner have signed a Site-Specific Agreement (SSA) for the approximate 40-acre private land mitigation parcel. As part of the SSA, the private landowner agreed to sign a conservation easement. The easement is a combination wetland and grassland conservation easement with the United States Fish and Wildlife Service (USFWS). In the event the USFWS declines to accept an easement, the private landowner agreed to a 99 year DU easement to protect the private land site.

The approximate 50-acre Trust Land portion of the LMP would be protected by a 99 year Mitigation Easement Agreement (Easement Agreement (see Attachment 1 – Mitigation Easement Agreement)), having an Initial Period of five (5) years to study project feasibility. The compensation rate for the proposed Easement Agreement is based on a per-acre payment of \$1,300 for approximately 15 restored wetland acres (based on the Mountrail County cropland rental value from the 2020 County Rents and Prices Survey - \$1,282), which is a payment of \$19,500.00 for the restored wetland acres. The remaining amount of \$75,000.00 is equivalent to 10% of the estimated potential revenues from the wetland credits developed on Trust Land. The compensation rate negotiated for the Easement Agreement is consistent with what the private landowner will be paid for the Project.

DU has been investigating the feasibility of this proposed project and working with the private landowner and the Department of Trust Lands since 2014. This proposed project has been developed under the DU North Dakota In-Lieu Fee Mitigation Instrument. The Easement Agreement is based on easement templates used by the Department with guidance provided by the Attorney General's Office and the Office of Risk Management. It allows for the restoration, maintenance, and protection of wetlands, while allowing for potential future mineral development and agricultural use of Trust Lands.



Recommendation: **The Commissioner recommends the Board approve the Mitigation Easement Agreement with Ducks Unlimited, Inc., for the Leeson In-lieu Fee Mitigation site.**

| <b>Action Record</b>       | <b>Motion</b> | <b>Second</b> | <b>Aye</b> | <b>Nay</b> | <b>Absent</b> |
|----------------------------|---------------|---------------|------------|------------|---------------|
| Secretary Jaeger           |               |               |            |            |               |
| Superintendent Baesler     |               |               |            |            |               |
| Treasurer Schmidt          |               |               |            |            |               |
| Attorney General Stenehjem |               |               |            |            |               |
| Governor Burgum            |               |               |            |            |               |

Figure 1. Project Location and Service Area

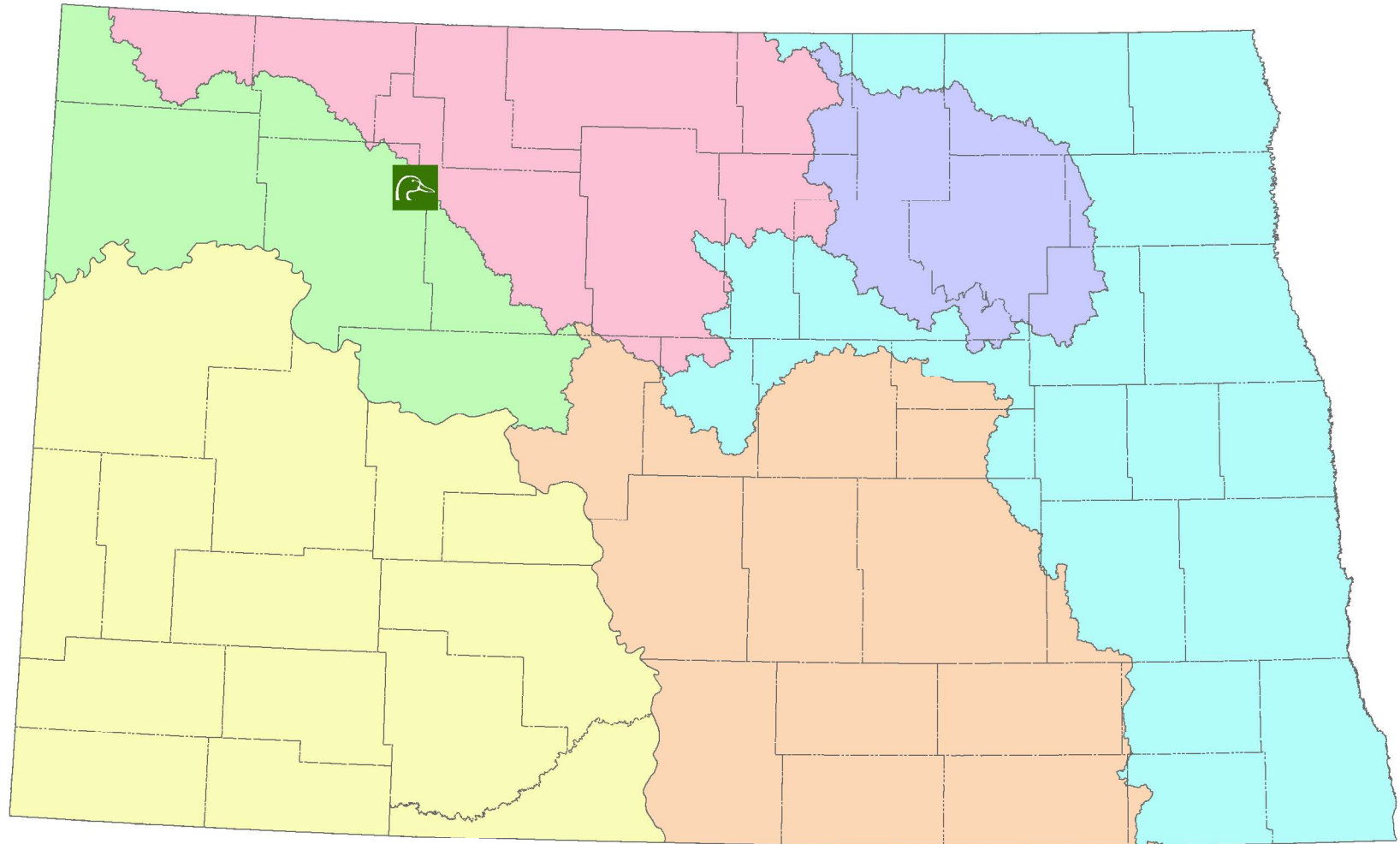
Figure 2. Additive Conservation Value

Figure 3. Land Ownership

Figure 4. Project Boundary

Figure 5. Design Concept

Attachment 1 – Mitigation Easement Agreement



**Legend**



Leeson ILF Project Location



North Dakota Counties



Devils Lake



Missouri North



Missouri South



Red River



Souris River



Southwest Slope

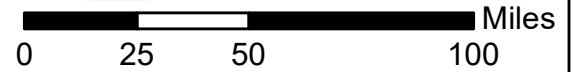
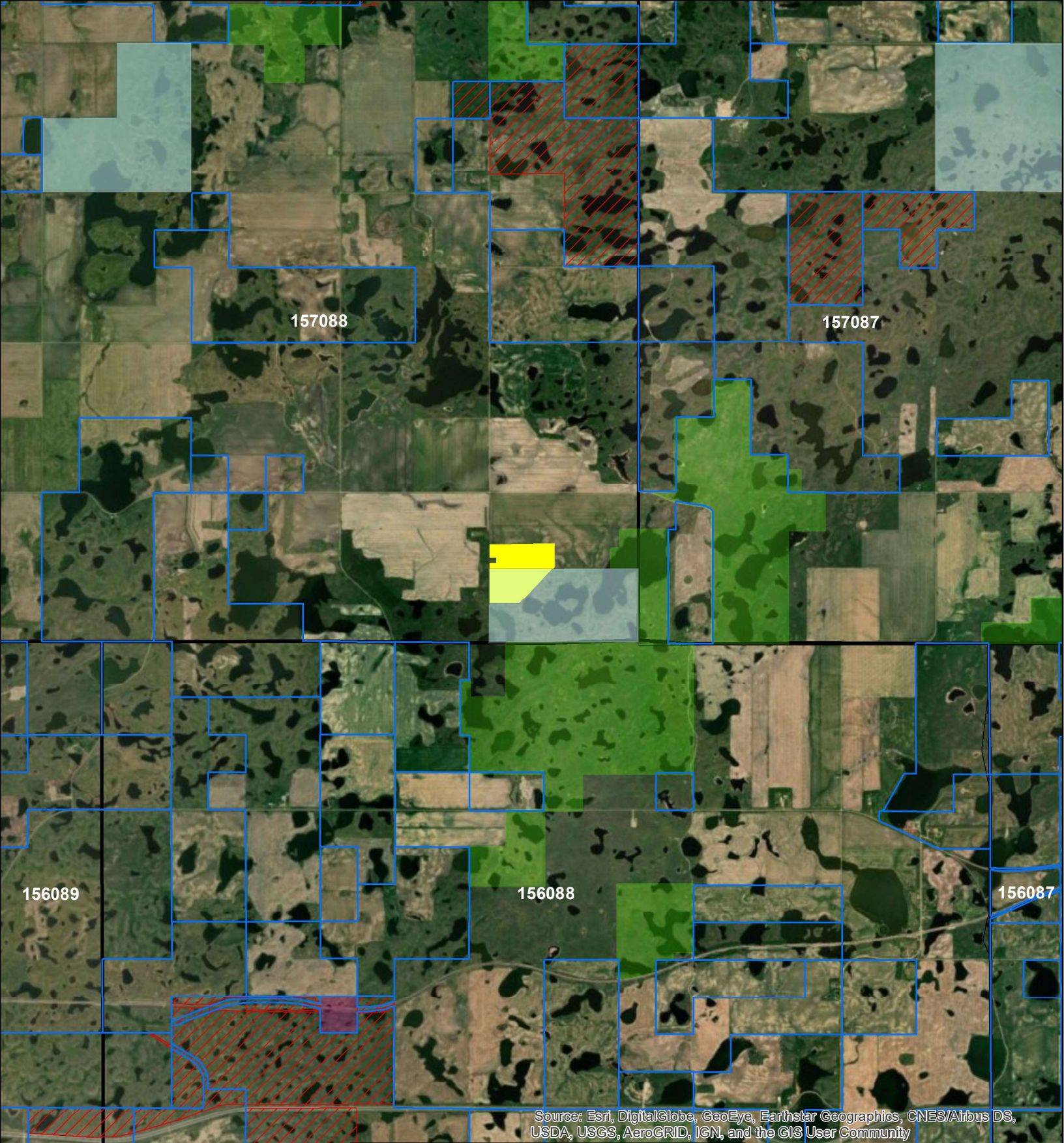
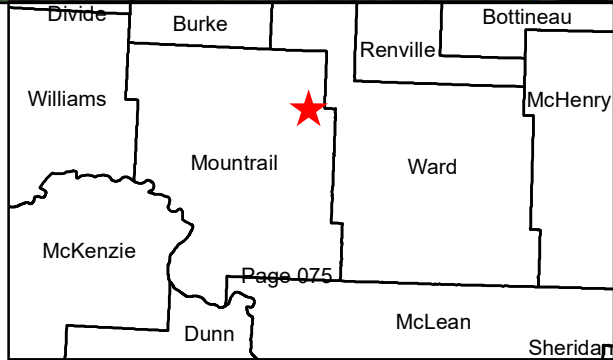


Figure 1  
Project Location and Service Area

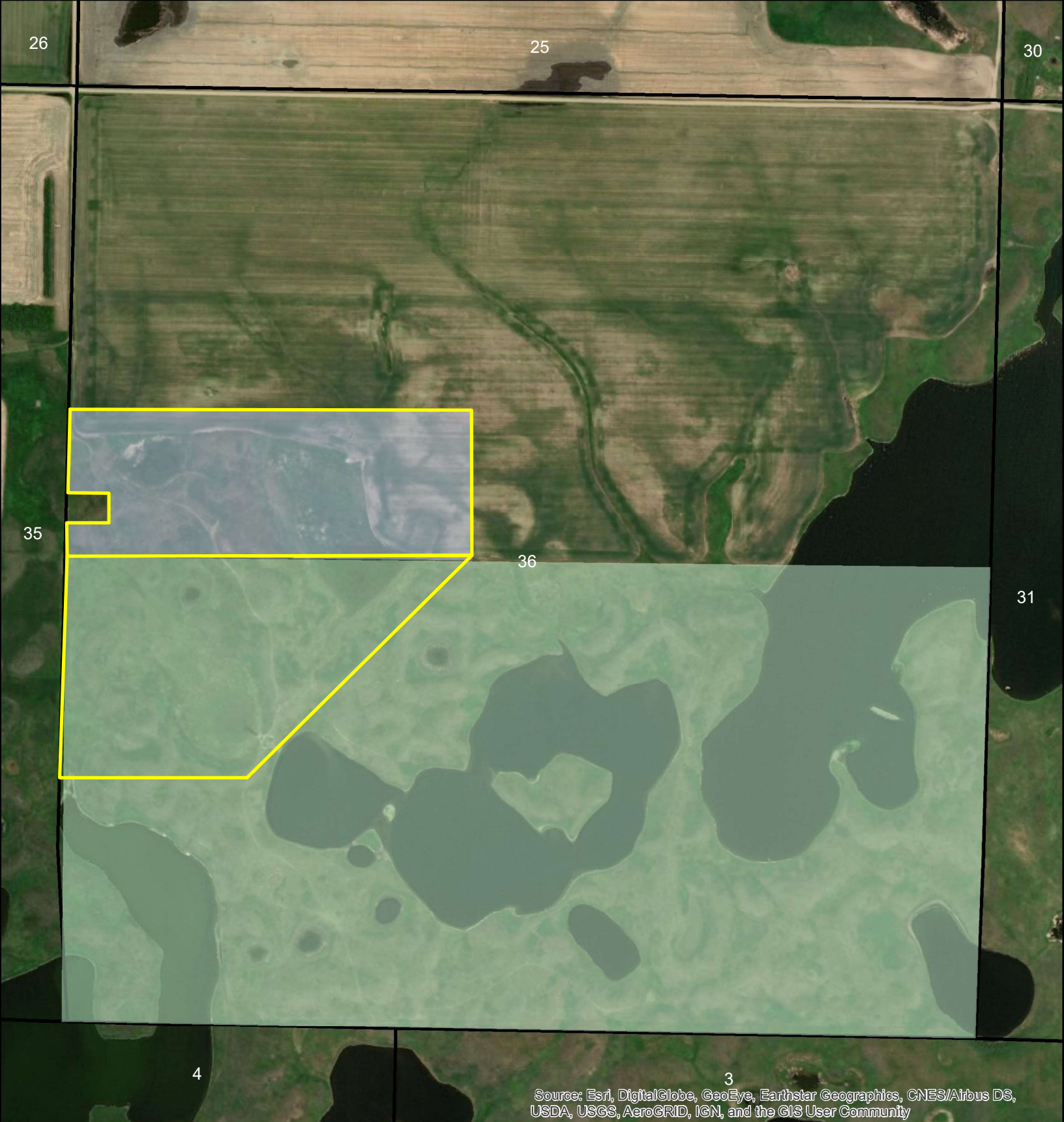


Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

- Legend**
- Mitigation Boundary
  - ND Dept of Trust Lands
  - USFWS Waterfowl Production Area
  - Bureau of Land Management
  - USFWS Wetland Easements
  - USFWS Grassland Easements

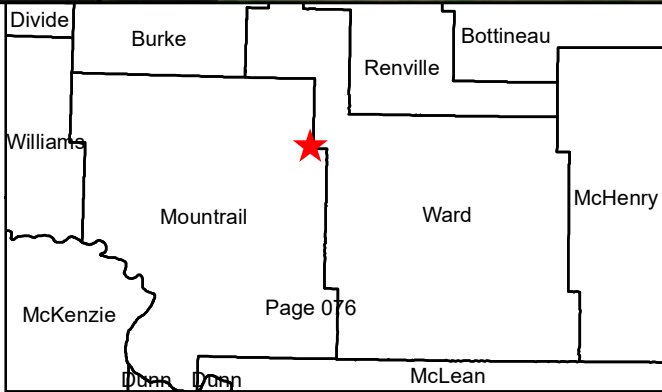


**Figure 2**  
**Additive**  
**Conservation Value**

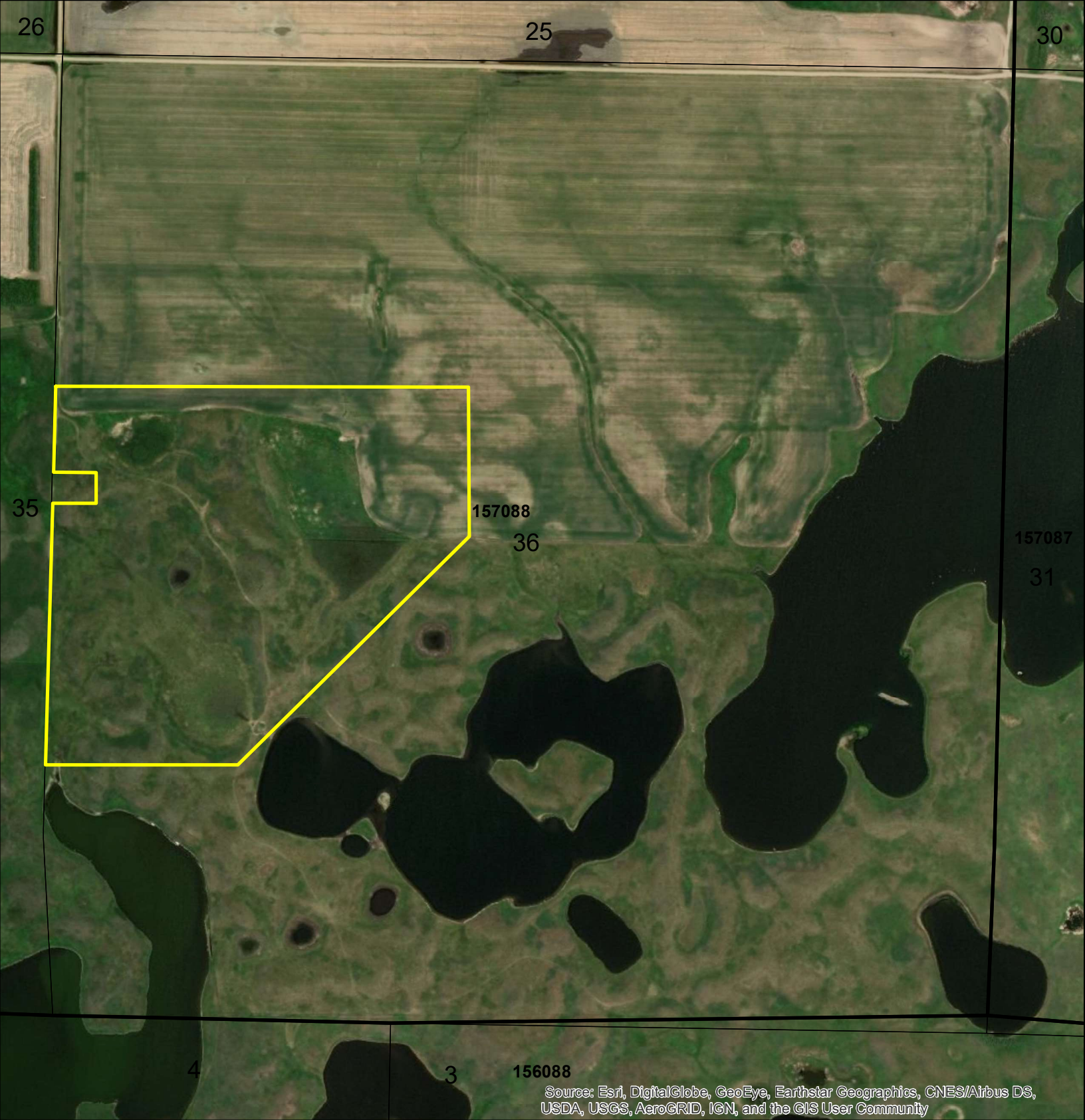


Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

- Legend**
- Mitigation Boundary
  - Private Ownership
  - North Dakota Dept of Trust Lands

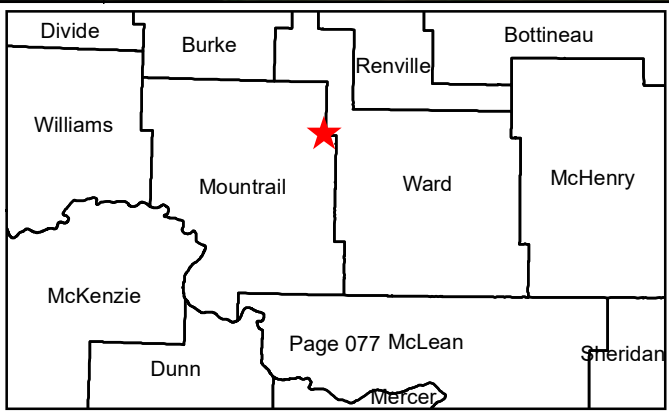


**Figure 3  
Land Ownership**

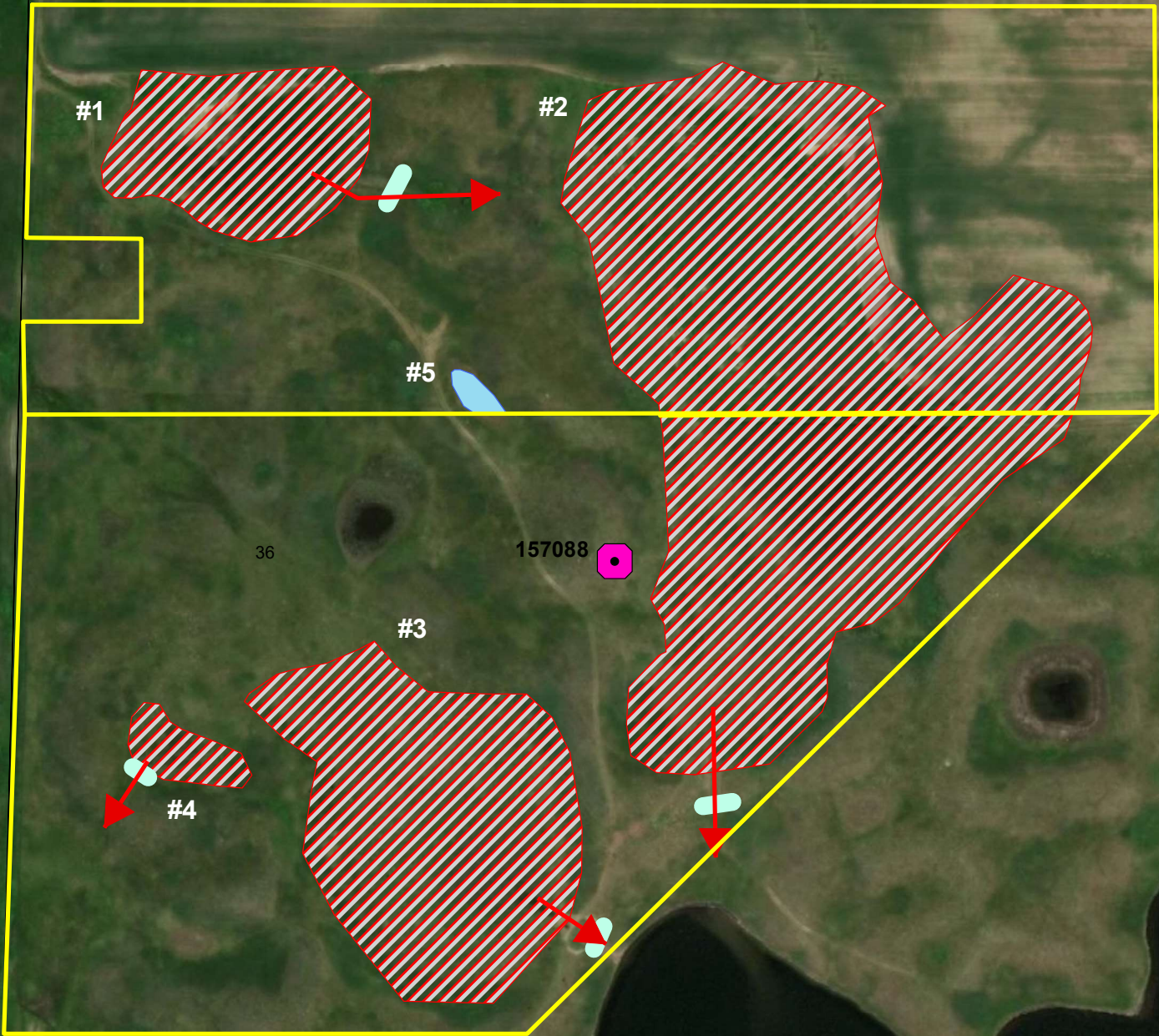


Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community






**Legend**  
 Mitigation Boundary

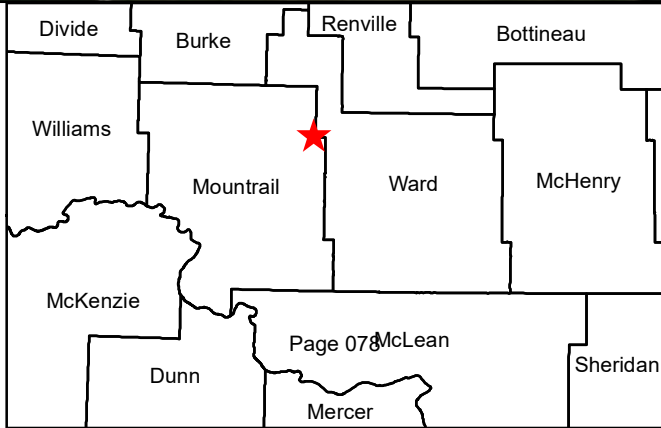


**Figure 4**  
**Project Boundary**



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

- Legend**
-  Mitigation Boundary
  -  Drained Wetlands
  -  Unmanipulated Wetland
  -  Ditch Plug
  -  Proposed Borrow Area



**Figure 5**  
**Design Concept**

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The space above this line is reserved for recording purposes.

**MITIGATION EASEMENT AGREEMENT**

**ROW# 7508**

**STATE OF NORTH DAKOTA  
BOARD OF UNIVERSITY AND SCHOOL LANDS**

The parties to this Easement Agreement ("Agreement") are the STATE OF NORTH DAKOTA, ACTING BY AND THROUGH THE BOARD OF UNIVERSITY AND SCHOOL LANDS AND ITS AGENT, THE COMMISSIONER OF UNIVERSITY AND SCHOOL LANDS ("GRANTOR"), 1707 North 9th Street, Bismarck, ND 58506, and DUCKS UNLIMITED, INC. ("GRANTEE"), One Waterfowl Way, Memphis, TN 38130. GRANTOR and GRANTEE may be referred to herein individually as "Party" and collectively as "Parties."

WHEREAS, GRANTOR is the owner of that portion of land located in the SW1/4, Section 36, Township 157 North, Range 88 West, Mountrail County, North Dakota ("Property").

WHEREAS, the property subject to this Agreement ("Easement Property") is that portion of land located within the Property, containing approximately 50 acres, more or less, and is more particularly described as follows:

(Insert Narrative)

WHEREAS, the Easement Property is a part of and located within the Property and any reference to the Property herein shall be interpreted to include the Easement Property.

WHEREAS, GRANTEE requests to obtain an easement from GRANTOR for the purpose of construction, maintenance, and operation of a Wetland Mitigation Project ("Project") and associated Project Improvements (as hereinafter defined), as authorized under the Final Rules (2008) for Compensatory Mitigation for Losses of Aquatic Resources (33 CFR Parts 325 and 332 and 40 CFR Part 230).

NOW THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, GRANTOR hereby grants to GRANTEE an easement for the right to construct, restore, operate, and maintain wetlands and associated uplands on the Easement Property as depicted in the attached Exhibit "A."

The Parties further agree as follows:

## **1. DEFINITIONS**

Capitalized terms used in this Agreement have the meaning given them in the text of the Agreement or in this definitions section.

"Access Rights" means the right of ingress and egress to and from the Easement Property by GRANTEE, its agents, successors, and assigns, as identified and located as shown on the Construction Plan (attached as Exhibit "B") for vehicular and pedestrian ingress to and egress from the Project.

"Assignees" means one or more persons holding an assignment from GRANTEE.

"Assignment" means sub-easements, co-easements, separate easements, leases, licenses, or similar rights.

"Construction Rights" means the right to construct, maintain, repair, replace, and operate any part of the Project on the Property.

"Interfere" or "Interference" means an activity by GRANTOR on the Easement Property that interferes with wetland restoration, establishment, and productivity over any portion of the Easement Property which causes a significant decrease in the output or productivity of wetlands to produce anticipated credits or otherwise interfere with GRANTEE's exercise of its rights under this Agreement.

"Mortgages" means the various security interests in all or part of the Project Assets which the GRANTEE may give.

"Mortgagees" means the holder of the any Mortgages, their designees, and assignees.

"Project Assets" means GRANTEE's interest in the Agreement, the rights under this Agreement, the Easement Property, the Project Site, and the Project Improvements.

"Project Improvements" means the levees, ditch plugs, water level control structures, trash guards, access routes, entrances, fences and gates, drainage systems, signs, and all other structures, rights, and facilities used in the construction, restoration, repair, replacement, operation, and maintenance of the Project.

"Project Site" means those portions of the Property on which wetlands are located. Wetlands are identified and located as shown on Exhibit "B", subject to final location determination in an as-built survey.

## **2. TERM OF CONTRACT**

This Agreement shall be for a term of ninety-nine (99) years commencing on the date of this agreement ("Term"). During the initial period of up to five (5) years of the Term ("Initial Period"), GRANTEE shall have the right to study the Project feasibility on the Property and to exercise its other rights under this Agreement.

If, at any time during the Initial Period, GRANTEE determines that the Project is infeasible, GRANTEE shall notify the GRANTOR in writing of such decision and this Agreement shall terminate subject to



the terms set forth in Section 12 of this Agreement.

If GRANTEE receives approval for the Project from the United States Army Corps of Engineers ("USACE") within the Initial Period, the GRANTEE shall notify GRANTOR in writing and provide proof of the approval to GRANTOR within thirty (30) days of the approval at which time the Initial Period will end and this Agreement will continue for the remainder of the Term of ninety-nine (99) years without any additional notice from either Party.

### **3. RIGHTS UNDER THIS AGREEMENT**

**3.1 Grant of Rights under this Agreement.** Each of the rights granted herein are subject to GRANTOR's reserved rights as set forth in Section 5 and are for the exclusive use and benefit of GRANTEE and its successors and assigns unless otherwise specified in this Agreement.

**3.2 Access.** GRANTOR grants GRANTEE the right of access on those portions of the Property identified and located as shown on Exhibit "B" for vehicular and pedestrian ingress to and egress from the Easement Property.

**3.3 Construction Rights.** GRANTOR grants GRANTEE the right to restore wetlands on the Easement Property. GRANTOR further grants GRANTEE the right to maintain, repair, replace, operate, and maintain all or any part of the Project Improvements located within the Easement Property as shown on Exhibit "B" for all wetlands, including levees, ditch plugs, and any other facilities proposed to be located on the Property identified and located as shown on Exhibit "B". GRANTEE may exercise its right to use all or any part of the Easement Property as and when GRANTEE deems it necessary or advisable to do so to perform the activities for which this easement is granted.

When installing, maintaining, or operating the Project, the rights under this Agreement also permit GRANTEE and its consultants, contractors, subcontractors, and other agents authorized to do business in North Dakota the non-exclusive right of entry to do the following: (a) travel on foot or in a pickup truck, SUV, small utility vehicle such as an all-terrain vehicle otherwise known as ATV or UTV, or other similar vehicle onto the Property; and (b) drive and operate heavy equipment onto the Property for construction and maintenance.

Upon completion of the Construction Plan, GRANTEE shall send to GRANTOR written notice of completion which notice terminates any of GRANTEE's rights to the Property that is not the Easement Property or is not part of the Access Rights.

**3.4 As-Built Survey.** Within six (6) months of construction completion, GRANTEE shall deliver to GRANTOR an as-built survey prepared by a surveyor registered in North Dakota. The as-built survey of the Project Site must show the locations of all the Project Improvements as constructed on the Easement Property and ingress/egress route to/from the Easement Property. After the delivery of the as-built survey, GRANTEE agrees that an addendum will be executed by the Parties and attached as an exhibit to this Agreement.

### **4. GRANTEE'S DUTIES AND REPRESENTATIONS**

**4.1 Care and Appearance.** GRANTEE shall conduct all activities associated with the Project in a manner that avoids the degradation of air, land, and water quality and that protects the area's visual resources. GRANTEE shall maintain the Project Improvements in a neat, clean, and presentable condition. GRANTEE shall keep the Property clean and free of debris created by GRANTEE, its agents, assigns, or others. GRANTEE shall maintain access to the Property and ensure all gates

remain closed. GRANTEE shall take necessary precautions to prevent fires.

**4.2 Topsoil.** Prior to construction, maintenance, or removal of Project Improvements, GRANTEE shall reserve the top eight inches (8") of soil, at a minimum, from areas subject to topsoil and subsoil mixing. The reserved soil must be stockpiled to minimize wind and water erosion. Upon completion of construction or maintenance, GRANTEE shall promptly reclaim any disturbed areas. It must be re-contoured to conform to the adjacent natural topography. Rocks or subsoil exposed by excavation must be hauled off or reburied on the Property. The reserved soil must be evenly re-spread over any disturbed areas within twelve (12) months of commencement of construction.

**4.3 Revegetation.** Any disturbed areas must be re-vegetated with a mixture of native perennial grasses as described on Exhibit "C" unless GRANTEE receives prior written approval from GRANTOR to use an alternative seed mixture. Reclamation is not complete until rocks are removed from the surface, erosion is controlled, and the surface is re-vegetated as required by this Agreement.

**4.4 Noxious Weed Control.** GRANTEE shall control all noxious weeds in the Easement Property and any other areas disturbed by GRANTEE, its consultants, contractors, subcontractors, or other agents.

**4.5 Damage to Improvements.** GRANTEE shall notify GRANTOR's surface tenant of the Project construction schedule at least seven (7) calendar days before construction begins and shall repair or replace fences, gates, cattle guards, or other improvements owned by GRANTOR's surface tenant and located on the Property, which have been damaged by the construction, operation, or maintenance of any Project Improvements by GRANTEE.

**4.6 Archeological or Paleontological Items.** If at any time during the Term, including prior to or during construction, archeological or paleontological items are discovered or such items are disturbed, GRANTEE shall notify GRANTOR and immediately cease activities until written approval to resume is given by GRANTOR.

**4.7 Hazardous Materials.** GRANTEE shall comply with any applicable laws or regulations relating to any substance, material, or waste classified as hazardous or toxic, or which is regulated as waste, and agrees to indemnify GRANTOR against any violation by GRANTEE, its agents, assigns, or grantees on the Property or adjacent property.

**4.8 Removal of Project Improvements.** If the Project is terminated for any reason, GRANTOR may require GRANTEE, its agents, successors, or assigns to remove any Project Improvements.

**4.9 Construction Bond; Liens.** GRANTEE shall not permit any liens arising out of GRANTEE's use of the Property under this Agreement to be filed against the Property. GRANTEE shall obtain lien protection in the form of a letter of credit, escrow account, payment of a bond, or another form of insurance pre-approved by GRANTOR to ensure the prompt removal of any lien on the Property created during the construction, repair, or replacement of Project Improvements. In the event that a lien against the Property arises from GRANTEE's use of the Property under this Agreement or otherwise, GRANTEE shall be responsible for prompt payment or removal of such lien. If GRANTEE wishes to contest any such lien, GRANTEE shall, within sixty (60) days after it receives notice of the lien, provide a bond or other security requested by GRANTOR, or remove such lien from the Property in the manner provided by applicable law.

**4.10 Long-term Maintenance Endowment.** GRANTEE shall deposit sufficient funds as determined by GRANTEE and approved by the USACE into an approved account to provide funding for the maintenance, stewardship, repair, and replacement of the project over the Term of this Agreement. GRANTEE shall provide proof of deposit and balance to GRANTOR upon request.

**4.11 Copy of Agreement on site.** GRANTEE, or its agent, shall have a legible copy of this Agreement with them on site for reference during construction, operation, maintenance, or reclamation, and shall present the copy upon request.

**4.12 Limits and Survival of Obligations.** GRANTEE's obligations under this Section 4 shall be limited to only those acts or damages that were caused by GRANTEE, its agents, successors, or assigns and shall survive the expiration or termination of this Agreement, regardless of the cause of such termination.

## **5. GRANTOR RESERVED RIGHTS AND RESERVATIONS**

**5.1 Mineral Reservation.** GRANTEE is not acquiring any subsurface interest through this Agreement. Subsurface interest includes but is not limited to oil, gas, coal, cement materials, sodium sulfate, sand and gravel, scoria, road material, building stone, chemical substances, metallic ores, uranium ores, or colloidal or other clays.

**5.2 Grantor Reserved Rights.** GRANTOR reserves the right to use the Easement Property, to allow others to use the Easement Property for purposes that do not significantly Interfere with GRANTEE's use, and to continue ordinary agricultural operations on the Property, as illustrated by GRANTOR's Surface Land Lease (attached as Exhibit "D"). This Agreement is subject to all existing and future coal, oil, natural gas, uranium, gravel, scoria, clay, and other mineral leases and exploration permits covering the Property. GRANTEE agrees that the holders of such leases or permits may enter upon the Property, including the Easement Property, and conduct exploration and mining operations. This Agreement is subject to all existing and future easements, rights-of-way, and other servitudes covering the Property and GRANTEE agrees to honor same. GRANTEE shall not receive any compensation by reason of such leases, permits, easements, rights-of-way, or servitudes unless otherwise provided for by GRANTOR.

**5.3 Project Non-Obstruction Right.** GRANTEE shall have the right to use, maintain, and capture the free and unobstructed flow of water over Property. The Project Non-Obstruction Right must not be interpreted to prevent GRANTOR from leasing and developing oil and gas and other minerals on the Property; however, no drilling rigs or related structures will be located within the Easement Property. GRANTOR shall consult with and obtain GRANTEE's prior written approval as to the location of all surface structures located on the Easement Property. Approval must be based on appropriate professional engineering, hydrologic, and biologic opinions and whether the proposed structure is likely to cause significant Interference.

The Project Non-Obstruction Right expressly includes the right of GRANTEE to enter on any part of the Easement Property to enforce GRANTEE's rights, including GRANTEE's physical removal of trees or structures causing Interference to the Project. GRANTEE shall obtain written approval from GRANTOR prior to making any such removal(s).

This Project Non-Obstruction Right is granted subject to GRANTOR's retained right to use the Easement Property for uses that do not significantly Interfere with the Project, GRANTEE's operations, or the enjoyment of GRANTEE's rights under this Agreement.

## **6. COMPENSATION**

**6.1 Easement Consideration Payment.** GRANTEE shall pay GRANTOR two (2) payments totaling Ninety-Four Thousand Five Hundred and no/100 Dollars (\$94,500.00). The first nonrefundable payment of Nine Thousand Four Hundred Fifty and no/100 Dollars (\$9,450.00) must be delivered to GRANTOR prior to execution of this Agreement. The second payment of Eighty-Five Thousand Fifty and no/100 Dollars (\$85,050.00) must be paid upon final approval of a wetland mitigation plan by the USACE, and prior to the commencement of construction activities on the Project Site.

**6.2 Interest Charged for Past-Due Compensation and Other Sums Owed.** GRANTEE shall pay interest of one percent (1%) on any compensation, including unpaid partial payments, or other sums owing under the terms of this Agreement, for each thirty (30) day period of delinquency, or fraction thereof, until paid. The thirty (30) day period of delinquency shall commence the date such compensation or other sum is due and payable. In the event GRANTOR pays any sum or incurs any expense which GRANTEE is obligated to satisfy or pay under this Agreement, or which is made on behalf of GRANTEE, GRANTEE shall reimburse GRANTOR upon demand, together with interest thereon from the date of the expenditure at the rate stated above. Any Mortgagee or Assignee exercising its rights under a cure period described in Section 9 of this Agreement shall not be relieved of its liability for paying interest as described herein.

**6.3 Late Charge for Failure to Pay.** In the event GRANTEE fails to make any payment of compensation or other sums owed under this Agreement due within thirty (30) days after the date due, in addition to the interest applicable under Section 6.2, GRANTOR may collect from GRANTEE a late charge equal to six percent (6%) of the amount of the delinquent payment.

**6.4 No Right to Withhold.** GRANTEE shall not withhold any payments to GRANTOR under this Agreement.

## **7. COMPENSATION FOR DAMAGES**

**7.1 Crop and Grass Compensation.** GRANTEE shall compensate GRANTOR for all crops and grass damaged or destroyed as a result of GRANTEE's acts under this Agreement, but in no case shall GRANTEE be required to pay more than a single, total crop and grass loss in any one growing season on any given property. Crop and grass damages will be calculated by the following formula: Unit Price x Unit Yield Per Acre x Acres Damaged = Damages. Prices for damaged or destroyed crops will be based on the average of the previous March 1<sup>st</sup> and September 1<sup>st</sup> Minneapolis Board of Trade prices for that crop. Yield will be the average of the previous three (3) years' yields according to GRANTOR's records for the smallest parcel of land that includes the damaged area. If GRANTOR does not have yield records available, the Parties will use the United States Department of Agriculture Farm Service Agency (USDA FSA) records or other commonly used yield information available for the area. Prices for damaged or destroyed grass will be based on the latest data published by the County Rents and Prices Survey on a per acre basis.

**7.2 Compaction Damages.** GRANTEE shall compensate GRANTOR for all areas on the Property that are seriously compacted as a result of GRANTEE's acts under this Agreement. A seriously compacted area is an area in which the compaction of the soil (*i.e.*, increased density of the soil due to compression by heavy machinery) will reduce the ability to grow crops or grass in such area for more than one (1) growing season. GRANTEE shall remediate any compaction damage and shall be responsible for damage payments in accordance with this Section 7 until remediation is deemed complete. Remediation shall not be deemed complete until written approval is received from GRANTOR. Damages for any seriously compacted areas must be calculated annually using the

following formula: Unit Price x Unit Yield Per Acre x Acres Damaged = Compaction Damages.

**7.3 Fire Compensation.** In the event of a fire caused by GRANTEE or its agent, GRANTEE shall compensate GRANTOR and/or GRANTOR's surface lessee(s) for their losses including forage, crop and any other losses.

**7.4 Determination of Compensation.** The Parties shall agree on the extent of damage and acreage affected. In the event the parties cannot reach an agreement, the area must be measured, and the extent of damage assessed by an impartial party, such as a crop insurance adjuster or extension agent. Payment must be made within thirty (30) days after determining the extent of damage.

## **8. GRANTEE TAXES AND ASSESSMENTS**

GRANTEE shall pay all personal property taxes and assessments levied against the Project Improvements or Project when due. The statement for any taxes GRANTEE owes shall be sent directly to GRANTEE by the assessing authority, to the extent possible.

## **9. FINANCING AND ASSIGNMENT**

**9.1 Right to Assign.** GRANTEE shall not assign or in any way transfer or delegate this Agreement or any rights or duties hereunder, in whole or in part, without prior written consent of GRANTOR. GRANTEE shall send written notice to GRANTOR of any mortgage agreement pertaining to GRANTEE's rights hereunder within sixty (60) days of the effective date of such mortgage agreement. Should any Assignee or Mortgagee be a business or entity with whom GRANTOR is prohibited from conducting business, GRANTOR shall have the right to terminate without cause. Any assignment or other transfer, including mortgaging the Property, without GRANTOR's prior written consent is void and, at GRANTOR's option, shall be grounds for termination of this Agreement.

**9.2 GRANTOR's Obligations.** As a precondition to exercising any rights or remedies related to any alleged default by GRANTEE under this Agreement, GRANTOR shall provide written notice of the default to GRANTEE and any Mortgagees/Assignees then known to GRANTOR, specifying in detail the alleged event of default and the required remedy as set forth in Section 12.3. Each Mortgagee and Assignee shall have the same rights as GRANTEE to cure the default. Failure of GRANTOR to give Mortgagees or Assignees notice of default shall not diminish GRANTOR's rights against GRANTEE but shall preserve all rights of the Mortgagees or Assignees to cure any default and to remove any Project Improvements from the Easement Property.

**9.3 Mortgagee/Assignee Obligations.** Any Mortgagees or Assignees that do not directly hold an interest in the Project Assets, or whose interest is held solely for security purposes, shall have no obligation or liability under this Agreement prior to the time the Mortgagees or Assignees directly holds an interest in this Agreement, or succeeds to absolute title to GRANTEE's interest. GRANTEE shall make it a part of its agreement with any Mortgagees and/or Assignees that the Mortgagees and/or Assignees shall be liable to perform obligations under this Agreement for and during any time period that it directly holds such interest or absolute title. Any Assignment permitted under this Agreement shall not release GRANTEE or other assignor from obligations accruing after the date that liability is assumed by the Assignees.

**9.4 Joint and Several Liability.** In the event of an uncured default by GRANTEE or a holder of GRANTEE's interest in this Agreement or in the event of a termination of this Agreement by mutual agreement of the Parties, operation of law, or otherwise, GRANTEE acknowledges that,

notwithstanding any Assignment, GRANTEE shall remain primarily obligated under this Agreement and GRANTEE and Mortgagees/Assignees shall be co-obligors with joint and several liability for the performance of all obligations set forth hereunder, including, without limitation, the indemnification obligations of GRANTEE as described in Section 20 this Agreement.

**9.5 Extended Cure Period.** If any default by GRANTEE under this Agreement cannot be cured without obtaining possession of all or part of the Project Assets, then any such default shall be deemed remedied if a Mortgagees or Assignees pay GRANTOR all amounts due and: (a) within ninety (90) days after receiving notice from GRANTOR as set forth in Section 9.2, acquires possession of all or part of the Project Assets, or begins appropriate judicial or nonjudicial proceedings to obtain the same; (b) diligently prosecutes any such proceedings to completion; and (c) after gaining possession of all or part of the Project Assets performs all other obligations in the same manner and at the same time as when said obligations are due in accordance with the terms of this Agreement. If Mortgagees or Assignees are prohibited by any court or by operation of any bankruptcy or insolvency laws from commencing or prosecuting the proceedings described above, the ninety (90) day period specified above for commencing proceedings must be extended for a period not to exceed three (3) years.

## **10. INSURANCE**

GRANTEE shall secure adequate insurance from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota and shall maintain such insurance in force through the completion of Project construction.

## **11. NON-RENEWAL**

This Agreement will not automatically renew.

## **12. TERMINATION**

**12.1 Parties' Right to Terminate.** Except as specifically allowed by this Section 12, this Agreement shall not be terminable by either Party unless mutually agreed upon in writing by the Parties to this Agreement.

**12.2 GRANTEE's Right to Terminate.** GRANTEE shall have the right to terminate this Agreement as to all or any part of the Easement Property, or as to any Project Improvement, at any time, effective upon thirty (30) days' written notice to GRANTOR and by satisfying all outstanding obligations under this Agreement as to the part terminated.

**12.3 GRANTOR's Right to Terminate.** Except as qualified by Section 9 and notwithstanding any other provisions of this Agreement, GRANTOR, without any liability, shall have the right to terminate this Agreement and all rights under this Agreement where:

- (a) GRANTEE fails to perform or defaults in its performance of any of the provisions of this Agreement;
- (b) GRANTOR gives GRANTEE and all Mortgagee(s) and Assignee(s), of whom GRANTOR has been notified of, written notice of the default setting forth in reasonable detail the facts pertaining to the default and specifying the method of cure, if GRANTOR knows the method of cure; and

- (c) The default is not remedied within ninety (90) days after GRANTEE, Mortgagees/Assignees receive written notice of default; provided, however, that if the nature or extent of the default is such that more than ninety (90) days are required to cure then GRANTEE, Mortgagees/Assignees must receive written approval from GRANTOR to have an additional ninety (90) days to cure such default and thereafter pursue the same to completion with commercially reasonable diligence. In no event shall GRANTEE, Mortgagees/Assignees have more than one-hundred eighty (180) days to cure such default without prior written consent from GRANTOR.

**12.4 Effect of Termination.** Upon full or partial termination of this Agreement, whether as to all of the rights under this Agreement or only as to some or parts of the rights under this Agreement, GRANTEE shall: (a) upon written request by GRANTOR, execute and record a release of all of GRANTEE's right, title, and interest in the Easement Property, or in those parts of the Easement Property as to which this Agreement has been terminated; and (b) upon request of GRANTOR and as soon as reasonably practicable after termination, remove Project Improvements from the Property and Easement Property as to which this Agreement was terminated.

### **13. FORCE MAJEURE**

Neither Party shall be held responsible for delay or default caused by fire, riot, terrorism, acts of God, or war if the event is beyond the Party's reasonable control. The affected Party shall give notice to the other Party promptly upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default. Delays and defaults shall not relieve GRANTEE from making payments for compensation or any sums due under this Agreement.

### **14. MERGER AND MODIFICATION**

This Agreement constitutes the entire agreement between the Parties. There are no understandings, agreements, or representations, oral or written, not specified within this Agreement. This Agreement may not be modified, supplemented, or amended, in any manner, except by written agreement signed by both Parties. Notwithstanding anything herein to the contrary, in the event of any inconsistency or conflict among the documents making up this Agreement, the terms of this Agreement must control.

### **15. NECESSARY PERMITS AND APPROVALS**

GRANTEE is responsible for obtaining all necessary permits or approval as may be required by state, federal, or local governmental entities.

### **16. SEVERABILITY**

If any term of this Agreement is declared to be illegal or unenforceable by a court having competent jurisdiction, the validity of the remaining terms is unaffected and, if possible, the rights and obligations of the Parties are to be construed and enforced as if this Agreement did not contain that term.

### **17. NOTICE**

All notices or other communications required under this Agreement must be given by registered or certified mail and are complete on the date postmarked when addressed to the Parties at the following addresses:

**IF TO GRANTOR:**

COMMISSIONER OF UNIVERSITY AND SCHOOL LANDS  
1707 NORTH 9TH STREET  
BISMARCK, ND 58501  
Telephone: (701) 328-2800  
Fax: (701) 328-3650

**IF TO GRANTEE:**

MITIGATION PROGRAM  
DUCKS UNLIMITED, INC.  
2525 RIVER ROAD  
BISMARCK, ND 58503  
Telephone: 701-355-3500

For purposes of this section, any Party may change its contact information by giving written notice of such change to the other Party in the manner provided in this Section 17. Notice provided under this provision does not meet the notice requirements for monetary claims against GRANTOR found at N.D.C.C. § 32-12.2-04.

**18. APPLICABLE LAW AND VENUE**

This Agreement is governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this Agreement must be adjudicated exclusively in the state District Court of Burleigh County, North Dakota. Each Party consents to the exclusive jurisdiction of such court and waives any claim of lack of jurisdiction or *forum non conveniens*.

**19. SPOILIATION – NOTICE OF POTENTIAL CLAIMS**

GRANTEE shall promptly notify GRANTOR of all potential claims which arise or result from this Agreement. GRANTEE shall also take all reasonable steps to preserve all physical evidence and information which may be relevant to the circumstances surrounding a potential claim, while maintaining public safety, and grants to the GRANTOR the opportunity to review and inspect the evidence, including the scene of an accident.

**20. INDEMNIFICATION**

GRANTEE agrees to defend, indemnify, and hold harmless GRANTOR, its agencies, agents, officers, and employees ("State"), from and against any claims by any person that are in any way related to GRANTEE's use of the Easement Property, including all costs, expenses, and attorney fees that in any manner result from or arise out of this Agreement.

The legal defense provided by GRANTEE to State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for State is necessary. Any attorney appointed to represent State must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08. GRANTEE also agrees to reimburse State for all costs, expenses, and attorneys' fees incurred if State prevails in an action against GRANTEE in establishing and litigating the indemnification coverage provided in this Section 20. The obligation shall continue after the termination of this Agreement.

**21. ATTORNEY FEES**

In the event a lawsuit is instituted by GRANTOR to obtain performance due under this Agreement,



and GRANTOR is the prevailing party, GRANTEE shall, except when prohibited by N.D.C.C. § 28-26-04, pay GRANTOR's reasonable attorney fees and costs in connection with the lawsuit.

**22. ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL**

By entering into this Agreement, GRANTOR does not agree to binding arbitration, mediation, or any other form of mandatory Alternative Dispute Resolution. The Parties may enforce the rights and remedies in judicial proceedings. GRANTOR does not waive any right to a jury trial.

**23. CONFIDENTIALITY**

GRANTEE shall not use or disclose any information it receives from GRANTOR under this Agreement that GRANTOR has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this Agreement or as authorized in advance by GRANTOR. GRANTOR shall not disclose any information it receives from GRANTEE that GRANTEE has previously identified as confidential and that GRANTOR determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota public records law, N.D.C.C. § 44-04. The duty of GRANTOR and GRANTEE to maintain confidentiality of information under this Section 23 continues beyond the Term of this Agreement.

**24. COMPLIANCE WITH PUBLIC RECORDS LAW**

GRANTEE understands that, except for disclosures prohibited in Section 23, GRANTOR must disclose to the public upon request any records it receives from GRANTEE. GRANTEE further understands that any records obtained or generated by GRANTEE under this Agreement may, under certain circumstances, be open to the public upon request under the North Dakota public records law. GRANTEE agrees to contact GRANTOR promptly upon receiving a request for information under the public records law and to comply with GRANTOR's instructions on how to respond to the request.

**25. RECORDING OF EASEMENT**

GRANTEE shall record this Agreement, together with any and all Amendments, Addendums, or release instruments within thirty (30) days of execution.

**26. INDEPENDENT ENTITY**

GRANTEE is an independent entity under this Agreement and is not a state employee for any purpose, including but not limited to the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. GRANTEE retains sole and absolute discretion in the manner and means of carrying out the GRANTEE's activities and responsibilities under this Agreement, except to the extent specified in this Agreement.

**27. NONDISCRIMINATION AND COMPLIANCE WITH LAWS**

GRANTEE agrees to comply with all applicable laws, rules, regulations and policies, including but not limited to those relating to nondiscrimination, accessibility and civil rights. GRANTEE agrees to timely file all required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including but not limited to sales and use taxes, unemployment compensation, and workers' compensation premiums. GRANTEE shall have and at all times keep current during the Term of this Agreement all licenses and permits required by law. GRANTEE's failure to comply with

this section may be deemed a material breach by GRANTEE and grounds for termination of this Agreement.

**28. AUDIT**

All records, regardless of physical form, and the accounting practices and procedures of GRANTEE relevant to this Agreement are subject to examination by GRANTOR, GRANTOR's designee, the North Dakota State Auditor, the Auditor's designee, or Federal auditors, if required.

**29. COVENANTS RUN WITH LAND**

All covenants contained in this Agreement shall be construed as covenants running with the land, and all rights and powers given to and obligations imposed upon the respective Parties shall be construed as inuring to and binding upon the successors in interest and the permitted Assignees of the Parties hereto, respectively.

**30. EFFECTIVENESS OF AGREEMENT**

This Agreement is not effective until fully executed by both Parties. If no start date is specified, the most recent date of the signatures of the Parties shall be deemed the effective date.

**MITIGATION EASEMENT AGREEMENT**  
Ducks Unlimited, Inc.

**ROW# 7508**  
Page 13 of 24

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2020, at Bismarck, North Dakota.

**GRANTOR:**

STATE OF NORTH DAKOTA  
BOARD OF UNIVERSITY & SCHOOL LANDS

\_\_\_\_\_  
Jodi Smith, Commissioner  
of University and School Lands

STATE OF NORTH DAKOTA )  
  )  
COUNTY OF BURLEIGH     )

ss.

On this \_\_\_\_\_ day of \_\_\_\_\_, 2020, before me personally appeared Jodi Smith, Commissioner of University and School Lands, acting on behalf of the Board of University and School Lands of North Dakota, known to me to be the person who executed this instrument and acknowledged to me that she executed the same.

( S E A L )

\_\_\_\_\_  
Notary Public

**GRANTEE:**

DUCKS UNLIMITED, INC.

\_\_\_\_\_  
(signature) On Behalf of DUCKS UNLIMITED, INC.

STATE OF \_\_\_\_\_ )  
  )  
COUNTY OF \_\_\_\_\_ )

ss.

On this \_\_\_\_\_ day of \_\_\_\_\_, 2020, before me personally appeared \_\_\_\_\_, \_\_\_\_\_ (title), acting on behalf of DUCKS UNLIMITED, INC. known to me to be the person who executed this instrument and acknowledged to me that \_\_\_ executed the same.

( S E A L )

\_\_\_\_\_  
Notary Public

**EXHIBIT A**

**Description and Plat Map of Property**

**MITIGATION EASEMENT AGREEMENT**  
Ducks Unlimited, Inc.

**ROW# 7508**

**EXHIBIT B**

**Construction Plan**

EXHIBIT C

Re-Vegetation Criteria

NORTH DAKOTA  
BOARD OF UNIVERSITY & SCHOOL LANDS  
ND Department of Trust Lands

Native Grass Seeding Specifications

| <u>Species</u>     | <u>lbs.</u><br><u>PLS*/acre</u> |
|--------------------|---------------------------------|
| Western wheatgrass | 8                               |
| Slender wheatgrass | 5                               |
| Green needlegrass  | 4                               |
| Side-oats grama    | <u>2</u>                        |
|                    | 19                              |

\*PLS - Pure Live Seed (based on 50 PLS/sq. feet)

1. The seed bed should be firmly packed (footprints left in the soil should be less than 1/2 inch deep).
2. An early spring seeding (before May 24th) is preferred. A dormant fall seeding (after October 20th) is acceptable.
3. A cover crop of oats at 10 lbs. PLS/acre must be seeded on the disturbed area.
4. A drill designed specifically for native grass seeding will give the best seeding results. The seed should be planted at a depth of 1/2 to 1 inch. Precaution must be taken not to plant the seed too deeply in the soil or poor germination will result.
5. On areas where equipment cannot be used, broadcast seed and rake or drag to cover seed. Where seed is broadcast, double the seeding rate.
6. Use only North Dakota certified seed.

**Caution:** Be sure to clean out the drill before seeding to avoid any contamination with smooth brome grass or crested wheatgrass that may remain in the drill from previous use on private land. These are invasive grasses in native prairie and are not allowed on school trust lands. Contamination with or use of crested wheatgrass or smooth brome will result in the applicant being required to spray out the grass and reseed with the above native grass seed mixture. Sweet clover and alfalfa are also not allowed – only the above native grass seed mixture may be used for revegetation on school trust land.

**EXHIBIT D**

**Land Lease Example**

Expires: « ag\_expiration» **SURFACE LAND LEASE** Lease number: «ag\_In»

The State of North Dakota, acting by and through the Board of University and School Lands ("LESSOR") and its agent, the Commissioner of University and School Lands ("COMMISSIONER"), hereby leases to LESSEE the land in «cy\_name» County, ND & described herein ("the Lease"):

**Township «lm\_twp» North, Range «lm\_rng» West**  
**Section «lm\_sec»: «lm\_subdv»**  
**(the "Land")**

THIS LEASE, executed this **1st day of January, 20\_\_**, between LESSOR and the following LESSEE, is conditioned upon payment of «Paid», before January 1 of each year and LESSEE'S compliance with all of the terms of this Lease. (The first year's rent has been paid.)

«ss\_lessee1» «lessee2»  
«na\_addr1» «lessee3»  
«na\_addr2»  
«na\_city» «na\_state» «na\_zip»

**AUTHORIZED USES**

(Cropland: «crop» Acres) (Hayland: «hay» Acres) (Grazing/Waste: «grazing» Acres)

**TERMS AND CONDITIONS**

1. **LEASE TERM.** The Lease term ("Lease Term") begins on this **1st day of January, 20\_\_**, and ends on «ag\_expiration»
2. **ASSIGNMENTS AND THIRD PARTY USE.** This Lease or any part thereof shall not be assigned, nor shall LESSEE allow the land or any part thereof to be used in any manner by anyone other than LESSEE without the written consent of COMMISSIONER. A grazing permit issued by a grazing association to a member-permittee does not violate this clause.
3. **PROHIBITED USES.** The land shall only be used for the purposes set forth above. LESSEE may **not** cultivate additional acreage or change the location of fields. Other prohibited uses include, but are not limited to, equipment storage; hay storage; trash dumping; rock dumping; feedlots; feeding; draining water on or off the land; mining scoria, gravel, clay, or any other minerals; cutting wood; or allowing others to do the same unless authorized in writing by LESSOR.
4. **NONPERMANENT IMPROVEMENTS.** LESSEE may place nonpermanent improvements, (e.g., fences, corrals, water tanks, and mobile calf creep feeders) on the Land and must remove them within 120 days after the Lease expires. Any nonpermanent improvements not removed within 120 days shall become the property of the next lessee. COMMISSIONER, upon written application from LESSEE before the end of the 120-day period, may, for cause, extend the period of time for removing nonpermanent improvements.

5. **PERMANENT IMPROVEMENTS.** Permanent improvements (e.g., buildings, wells, dams, water holes, water lines, trees) may not be placed on or removed from the Land without written consent of COMMISSIONER. All permanent improvements shall be deemed the property of LESSOR. However, at the discretion of COMMISSIONER, the cost of permanent improvements may be credited to the rent for the following lease years or may be depreciated for the protection of LESSEE'S investment in the event the Land is leased to another person, sold, or exchanged. To be eligible for rent credit or depreciation, the application must be received and approved by COMMISSIONER before construction.

6. **USE AND MAINTENANCE OF PERMANENT IMPROVEMENTS.** LESSEE may use wells, dams, dugouts and water lines on the Land and any other improvements belonging to LESSOR. Said use is subject to payment of any depreciated costs to a prior lessee as defined in paragraph 5. LESSEE shall maintain all improvements belonging to LESSOR, at no expense to LESSOR, in as good condition as received, normal wear excepted. Major repairs must be approved in writing by COMMISSIONER before beginning work. All repairs shall be deemed the property of LESSOR subject only to the right of LESSEE to request depreciation or rent credit, as defined in paragraph 5, for major repairs.

7. **LESSEE ACCEPTS LIABILITY FOR INJURIES AND DAMAGES TO HIMSELF AND OTHERS - CONDITION OF PREMISES.** LESSOR makes no representation concerning the condition, safety, or usability of the Land and any improvements. LESSEE leases the Land and any improvements on an "as is" basis. LESSOR does not covenant that the Land and its improvements are fit or safe for the purposes for which LESSEE intends to use them. LESSEE accepts liability and indemnifies and holds harmless LESSOR for any loss that may be suffered by the person or property of LESSEE, LESSEE'S employees and agents, and anyone else, when such loss is in any way related to LESSEE'S use and management of the Land and its improvements.

8. **RANGELAND USE.** LESSEE shall not allow overgrazing which would result in forage production below the potential in good range condition.

9. **CROPLAND USE.** If cropland is specifically authorized by this Lease, LESSEE shall maintain the Land consistent with good cropping practices for similar soils in the area. LESSEE shall prevent soil loss through erosion in excess of the established soil loss tolerance by the use of crop residue management, reduced tillage practices, grassed waterways, stripcropping, or other accepted conservation practices. Cropland must be farmed under the Federal crop program such that crop bases are maintained unless exempted in writing by COMMISSIONER.

10. **WEED CONTROL.** LESSEE shall control all noxious weeds on the Land and maintain the Land in a reasonably weed free condition.

11. **CONSERVATION PLAN.** LESSOR reserves the right to require LESSEE to implement a soil conservation or range management plan at any time during the Lease to prevent damage or to improve the condition of the Land.

12. **ROAD DITCHES.** LESSEE shall mow and maintain road ditches as required by law.

13. **PUBLIC ACCESS.** LESSEE may not post or otherwise prohibit non-vehicular public access to the land, but exceptions may be granted at the sole discretion of COMMISSIONER. If LESSEE desires to be notified prior to anyone entering the land, LESSEE shall post only signs provided by COMMISSIONER setting forth LESSEE'S name, address, and telephone number. LESSEE may not lease, sell or otherwise charge for access on the land.

14. **ENCUMBRANCES.** This Lease is subject to all existing and future coal, oil, natural gas, uranium, gravel, scoria, clay, and other mineral leases and exploration permits covering the Land. LESSEE agrees that the holders of such leases or permits may enter upon the Land and conduct exploration and mining operations. This Lease is further subject to all existing and future easements, rights-of-way, and other servitudes covering the Land and LESSEE agrees to honor same. LESSEE shall not be entitled to any



**MITIGATION EASEMENT AGREEMENT**  
**Ducks Unlimited, Inc.**

**ROW# 7508**

compensation by reason of such leases, permits, easements, rights-of-way, or servitudes unless otherwise provided for by LESSOR.

15. **RIGHT OF ENTRY.** LESSOR or its agent may enter the Land at any time without notification for the purpose of inspecting the Land and improvements thereon. LESSEE further agrees to allow LESSOR or its agent access to the Land across LESSEE'S property, or property leased by the LESSEE.

16. **SALE OR EXCHANGE.** This Lease is specifically made subject to termination in the event LESSOR notifies LESSEE, during the months of October through January of any year during the Lease Term, that all or a portion of the Land will be sold or exchanged by LESSOR. If the Land is sold or exchanged, LESSEE shall surrender possession of the Land within thirty days of LESSOR mailing to LESSEE a notice of the sale or exchange.

17. **COMPLIANCE WITH LAWS AND REGULATIONS.** LESSEE shall comply with all applicable rules and regulations of the Board of University and School Lands and all applicable state and federal laws, including payment of any taxes levied against the Land or LESSEE'S interest thereon.

18. **FAILURE TO PAY RENT.** If LESSEE fails to pay rent when due, this Lease shall automatically expire on the last day of the lease period for which rent was last paid. In order to enforce such forfeiture of Lease, no demand for rent either written or verbal need be given LESSEE nor is a notice of termination required.

19. **CANCELLATION.** If LESSEE fails to comply with any of the terms and conditions of this Lease, it may be cancelled by LESSOR. Cancellation is effective upon actual delivery of a notice of cancellation by LESSOR, except that no notice is required for cancellation as provided in paragraph 18.

20. **NO WARRANTY OF TITLE.** LESSOR neither warrants nor agrees to defend title to the Land.

21. **ADDITIONAL LEASE PROVISIONS.** This Lease is made subject to any additional lease provisions made known prior to leasing which are hereby attached and made a part hereof.

22. **AMENDMENTS.** Lease amendments must be in writing and executed by both the LESSOR and LESSEE.

IN WITNESS WHEREOF, the State of North Dakota, acting by and through the Board of University and School Lands, has caused this Lease to be executed in its name by its agent, the Commissioner of University and School Lands.

**THE STATE OF NORTH DAKOTA, acting by and through the  
Board of University and School Lands**

Commissioner of University and School Lands

**NORTH DAKOTA DEPARTMENT OF TRUST LANDS**  
1707 N 9<sup>th</sup> Street  
P.O. Box 5523  
Bismarck, ND 58506-5523  
701-328-2800  
<https://land.nd.gov>

SFN14791 (07/2019)

**MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS**

May 28, 2020

**RE: North Dakota Game and Fish Department, N.D.C.C. ch. 15-09 Purchase Request (114 acres in the E $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ W $\frac{1}{2}$ SW $\frac{1}{4}$  Section 16, Township 130 North, Range 50 West, Richland County)**

At the December 18, 2019 Board of University and School Lands' (Board) meeting, information was provided regarding the North Dakota Game and Fish Department's (NDGFD) application to purchase 114 acres for a shooting range and wildlife management area. The application was brought pursuant to N.D.C.C. ch. 15-09 which allows for the purchase of trust lands by public entities for public purposes. The application covers trust land in the E $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ W $\frac{1}{2}$ SW $\frac{1}{4}$  Section 16, T130N, R50W, Richland County (map attached), along North Dakota State Highway 11, 2.25 miles west of Hankinson, North Dakota. Much of the trust land tract is herbaceous wetland with open water. There are approximately 40 acres of upland, much of which has saline soils not conducive to agricultural production.

Two appraisals were completed as follows:

|   |                 | <b>Total</b> |
|---|-----------------|--------------|
| Richland County Appraisal                     | \$2,500.00/acre | \$285,000.00 |
| RM Hoefs & Associates, Inc. (Hoefs Appraisal) | \$720.00/acre   | \$82,000.00  |

The Richland County Appraisal was completed by the Richland County Tax Equalization Director and is comprised of four sales. All four sales were agricultural cropland sales which are not comparable to the trust land. The Richland County appraisal is an agricultural value appraisal which over-estimates the value of the trust land; the trust land's overall utility for agricultural production is poor due to a high-water table, open water, and saline upland soils. The Richland County Appraisal did not consider the tract's highest and best use.

The Hoefs Appraisal considers the trust lands' highest and best use, which was determined to be recreation, wetland, and wildlife conservation land. The Hoefs Appraisal was completed by Rose M. Hoefs, a certified general appraiser, and is comprised of six sales. The Hoefs Appraisal discounts the sales because of the trust lands' high percentage of herbaceous wetlands, reasoning the overall sales price would be discounted since it cannot be cropped and has limited use for livestock forage production. Overall, the water table and salinity of the soils create limitations on the use of the trust lands so it was also reasoned that the sales price would be discounted comparable to land encumbered with wetland easements. The Hoefs Appraisal is well-documented, complete, and is a more accurate reflection of the trust lands' value.

N.D.C.C. § 15-09-04 states, in part:

The board of university and school lands may sell the property described in the application to the applicant at a price not less than the appraised value if the board concludes that the land described in the application is required for the purposes stated in such application and that a conveyance of the property is consistent with this title and the fiduciary responsibilities of the board.

**Recommendation: The Board 1) approve the appraised value of E $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ W $\frac{1}{2}$ SW $\frac{1}{4}$  Section 16, Township 130 North, Range 50 West, Richland County, for public purpose and at a total sales price of \$82,000, plus appraisal (\$3,800) and sales costs, including a Land Sale Fee for conveyance preparation and recording costs (\$100 total), and advertising costs (amount to be determined); and 2) authorize the Commissioner to advertise the proposed**

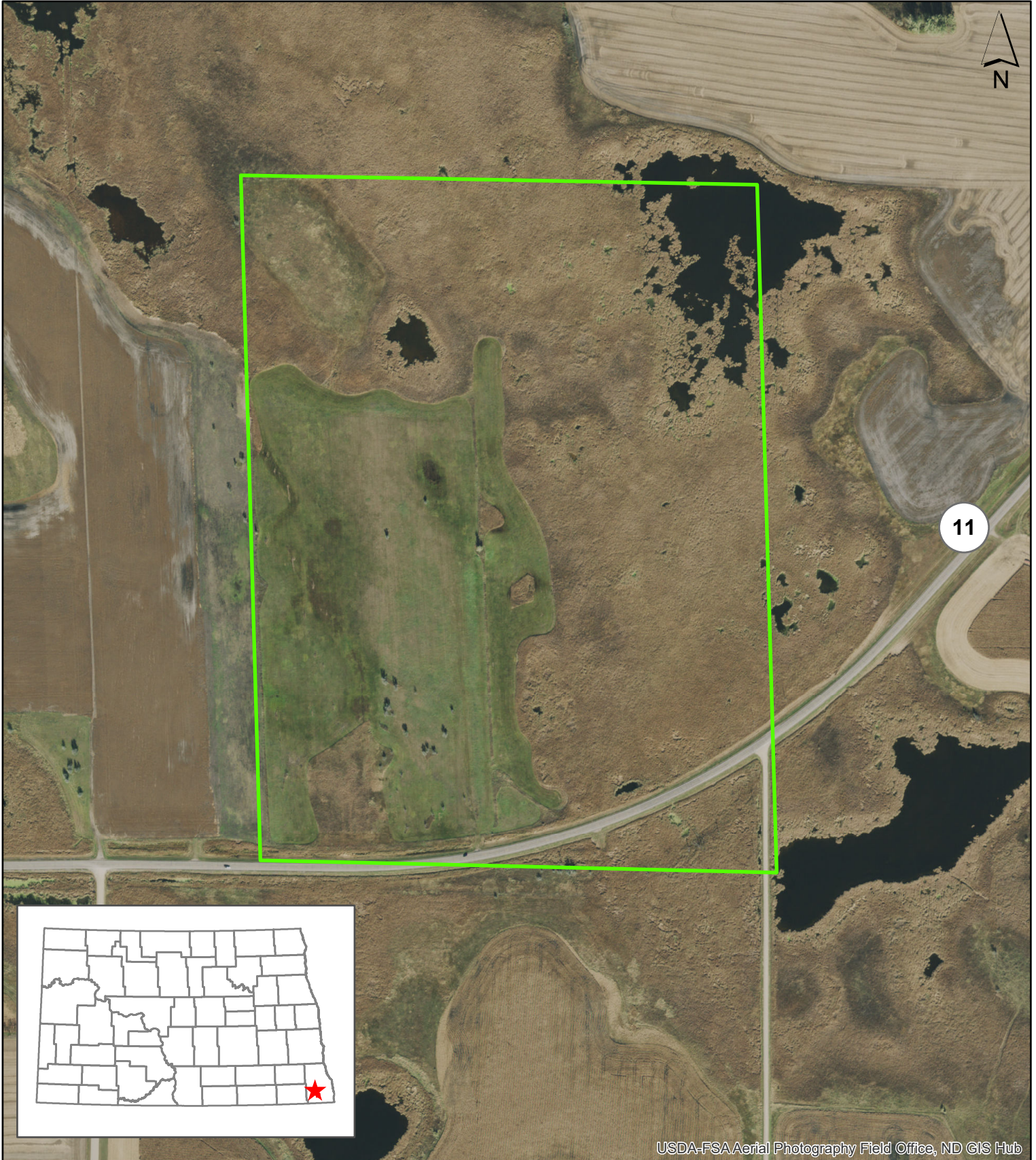
sale, conduct a public hearing, and refer the matter to the Board if needed, or complete the sale to NDGFD on the Board's behalf.

| Action Record              | Motion | Second | Aye | Nay | Absent |
|----------------------------|--------|--------|-----|-----|--------|
| Secretary Jaeger           |        |        |     |     |        |
| Superintendent Baesler     |        |        |     |     |        |
| Treasurer Schmidt          |        |        |     |     |        |
| Attorney General Stenehjem |        |        |     |     |        |
| Governor Burgum            |        |        |     |     |        |

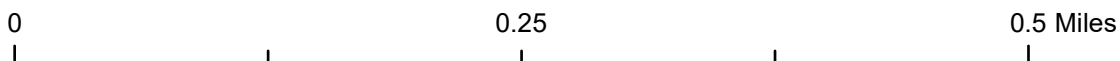
Attachment – Richland County Proposed 15-09 Sale Map

# Proposed 15-09 Land Sale

**16-T130-R50**  
Richland County



USDA-FSA Aerial Photography Field Office, ND GIS Hub



## MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 28, 2020

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**RE: April Performance Report**  
(No Action Requested)

Josh Kevan from RVK will review the performance of the Board of University and School Land's (Board) investment program for the period ending April 30, 2020 and discuss current market conditions. The report to be reviewed is prepared by RVK to enable the Board to monitor and evaluate the collective performance of the permanent trusts' investments and the performance of individual managers within the program. In order to provide an overview of the program and highlight critical information, an executive summary has been incorporated into the Board report with a more comprehensive report available upon request.

Attachment 1: RVK April 2020 Board Report

Attachment 2: RVK 1<sup>st</sup> Quarter 2020 Permanent Trust Fund Performance Analysis Report

Attachment 3: RVK 1<sup>st</sup> Quarter 2020 Ultra-short Performance Report



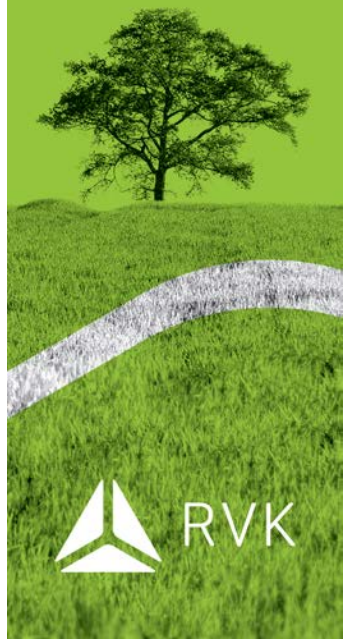
# Investment Performance Analysis

## North Dakota Board of University and School Lands

Period Ended: April 30, 2020



# I. Capital Markets Review

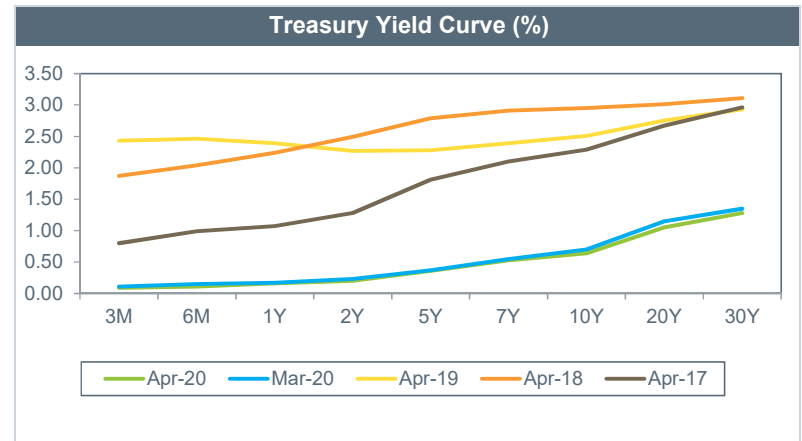


April Economic Environment

Key Economic Indicators

Global Equity markets recovered significant Q1 losses during April, as broad global equities returned roughly 11% during the month. Stocks recovered on news of stronger-than-expected corporate earnings, increased optimism of countries and US states reopening segments of their economies, and in the US – additional monetary and fiscal stimulus to aid businesses and financial markets. Amidst increased optimism, signs of economic and financial market challenges still persist. In the US, it is estimated that 30.3 million Americans filed unemployment claims from the middle of March through the end of April as businesses have laid off or furloughed employees as companies struggle to make payrolls. Unemployment and loss of income has predictably had a large negative impact on the economy at large as US GDP fell 4.8% during Q1 with economists predicting a further decline in Q2. Due to a continued supply glut in crude oil, prices for oil with May delivery briefly dropped below zero for the first time in history as oil inventories approached capacity. Prices plunged over 300% in one day, though prices stabilized as oil settled at \$18.84 per barrel at the end of April.

| Economic Indicators                     | Apr-20   | Mar-20 | Apr-19 | Apr-17 | 20 Yr  |
|---|----------|--------|--------|--------|--------|
| Federal Funds Rate (%)                  | 0.05 ▼   | 0.08   | 2.45   | 0.83   | 1.71   |
| 10 Year US Treasury Yield               | 0.64 ▼   | 0.70   | 2.51   | 2.29   | 6.23   |
| 30 Year US Treasury Yield               | 1.28 ▼   | 1.35   | 2.93   | 2.96   | 5.97   |
| Consumer Price Index YoY (Headline) (%) | 0.3 ▼    | 1.5    | 2.0    | 2.2    | 2.2    |
| Unemployment Rate (%)                   | 14.7 ▲   | 4.4    | 3.6    | 4.4    | 5.9    |
| Real Gross Domestic Product YoY (%)     | N/A      | 0.3    | N/A    | N/A    | N/A    |
| PMI - Manufacturing                     | 41.5 ▼   | 49.1   | 53.4   | 55.5   | 52.5   |
| USD Dollar Total Weighted Index         | 122.67 ▼ | 122.82 | 115.24 | 114.76 | 103.03 |
| WTI Crude Oil per Barrel (\$)           | 18.8 ▼   | 20.5   | 63.9   | 49.3   | 62.1   |

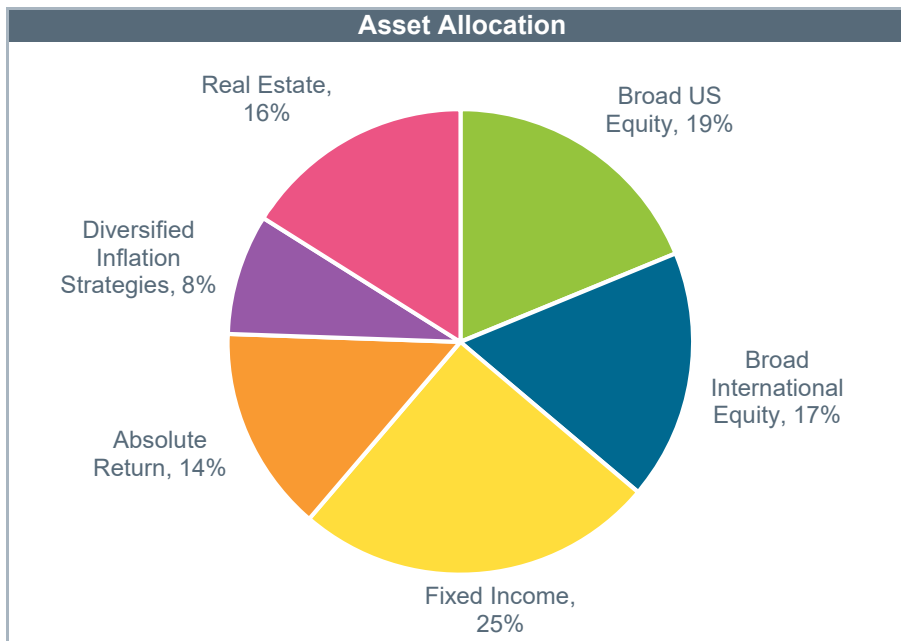


| Market Performance (%)                   | QTD   | CYTD   | 1 Yr   | 3 Yr  | 5 Yr  | 10 Yr | 15 Yr | 20 Yr |
|--|-------|--------|--------|-------|-------|-------|-------|-------|
| S&P 500 Index (US Large Cap Equity)      | 12.82 | -9.29  | 0.86   | 9.04  | 9.12  | 11.69 | 8.59  | 5.58  |
| US Small Cap Equity                      | 13.74 | -21.08 | -16.39 | -0.82 | 2.88  | 7.69  | 7.04  | 6.29  |
| Developed International Equity           | 6.46  | -17.84 | -11.34 | -0.58 | -0.17 | 3.55  | 3.65  | 2.59  |
| Developed International Small Cap Equity | 10.40 | -19.99 | -12.28 | -1.01 | 2.07  | 5.67  | 5.26  | 6.55  |
| Emerging Markets Equity                  | 9.16  | -16.60 | -12.00 | 0.57  | -0.10 | 1.45  | 6.26  | 6.12  |
| US Aggregate Bond                        | 1.78  | 4.98   | 10.84  | 5.17  | 3.80  | 3.96  | 4.43  | 5.19  |
| 3 Month US Treasury Bill                 | 0.01  | 0.58   | 2.07   | 1.81  | 1.19  | 0.64  | 1.37  | 1.71  |
| US Real Estate                           | 0.00  | 0.98   | 4.88   | 6.81  | 8.46  | 11.45 | 7.48  | 8.07  |
| Real Estate Investment Trusts (REITs)    | 8.30  | -21.27 | -14.53 | -0.57 | 2.41  | 7.53  | 6.38  | 9.47  |
| Commodities                              | -1.54 | -24.47 | -23.18 | -8.62 | -9.07 | -7.07 | -4.70 | -0.72 |

Treasury data courtesy of the US Department of the Treasury. Economic data courtesy of Bloomberg Professional Service. Real Gross Domestic Product YoY (%) is available quarterly. Real estate is reported quarterly; QTD returns are shown as "0.00" on interim-quarter months and until available. As of 05/18, WTI Crude Oil Per Barrel was \$31.82.

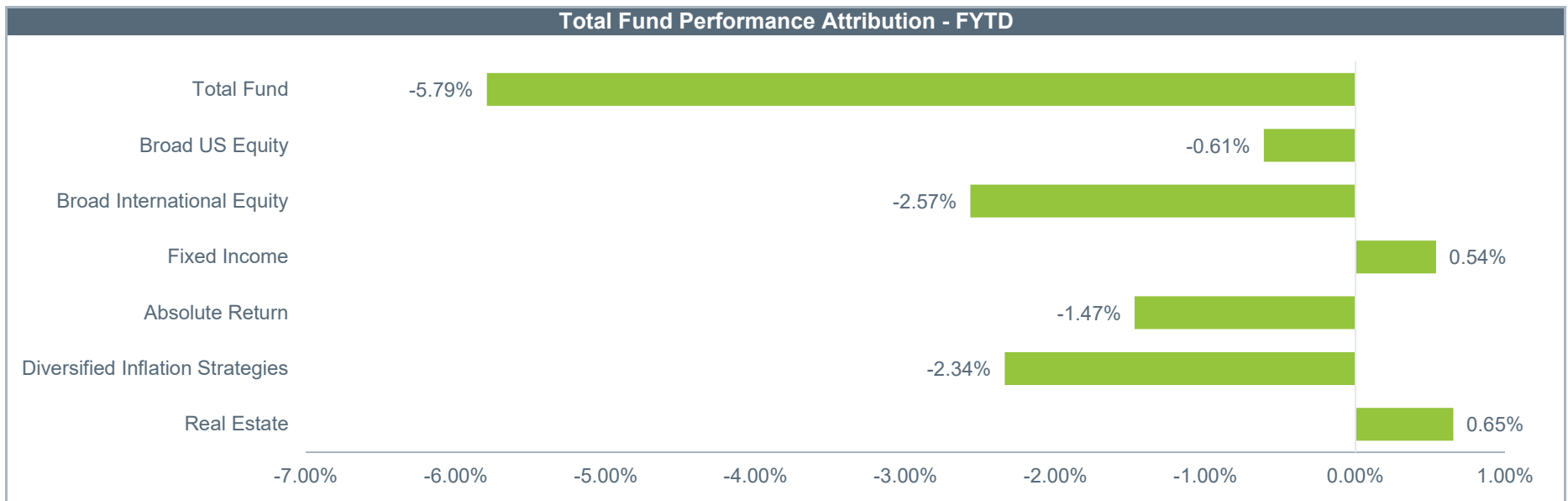


## II. Total Fund



### Asset Allocation vs. Target Allocation

|  | Asset Allocation (\$000) | Asset Allocation (%) | Target Allocation (%) |
|--|--------------------------|----------------------|-----------------------|
| Total Fund                             | 4,632,648                | 100.00               | 100.00                |
| Broad US Equity                        | 870,947                  | 18.80                | 18.50                 |
| Broad International Equity             | 804,419                  | 17.36                | 18.50                 |
| Fixed Income                           | 1,162,276                | 25.09                | 23.00                 |
| Absolute Return                        | 662,399                  | 14.30                | 15.00                 |
| Diversified Inflation Strategies (DIS) | 388,016                  | 8.38                 | 10.00                 |
| Real Estate                            | 744,591                  | 16.07                | 15.00                 |



Performance shown is net of fees. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Allocations shown may not sum up to 100% exactly due to rounding.

North Dakota Board of University and School Lands  
Comparative Performance

As of April 30, 2020

|   | QTD          | CYTD          | FYTD          | 1<br>Year     | 3<br>Years   | 5<br>Years   | 7<br>Years  | 10<br>Years  | Since<br>Incep. | Inception<br>Date |
|---|--------------|---------------|---------------|---------------|--------------|--------------|-------------|--------------|-----------------|-------------------|
| <b>Total Fund</b>                             | <b>6.00</b>  | <b>-9.89</b>  | <b>-5.79</b>  | <b>-4.99</b>  | <b>1.80</b>  | <b>2.14</b>  | <b>3.40</b> | <b>5.09</b>  | <b>6.12</b>     | <b>08/01/1995</b> |
| Target Allocation Index                       | 7.09         | -6.68         | -1.91         | -0.59         | 3.82         | 3.90         | 4.99        | 6.34         | N/A             |                   |
| Difference                                    | -1.09        | -3.21         | -3.88         | -4.40         | -2.02        | -1.76        | -1.59       | -1.25        | N/A             |                   |
| <b>Broad US Equity</b>                        | <b>13.56</b> | <b>-11.43</b> | <b>-2.92</b>  | <b>-2.75</b>  | <b>7.35</b>  | <b>8.11</b>  | <b>9.72</b> | <b>10.40</b> | <b>12.74</b>    | <b>07/01/2009</b> |
| Russell 3000 Index                            | 13.24        | -10.42        | -1.14         | -1.04         | 8.02         | 8.33         | 10.66       | 11.29        | 13.35           |                   |
| Difference                                    | 0.32         | -1.01         | -1.78         | -1.71         | -0.67        | -0.22        | -0.94       | -0.89        | -0.61           |                   |
| <b>Broad International Equity</b>             | <b>8.03</b>  | <b>-19.25</b> | <b>-13.34</b> | <b>-13.38</b> | <b>-1.91</b> | <b>-0.89</b> | <b>1.52</b> | <b>2.79</b>  | <b>4.36</b>     | <b>07/01/2009</b> |
| MSCI ACW Ex US Index (USD) (Net)              | 7.58         | -17.55        | -11.80        | -11.51        | -0.25        | -0.17        | 1.59        | 2.89         | 4.80            |                   |
| Difference                                    | 0.45         | -1.70         | -1.54         | -1.87         | -1.66        | -0.72        | -0.07       | -0.10        | -0.44           |                   |
| <b>Fixed Income</b>                           | <b>1.85</b>  | <b>-0.31</b>  | <b>2.02</b>   | <b>4.60</b>   | <b>3.14</b>  | <b>2.81</b>  | <b>2.54</b> | <b>3.74</b>  | <b>5.50</b>     | <b>08/01/1995</b> |
| Global Fixed Income Custom Index              | 2.00         | 3.33          | 6.00          | 9.15          | 4.86         | 3.77         | 3.10        | 3.91         | N/A             |                   |
| Difference                                    | -0.15        | -3.64         | -3.98         | -4.55         | -1.72        | -0.96        | -0.56       | -0.17        | N/A             |                   |
| Bloomberg US Agg Bond Index                   | 1.78         | 4.98          | 7.56          | 10.84         | 5.17         | 3.80         | 3.30        | 3.96         | 5.38            |                   |
| Difference                                    | 0.07         | -5.29         | -5.54         | -6.24         | -2.03        | -0.99        | -0.76       | -0.22        | 0.12            |                   |
| <b>Absolute Return</b>                        | <b>6.41</b>  | <b>-12.39</b> | <b>-9.76</b>  | <b>-8.91</b>  | <b>-0.53</b> | <b>0.38</b>  | <b>N/A</b>  | <b>N/A</b>   | <b>0.17</b>     | <b>07/01/2014</b> |
| Absolute Return Custom Index                  | 7.32         | -6.32         | -0.40         | 0.95          | 4.69         | 4.23         | 5.15        | 5.97         | 4.18            |                   |
| Difference                                    | -0.91        | -6.07         | -9.36         | -9.86         | -5.22        | -3.85        | N/A         | N/A          | -4.01           |                   |
| Consumer Price Index+5%                       | -0.26        | 1.41          | 4.25          | 5.35          | 6.67         | 6.70         | 6.48        | 6.72         | 6.32            |                   |
| Difference                                    | 6.67         | -13.80        | -14.01        | -14.26        | -7.20        | -6.32        | N/A         | N/A          | -6.15           |                   |
| <b>Diversified Inflation Strategies (DIS)</b> | <b>10.71</b> | <b>-22.52</b> | <b>-22.72</b> | <b>-22.63</b> | <b>-8.20</b> | <b>-7.21</b> | <b>N/A</b>  | <b>N/A</b>   | <b>-4.21</b>    | <b>04/01/2014</b> |
| DIS Custom Index                              | 16.80        | -15.69        | -15.73        | -14.08        | -4.63        | -3.95        | -2.48       | 1.75         | -1.87           |                   |
| Difference                                    | -6.09        | -6.83         | -6.99         | -8.55         | -3.57        | -3.26        | N/A         | N/A          | -2.34           |                   |
| <b>Real Estate</b>                            | <b>0.00</b>  | <b>0.86</b>   | <b>3.77</b>   | <b>4.31</b>   | <b>7.04</b>  | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>   | <b>7.93</b>     | <b>07/01/2015</b> |
| NCREIF ODCE Index (AWA) (Net)                 | 0.00         | 0.75          | 3.14          | 3.93          | 5.85         | 7.48         | 8.91        | 10.42        | 6.96            |                   |
| Difference                                    | 0.00         | 0.11          | 0.63          | 0.38          | 1.19         | N/A          | N/A         | N/A          | 0.97            |                   |

Real Estate composite and index performance is available on a quarterly basis. Interim period performance assumes a 0.00% return.

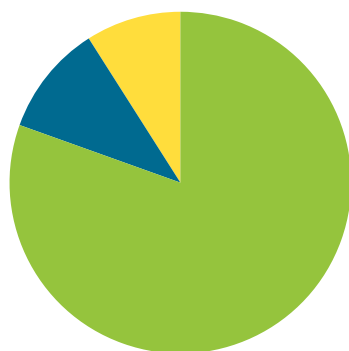
Performance shown is net of fees. Composite inception dates are based on availability of data for each asset class. Please see the Addendum for custom index definitions. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Fiscal year ends 06/30.

Comparative Performance

|  | QTD          | CYTD          | FYTD          | 1<br>Year     | 3<br>Years  | 5<br>Years  | 7<br>Years  | 10<br>Years  | Since<br>Incep. | Inception<br>Date |
|--|--------------|---------------|---------------|---------------|-------------|-------------|-------------|--------------|-----------------|-------------------|
| <b>Broad US Equity</b>                         | <b>13.56</b> | <b>-11.43</b> | <b>-2.92</b>  | <b>-2.75</b>  | <b>7.35</b> | <b>8.11</b> | <b>9.72</b> | <b>10.40</b> | <b>12.74</b>    | <b>07/01/2009</b> |
| Russell 3000 Index                             | 13.24        | -10.42        | -1.14         | -1.04         | 8.02        | 8.33        | 10.66       | 11.29        | 13.35           |                   |
| Difference                                     | 0.32         | -1.01         | -1.78         | -1.71         | -0.67       | -0.22       | -0.94       | -0.89        | -0.61           |                   |
| <b>State Street Russell 1000 Index SL (CF)</b> | <b>13.21</b> | <b>-9.69</b>  | <b>-0.13</b>  | <b>0.05</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>   | <b>8.44</b>     | <b>06/01/2017</b> |
| Russell 1000 Index                             | 13.21        | -9.68         | -0.11         | 0.09          | 8.68        | 8.74        | 10.99       | 11.57        | 8.47            |                   |
| Difference                                     | 0.00         | -0.01         | -0.02         | -0.04         | N/A         | N/A         | N/A         | N/A          | -0.03           |                   |
| <b>State Street Russell Mid Cap Index (SA)</b> | <b>14.33</b> | <b>-16.56</b> | <b>-10.27</b> | <b>-10.02</b> | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>   | <b>3.25</b>     | <b>06/01/2017</b> |
| Russell Mid Cap Index                          | 14.36        | -16.60        | -10.28        | -10.00        | 3.46        | 4.81        | 8.21        | 9.83         | 3.24            |                   |
| Difference                                     | -0.03        | 0.04          | 0.01          | -0.02         | N/A         | N/A         | N/A         | N/A          | 0.01            |                   |
| <b>NT Small Cap Core (CF)</b>                  | <b>15.64</b> | <b>-19.09</b> | <b>-15.11</b> | <b>-15.03</b> | <b>1.72</b> | <b>4.50</b> | <b>6.73</b> | <b>7.97</b>  | <b>3.66</b>     | <b>07/01/2014</b> |
| Russell 2000 Index                             | 13.74        | -21.08        | -15.32        | -16.39        | -0.82       | 2.88        | 6.20        | 7.69         | 3.04            |                   |
| Difference                                     | 1.90         | 1.99          | 0.21          | 1.36          | 2.54        | 1.62        | 0.53        | 0.28         | 0.62            |                   |

Asset Allocation by Manager

\$870,946,989



|   | Market Value<br>(\$) | Allocation<br>(%) |
|---|----------------------|-------------------|
| State Street Russell 1000 Index SL (CF) | 700,872,613          | 80.47             |
| NT Small Cap Core (CF)                  | 91,469,769           | 10.50             |
| State Street Russell Mid Cap Index (SA) | 78,604,607           | 9.03              |

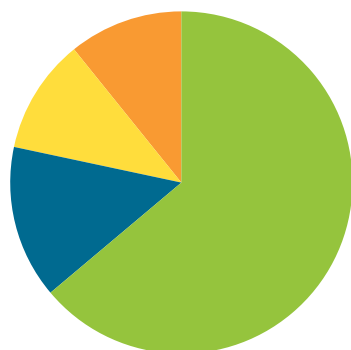
Performance shown is net of fees. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Allocations shown may not sum up to 100% exactly due to rounding. Fiscal year ends 06/30.

Comparative Performance

|  | QTD          | CYTD          | FYTD          | 1 Year        | 3 Years      | 5 Years      | 7 Years     | 10 Years    | Since Incep.  | Inception Date    |
|--|--------------|---------------|---------------|---------------|--------------|--------------|-------------|-------------|---------------|-------------------|
| <b>Broad International Equity</b>              | <b>8.03</b>  | <b>-19.25</b> | <b>-13.34</b> | <b>-13.38</b> | <b>-1.91</b> | <b>-0.89</b> | <b>1.52</b> | <b>2.79</b> | <b>4.36</b>   | <b>07/01/2009</b> |
| MSCI ACW Ex US Index (USD) (Net)               | 7.58         | -17.55        | -11.80        | -11.51        | -0.25        | -0.17        | 1.59        | 2.89        | 4.80          |                   |
| Difference                                     | 0.45         | -1.70         | -1.54         | -1.87         | -1.66        | -0.72        | -0.07       | -0.10       | -0.44         |                   |
| <b>State Street World Ex US Index (CF)</b>     | <b>6.96</b>  | <b>-17.93</b> | <b>-12.33</b> | <b>-11.56</b> | <b>-0.62</b> | <b>-0.34</b> | <b>N/A</b>  | <b>N/A</b>  | <b>-0.59</b>  | <b>07/01/2014</b> |
| MSCI Wrld Ex US Index (USD) (Net)              | 6.97         | -17.91        | -12.28        | -11.47        | -0.55        | -0.27        | 1.77        | 3.28        | -0.51         |                   |
| Difference                                     | -0.01        | -0.02         | -0.05         | -0.09         | -0.07        | -0.07        | N/A         | N/A         | -0.08         |                   |
| <b>QMA International Small Cap Equity (CF)</b> | <b>10.34</b> | <b>-22.24</b> | <b>-14.80</b> | <b>-16.23</b> | <b>N/A</b>   | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>-15.37</b> | <b>02/01/2018</b> |
| MSCI EAFE Sm Cap Index (USD) (Net)             | 10.40        | -19.99        | -11.16        | -12.28        | -1.01        | 2.07         | 4.25        | 5.67        | -10.40        |                   |
| Difference                                     | -0.06        | -2.25         | -3.64         | -3.95         | N/A          | N/A          | N/A         | N/A         | -4.97         |                   |
| <b>DFA Emg Mkts Core Eq;l (DFCEX)</b>          | <b>10.85</b> | <b>-20.53</b> | <b>-15.81</b> | <b>-16.21</b> | <b>-2.65</b> | <b>-1.30</b> | <b>N/A</b>  | <b>N/A</b>  | <b>-1.02</b>  | <b>07/01/2014</b> |
| MSCI Emg Mkts Index (USD) (Net)                | 9.16         | -16.60        | -10.69        | -12.00        | 0.57         | -0.10        | 0.74        | 1.45        | 0.17          |                   |
| Difference                                     | 1.69         | -3.93         | -5.12         | -4.21         | -3.22        | -1.20        | N/A         | N/A         | -1.19         |                   |
| <b>Harding Loevner:IEM;IZ (HLEZX)</b>          | <b>8.56</b>  | <b>-21.42</b> | <b>-14.76</b> | <b>-16.69</b> | <b>-1.67</b> | <b>0.26</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>-0.24</b>  | <b>07/01/2014</b> |
| MSCI Emg Mkts Index (USD) (Net)                | 9.16         | -16.60        | -10.69        | -12.00        | 0.57         | -0.10        | 0.74        | 1.45        | 0.17          |                   |
| Difference                                     | -0.60        | -4.82         | -4.07         | -4.69         | -2.24        | 0.36         | N/A         | N/A         | -0.41         |                   |

Asset Allocation by Manager

\$804,418,753



|   | Market Value (\$) | Allocation (%) |
|---|-------------------|----------------|
| State Street World Ex US Index (CF)     | 513,752,979       | 63.9           |
| QMA International Small Cap Equity (CF) | 116,421,419       | 14.5           |
| DFA Emg Mkts Core Eq;l (DFCEX)          | 87,431,559        | 10.9           |
| Harding Loevner:IEM;IZ (HLEZX)          | 86,812,796        | 10.8           |

Performance shown is net of fees. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Allocations shown may not sum up to 100% exactly due to rounding. Fiscal year ends 06/30.

| Comparative Performance                    |             |              |              |              |             |             |             |             |              |                   |
|--|-------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|--------------|-------------------|
|  | QTD         | CYTD         | FYTD         | 1 Year       | 3 Years     | 5 Years     | 7 Years     | 10 Years    | Since Incep. | Inception Date    |
| <b>Fixed Income</b>                        | <b>1.85</b> | <b>-0.31</b> | <b>2.02</b>  | <b>4.60</b>  | <b>3.14</b> | <b>2.81</b> | <b>2.54</b> | <b>3.74</b> | <b>5.50</b>  | <b>08/01/1995</b> |
| Global Fixed Income Custom Index           | 2.00        | 3.33         | 6.00         | 9.15         | 4.86        | 3.77        | 3.10        | 3.91        | N/A          |                   |
| Difference                                 | -0.15       | -3.64        | -3.98        | -4.55        | -1.72       | -0.96       | -0.56       | -0.17       | N/A          |                   |
| Bloomberg US Agg Bond Index                | 1.78        | 4.98         | 7.56         | 10.84        | 5.17        | 3.80        | 3.30        | 3.96        | 5.38         |                   |
| Difference                                 | 0.07        | -5.29        | -5.54        | -6.24        | -2.03       | -0.99       | -0.76       | -0.22       | 0.12         |                   |
| <b>Payden &amp; Rygel Long Term (SA)</b>   | <b>2.05</b> | <b>1.82</b>  | <b>4.46</b>  | <b>7.68</b>  | <b>4.71</b> | <b>3.84</b> | <b>3.37</b> | <b>4.33</b> | <b>5.86</b>  | <b>08/01/1995</b> |
| Bloomberg US Agg Bond Index                | 1.78        | 4.98         | 7.56         | 10.84        | 5.17        | 3.80        | 3.30        | 3.96        | 5.38         |                   |
| Difference                                 | 0.27        | -3.16        | -3.10        | -3.16        | -0.46       | 0.04        | 0.07        | 0.37        | 0.48         |                   |
| <b>JP Morgan FI Intermediate Bond (SA)</b> | <b>1.45</b> | <b>3.22</b>  | <b>5.07</b>  | <b>7.41</b>  | <b>4.02</b> | <b>3.11</b> | <b>2.68</b> | <b>N/A</b>  | <b>2.66</b>  | <b>08/01/2012</b> |
| Bloomberg US Gov't Crdt Int Trm Bond Index | 1.41        | 3.84         | 5.66         | 8.18         | 4.06        | 3.06        | 2.57        | 3.20        | 2.54         |                   |
| Difference                                 | 0.04        | -0.62        | -0.59        | -0.77        | -0.04       | 0.05        | 0.11        | N/A         | 0.12         |                   |
| <b>Brandywine Gbl Opp FI (CF)</b>          | <b>3.96</b> | <b>-7.72</b> | <b>-5.49</b> | <b>-1.41</b> | <b>0.52</b> | <b>0.82</b> | <b>N/A</b>  | <b>N/A</b>  | <b>0.55</b>  | <b>11/01/2014</b> |
| FTSE Wrld Gov't Bond Index                 | 1.19        | 3.22         | 3.73         | 7.97         | 4.24        | 2.98        | 1.50        | 2.35        | 2.20         |                   |
| Difference                                 | 2.77        | -10.94       | -9.22        | -9.38        | -3.72       | -2.16       | N/A         | N/A         | -1.65        |                   |
| <b>AG Direct Lending III LP (SA)</b>       | <b>0.00</b> | <b>0.00</b>  | <b>5.26</b>  | <b>7.66</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>7.38</b>  | <b>09/01/2018</b> |
| CS Lvg'd Loan Index                        | 0.00        | 0.00         | 0.92         | 0.92         | 3.34        | 3.58        | 3.70        | 4.43        | 2.27         |                   |
| Difference                                 | 0.00        | 0.00         | 4.34         | 6.74         | N/A         | N/A         | N/A         | N/A         | 5.11         |                   |
| <b>Schroders Securitized Credit (SA)</b>   | <b>2.20</b> | <b>-5.36</b> | <b>-4.18</b> | <b>-3.60</b> | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>-1.36</b> | <b>12/01/2018</b> |
| 3 Month LIBOR Index (USD)+1.75%            | 0.46        | 1.40         | 3.47         | 4.27         | 3.88        | 3.26        | 2.90        | 2.67        | 4.37         |                   |
| Difference                                 | 1.74        | -6.76        | -7.65        | -7.87        | N/A         | N/A         | N/A         | N/A         | -5.73        |                   |
| <b>ND Land - PTF Cash (SA)</b>             | <b>0.03</b> | <b>0.34</b>  | <b>1.65</b>  | <b>2.07</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>1.83</b>  | <b>07/01/2017</b> |
| ICE BofAML 3 Mo US T-Bill Index            | 0.01        | 0.58         | 1.61         | 2.07         | 1.81        | 1.19        | 0.86        | 0.64        | 1.87         |                   |
| Difference                                 | 0.02        | -0.24        | 0.04         | 0.00         | N/A         | N/A         | N/A         | N/A         | -0.04        |                   |
| <b>FLP (Loans)</b>                         | <b>0.29</b> | <b>1.41</b>  | <b>3.84</b>  | <b>4.70</b>  | <b>5.56</b> | <b>5.76</b> | <b>5.80</b> | <b>5.87</b> | <b>7.11</b>  | <b>08/01/1995</b> |
| <b>ECLP (Loans)</b>                        | <b>0.38</b> | <b>1.53</b>  | <b>3.81</b>  | <b>4.62</b>  | <b>4.54</b> | <b>4.64</b> | <b>4.75</b> | <b>N/A</b>  | <b>5.02</b>  | <b>11/01/2010</b> |

Performance shown is net of fees. Performance for AG Direct Lending Fund III, L.P. is available quarterly. Interim period performance assumes a 0.00% return. The Global Fixed Income Custom Index currently consists of the Bloomberg US Unv Bond Index. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Fiscal year ends 06/30. In 03/2020, Payden:Low Dur;Inv (PYSBX) (Low Duration FI) was liquidated.

Asset Allocation by Manager



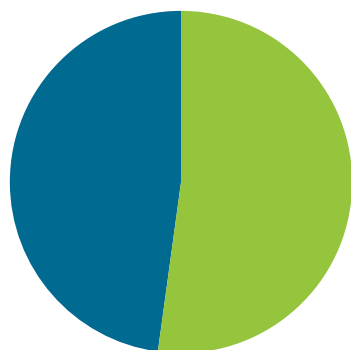
RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Allocations shown may not sum up to 100% exactly due to rounding.

Comparative Performance

|   | QTD         | CYTD          | FYTD          | 1 Year        | 3 Years      | 5 Years      | 7 Years    | 10 Years   | Since Incep. | Inception Date    |
|---|-------------|---------------|---------------|---------------|--------------|--------------|------------|------------|--------------|-------------------|
| <b>Absolute Return</b>                  | <b>6.41</b> | <b>-12.39</b> | <b>-9.76</b>  | <b>-8.91</b>  | <b>-0.53</b> | <b>0.38</b>  | <b>N/A</b> | <b>N/A</b> | <b>0.17</b>  | <b>07/01/2014</b> |
| Absolute Return Custom Index            | 7.32        | -6.32         | -0.40         | 0.95          | 4.69         | 4.23         | 5.15       | 5.97       | 4.18         |                   |
| Difference                              | -0.91       | -6.07         | -9.36         | -9.86         | -5.22        | -3.85        | N/A        | N/A        | -4.01        |                   |
| <b>GMO:Bchmk-Fr All;IV (GBMBX)</b>      | <b>6.92</b> | <b>-10.21</b> | <b>-6.48</b>  | <b>-6.34</b>  | <b>0.52</b>  | <b>0.60</b>  | <b>N/A</b> | <b>N/A</b> | <b>0.49</b>  | <b>07/01/2014</b> |
| 60% MSCI ACW (Net)/40% Bbrg Gbl Agg Idx | 7.21        | -7.04         | -1.62         | 0.01          | 4.51         | 3.99         | 4.57       | 5.44       | 3.40         |                   |
| Difference                              | -0.29       | -3.17         | -4.86         | -6.35         | -3.99        | -3.39        | N/A        | N/A        | -2.91        |                   |
| Consumer Price Index+5%                 | -0.26       | 1.41          | 4.25          | 5.35          | 6.67         | 6.70         | 6.48       | 6.72       | 6.32         |                   |
| Difference                              | 7.18        | -11.62        | -10.73        | -11.69        | -6.15        | -6.10        | N/A        | N/A        | -5.83        |                   |
| <b>PIMCO:All Ast Ath;Inst (PAUIX)</b>   | <b>5.86</b> | <b>-14.64</b> | <b>-13.16</b> | <b>-11.53</b> | <b>-2.79</b> | <b>-1.19</b> | <b>N/A</b> | <b>N/A</b> | <b>-1.96</b> | <b>07/01/2014</b> |
| All Asset Custom Index (EqI Wtd)        | 4.34        | -2.61         | 1.43          | 3.04          | 4.44         | 4.03         | 4.02       | 4.94       | 3.67         |                   |
| Difference                              | 1.52        | -12.03        | -14.59        | -14.57        | -7.23        | -5.22        | N/A        | N/A        | -5.63        |                   |
| Consumer Price Index+5%                 | -0.26       | 1.41          | 4.25          | 5.35          | 6.67         | 6.70         | 6.48       | 6.72       | 6.32         |                   |
| Difference                              | 6.12        | -16.05        | -17.41        | -16.88        | -9.46        | -7.89        | N/A        | N/A        | -8.28        |                   |

Asset Allocation by Manager

\$662,399,351

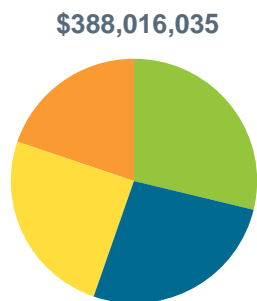


|                                | Market Value (\$) | Allocation (%) |
|--------------------------------|-------------------|----------------|
| GMO:Bchmk-Fr All;IV (GBMBX)    | 345,478,916       | 52.16          |
| PIMCO:All Ast Ath;Inst (PAUIX) | 316,920,435       | 47.84          |



| Comparative Performance                       |              |               |               |               |               |              |             |             |               |                   |
|---|--------------|---------------|---------------|---------------|---------------|--------------|-------------|-------------|---------------|-------------------|
|   | QTD          | CYTD          | FYTD          | 1 Year        | 3 Years       | 5 Years      | 7 Years     | 10 Years    | Since Incep.  | Inception Date    |
| <b>Diversified Inflation Strategies (DIS)</b> | <b>10.71</b> | <b>-22.52</b> | <b>-22.72</b> | <b>-22.63</b> | <b>-8.20</b>  | <b>-7.21</b> | <b>N/A</b>  | <b>N/A</b>  | <b>-4.21</b>  | <b>04/01/2014</b> |
| DIS Custom Index                              | 16.80        | -15.69        | -15.73        | -14.08        | -4.63         | -3.95        | -2.48       | 1.75        | -1.87         |                   |
| Difference                                    | -6.09        | -6.83         | -6.99         | -8.55         | -3.57         | -3.26        | N/A         | N/A         | -2.34         |                   |
| <b>NT Common TIPS Index (CF)</b>              | <b>2.80</b>  | <b>4.65</b>   | <b>6.84</b>   | <b>9.52</b>   | <b>4.27</b>   | <b>3.13</b>  | <b>1.68</b> | <b>3.55</b> | <b>4.32</b>   | <b>06/01/2004</b> |
| Bloomberg US Trsy US TIPS Index               | 2.78         | 4.52          | 6.76          | 9.46          | 4.21          | 3.08         | 1.65        | 3.52        | 4.27          |                   |
| Difference                                    | 0.02         | 0.13          | 0.08          | 0.06          | 0.06          | 0.05         | 0.03        | 0.03        | 0.05          |                   |
| <b>Gresham Commodities (SA)</b>               | <b>-2.93</b> | <b>-29.38</b> | <b>-26.38</b> | <b>-27.41</b> | <b>-7.72</b>  | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>-8.48</b>  | <b>07/01/2015</b> |
| Bloomberg Cmnty Ex Energy Index (TR)          | -0.72        | -12.10        | -9.35         | -6.41         | -4.98         | -4.14        | -5.78       | -3.13       | -4.26         |                   |
| Difference                                    | -2.21        | -17.28        | -17.03        | -21.00        | -2.74         | N/A          | N/A         | N/A         | -4.22         |                   |
| Gresham Commodities (SA) Custom Index         | N/A          | N/A           | N/A           | N/A           | N/A           | N/A          | N/A         | N/A         | N/A           |                   |
| Difference                                    | N/A          | N/A           | N/A           | N/A           | N/A           | N/A          | N/A         | N/A         | N/A           |                   |
| <b>Harvest MLP (SA)</b>                       | <b>32.09</b> | <b>-32.70</b> | <b>-36.89</b> | <b>-36.28</b> | <b>-15.41</b> | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>-11.64</b> | <b>07/01/2015</b> |
| S&P MLP Index (TR)                            | 45.66        | -35.73        | -40.23        | -39.99        | -16.77        | -14.67       | -8.50       | -0.55       | -13.10        |                   |
| Difference                                    | -13.57       | 3.03          | 3.34          | 3.71          | 1.36          | N/A          | N/A         | N/A         | 1.46          |                   |
| <b>Van Eck NR Equities (SA)</b>               | <b>23.51</b> | <b>-23.85</b> | <b>-24.12</b> | <b>-25.26</b> | <b>-12.62</b> | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>-10.02</b> | <b>07/01/2015</b> |
| S&P Gbl Ntrl Res Sect Index (TR)              | 13.82        | -23.60        | -21.35        | -20.35        | -2.11         | -1.52        | -1.32       | -0.92       | -0.21         |                   |
| Difference                                    | 9.69         | -0.25         | -2.77         | -4.91         | -10.51        | N/A          | N/A         | N/A         | -9.81         |                   |
| S&P N Amer Ntrl Res Index                     | 26.94        | -28.78        | -26.89        | -28.20        | -10.33        | -8.95        | -5.51       | -2.55       | -7.34         |                   |
| Difference                                    | -3.43        | 4.93          | 2.77          | 2.94          | -2.29         | N/A          | N/A         | N/A         | -2.68         |                   |

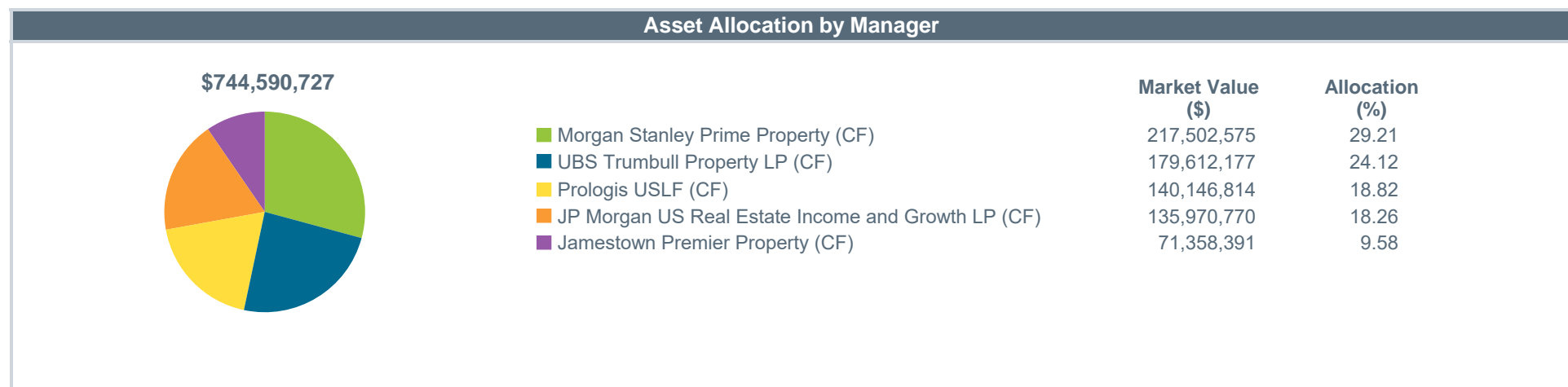
Asset Allocation by Manager



|                           | Market Value (\$) | Allocation (%) |
|---------------------------|-------------------|----------------|
| Gresham Commodities (SA)  | 111,655,248       | 28.78          |
| NT Common TIPS Index (CF) | 102,954,991       | 26.53          |
| Harvest MLP (SA)          | 96,676,747        | 24.92          |
| Van Eck NR Equities (SA)  | 76,729,049        | 19.77          |

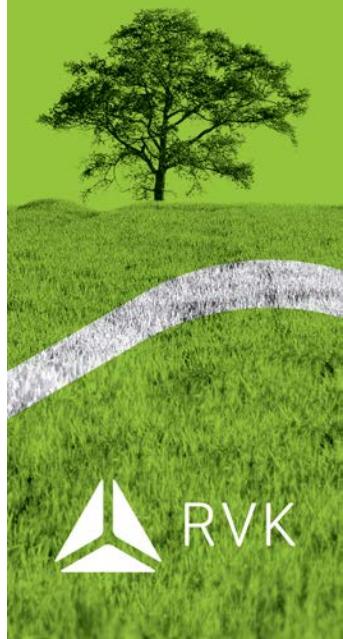
Performance shown is net of fees. The DIS Custom Index consists of 20% Bloomberg US Trsy US TIPS Index, 30% Bbrg Cmnty Ex Energy Index (TR), 30% S&P MLP Index (TR), and 20% S&P Gbl Natural Res Sect Index (TR). Gresham Commodities (SA) Custom Index is calculated by Gresham and currently unavailable. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Allocations shown may not sum up to 100% exactly due to rounding. Fiscal year ends 06/30.

| Comparative Performance                                   |             |              |              |              |              |            |            |            |              |                   |
|---|-------------|--------------|--------------|--------------|--------------|------------|------------|------------|--------------|-------------------|
|   | QTD         | CYTD         | FYTD         | 1 Year       | 3 Years      | 5 Years    | 7 Years    | 10 Years   | Since Incep. | Inception Date    |
| <b>Real Estate</b>  | <b>0.00</b> | <b>0.86</b>  | <b>3.77</b>  | <b>4.31</b>  | <b>7.04</b>  | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> | <b>7.93</b>  | <b>07/01/2015</b> |
| NCREIF ODCE Index (AWA) (Net)                             | 0.00        | 0.75         | 3.14         | 3.93         | 5.85         | 7.48       | 8.91       | 10.42      | 6.96         |                   |
| Difference  | 0.00        | 0.11         | 0.63         | 0.38         | 1.19         | N/A        | N/A        | N/A        | 0.97         |                   |
| <b>Morgan Stanley Prime Property (CF)</b>                 | <b>0.00</b> | <b>0.61</b>  | <b>3.58</b>  | <b>5.47</b>  | <b>7.15</b>  | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> | <b>8.19</b>  | <b>07/01/2015</b> |
| NCREIF ODCE Index (AWA) (Net)                             | 0.00        | 0.75         | 3.14         | 3.93         | 5.85         | 7.48       | 8.91       | 10.42      | 6.96         |                   |
| Difference  | 0.00        | -0.14        | 0.44         | 1.54         | 1.30         | N/A        | N/A        | N/A        | 1.23         |                   |
| <b>UBS Trumbull Property LP (CF)</b>                      | <b>0.00</b> | <b>0.25</b>  | <b>0.83</b>  | <b>-3.08</b> | <b>2.61</b>  | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> | <b>4.31</b>  | <b>07/01/2015</b> |
| NCREIF ODCE Index (AWA) (Net)                             | 0.00        | 0.75         | 3.14         | 3.93         | 5.85         | 7.48       | 8.91       | 10.42      | 6.96         |                   |
| Difference  | 0.00        | -0.50        | -2.31        | -7.01        | -3.24        | N/A        | N/A        | N/A        | -2.65        |                   |
| <b>Jamestown Premier Property (CF)</b>                    | <b>0.00</b> | <b>-0.86</b> | <b>-0.37</b> | <b>1.91</b>  | <b>7.02</b>  | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> | <b>7.31</b>  | <b>07/01/2015</b> |
| NCREIF ODCE Index (AWA) (Net)                             | 0.00        | 0.75         | 3.14         | 3.93         | 5.85         | 7.48       | 8.91       | 10.42      | 6.96         |                   |
| Difference  | 0.00        | -1.61        | -3.51        | -2.02        | 1.17         | N/A        | N/A        | N/A        | 0.35         |                   |
| <b>Prologis USLF (CF)</b>                                 | <b>0.00</b> | <b>2.32</b>  | <b>11.64</b> | <b>16.20</b> | <b>17.10</b> | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> | <b>16.55</b> | <b>04/01/2016</b> |
| NCREIF ODCE Index (AWA) (Net)                             | 0.00        | 0.75         | 3.14         | 3.93         | 5.85         | 7.48       | 8.91       | 10.42      | 6.10         |                   |
| Difference  | 0.00        | 1.57         | 8.50         | 12.27        | 11.25        | N/A        | N/A        | N/A        | 10.45        |                   |
| <b>JP Morgan US Real Estate Income and Growth LP (CF)</b> | <b>0.00</b> | <b>1.53</b>  | <b>2.80</b>  | <b>3.28</b>  | <b>4.43</b>  | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> | <b>5.37</b>  | <b>07/01/2016</b> |
| NCREIF ODCE Index (AWA) (Net)                             | 0.00        | 0.75         | 3.14         | 3.93         | 5.85         | 7.48       | 8.91       | 10.42      | 5.98         |                   |
| Difference  | 0.00        | 0.78         | -0.34        | -0.65        | -1.42        | N/A        | N/A        | N/A        | -0.61        |                   |



Performance shown is net of fees. Real Estate manager and index performance is available on a quarterly basis. Interim period performance assumes a 0.00% return. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Allocations shown may not sum up to 100% exactly due to rounding. Fiscal year ends 06/30.

# III. Addendum



**Performance Related Comments**

- Manager inception dates shown represent the first full month following initial funding.
- Performance is preliminary and subject to change.
- RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Prior historical data was provided by North Dakota Board of University and School Lands.
- Indices show N/A for since inception returns when the fund contains more history than the corresponding benchmark.
- As of 07/2014, composite and manager performance is provided and calculated by RVK.
- In 03/2020, Payden:Low Dur;Inv (PYSBX) (Low Duration FI) was liquidated.

**Index Comments**

- The Target Allocation Index is a static custom index that is calculated monthly and consists of:
  - From 07/2019 through present: 18.5% Russell 3000 Index, 18.5% MSCI ACW Ex US Index (USD) (Net), 23% Global Fixed Income Custom Index, 15% NCREIF ODCE Index (AWA) (Gross), 15% Absolute Return Custom Index, and 10% DIS Custom Index.
  - From 02/2018 through 06/2019: 17% Russell 3000 Index, 17% MSCI ACW Ex US Index (USD) (Net), 21% Global Fixed Income Custom Index, 15% NCREIF ODCE Index (AWA) (Net), 20% Absolute Return Custom Index, and 10% DIS Custom Index.
  - From 07/2014 through 01/2018: 17% Russell 3000 Index, 15% MSCI ACW Ex US Index (USD) (Net), 23% Global Fixed Income Custom Index, 15% NCREIF ODCE Index (AWA) (Net), 20% Absolute Return Custom Index, and 10% DIS Custom Index.
  - From 01/2013 through 06/2014: 18.7% Russell 1000 Index, 12.4% Russell 2500 Index, 7.5% FTSE EPRA/NAREIT US Index, 12.4% MSCI EAFE Index (USD) (Net), 33.3% Bloomberg US Agg Bond Index, 0.70% CS Lvg'd Loan Index, 10% Bloomberg US Corp Hi Yld Index, and 5% Bloomberg Gbl Agg Ex USD Index (Hedged).
  - From 07/2009 through 12/2012: 15% Russell 1000 Index, 10% Russell 2500 Index, 6% FTSE EPRA/NAREIT US Index, 10% MSCI EAFE Index (USD) (Net), 32.3% Bloomberg US Agg Bond Index, 1.70% CS Lvg'd Loan Index, 10% Bloomberg US Corp Hi Yld Index, 5% Bloomberg Gbl Agg Ex USD Index (Hedged), and 10% ICE BofAML Cnvt Bonds Index (All Qual).
- The Global Fixed Income Custom Index consists of the Bloomberg US Unv Bond Index. Prior to 03/2019, the index consisted of 75% Bloomberg US Unv Bond Index and 25% Bloomberg Multiverse Index.
- The Absolute Return Custom Index consists of 60% MSCI ACW IM Index (USD) (Net) and 40% Bloomberg US Agg Bond Index.
- The DIS Custom Index consists of 50% Bloomberg US Trsy US TIPS Index and 50% FTSE EPRA/NAREIT Dvl'd Index (\$) (Gross) through 06/2015. It consists of 20% Bloomberg US Trsy US TIPS Index, 30% Bbrg Cmdty Ex-Energy Index (TR), 30% S&P MLP Index (TR), and 20% S&P Gbl Natural Res Sect Index (TR) thereafter.
- The Gresham Custom Index consists of the Bloomberg Commodities Index excluding WTI, Brent and Natural Gas.
- The All Asset Custom Index (EqL Wtd) is an equal-weighted hybrid created independently by RVK specifically for PIMCO's All Asset strategies, and it consists of the following benchmarks:
  1. Short Term Strategies: ICE BofAML 1 Yr T-Bill Index
  2. US Core and Long Maturity Bond Strategies: Bloomberg US Agg Bond Index
  3. EM and Gbl Bond Strategies: PIMCO GLADI Index\*
  4. Crdt Strategies: ICE BofAML US Hi Yld Master II Index
  5. Inflation Related Strategies: Bloomberg US Trsy US TIPS Index
  6. US Equity Strategies: Russell 3000 Index
  7. Global Equity Strategies: MSCI ACW Index (USD) (Net)
  8. Alternative Strategies: ICE BofAML 3 Mo US T-Bill Index + 3%

\*Performance for the PIMCO Gbl Advantage Bond Index (London Close) prior to 01/01/2004 consists of the JPM EMBI Gbl Dv'd Index (TR).

PORTLAND

BOISE

CHICAGO

NEW YORK

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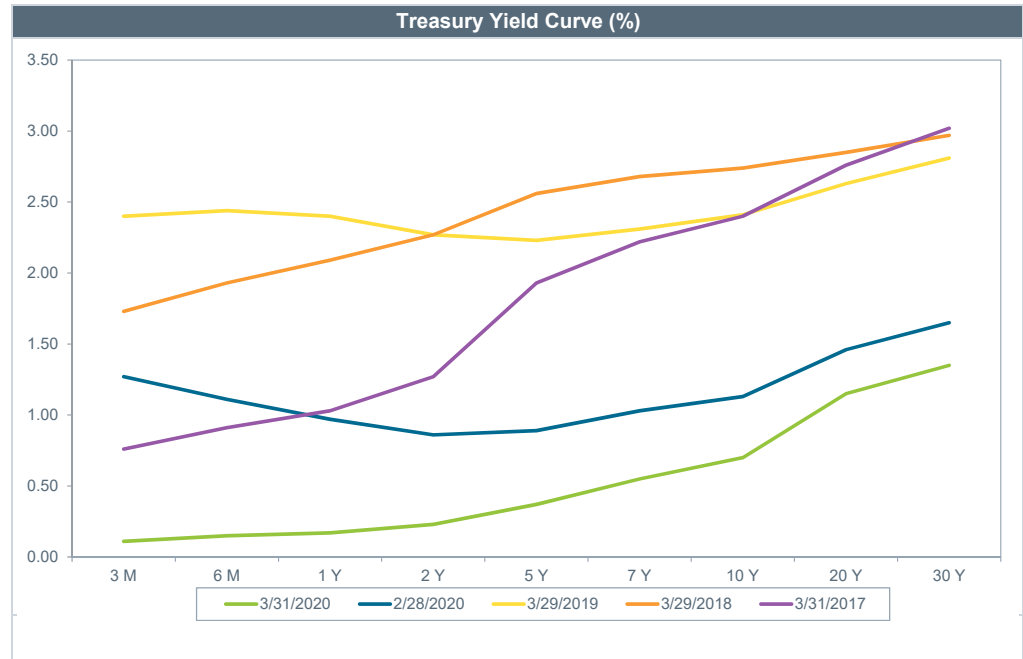
# Investment Performance Analysis

## North Dakota Board of University and School Lands

Period Ended: March 31, 2020



| General Market Commentary |   |
|---------------------------|---|
| •                         | Financial markets experienced unprecedented turmoil during March, as COVID-19 spread rapidly across the globe. Containment efforts to reduce the number of infections have resulted in a standstill of many world economies.  |
| •                         | The unprecedented lockdown and “shelter in place” orders have materially impacted supply and demand dynamics at many stages of the supply chain. Supply chain disruptions have shifted from initial pressures following China’s lockdown, to unprecedented logistics issues across the globe. While the true economic impact of COVID-19 is still unknown, many economists and organizations are predicting negative global growth throughout 2020, with some economists predicting between a 10% - 30% drop in US GDP in the second quarter. |
| •                         | In the United States, the Federal Reserve slashed interest rates 150 basis points during March to a range of 0% - 0.25% and announced the restart of quantitative easing to support business growth and market liquidity. Additionally, the US Congress and President Trump passed the CARES stimulus package, which provides financial assistance to US consumers and small businesses, as well as large corporations.   |
| •                         | Equity markets posted negative returns in March as the S&P 500 (Cap Wtd) Index returned -12.35% and the MSCI EAFE (Net) Index returned -13.35%. Emerging markets returned -15.40% as measured by the MSCI EM (Net) Index.   |
| •                         | The Bloomberg US Aggregate Bond Index returned -0.59% in March, underperforming the 2.08% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned -2.88%, as measured by the FTSE Non-US World Gov’t Bond Index.   |
| •                         | Public real estate, as measured by the FTSE NAREIT Eq REITs Index (TR), returned -21.92% in March and -0.35% over the trailing five-year period.  |
| •                         | The Cambridge US Private Equity Index returned 7.76% for the trailing one-year period and 11.68% for the trailing five-year period ending September 2019.   |
| •                         | Absolute return strategies, as measured by the HFRI FOF Comp Index, returned -7.34% for the month and -5.19% over the trailing one-year period.   |
| •                         | Crude oil’s price fell by 54.24% during the month, and has decreased by 65.95% YoY.   |



| Economic Indicators                     | Mar-20   | Feb-20 | Mar-19 | 10 Yr  | 20 Yr  |
|---|----------|--------|--------|--------|--------|
| Federal Funds Rate (%)                  | 0.08 ▼   | 1.58   | 2.43   | 0.64   | 1.73   |
| Breakeven Inflation - 5 Year (%)        | 0.53 ▼   | 1.37   | 1.79   | 1.74   | 1.84   |
| Breakeven Inflation - 10 Year (%)       | 0.93 ▼   | 1.43   | 1.87   | 1.98   | 2.02   |
| Breakeven Inflation - 30 Year (%)       | 1.25 ▼   | 1.54   | 1.92   | 2.11   | 2.25   |
| Bloomberg US Agg Bond Index - Yield (%) | 1.59 ▼   | 1.68   | 2.93   | 2.48   | 3.73   |
| Bloomberg US Agg Bond Index - OAS (%)   | 0.95 ▲   | 0.50   | 0.44   | 0.52   | 0.63   |
| Bloomberg US Agg Credit Index - OAS (%) | 2.55 ▲   | 1.17   | 1.13   | 1.32   | 1.46   |
| Bloomberg US Corp: HY Index - OAS (%)   | 8.80 ▲   | 5.00   | 3.91   | 4.78   | 5.46   |
| Capacity Utilization (%)                | 72.72 ▼  | 76.96  | 78.40  | 76.79  | 77.02  |
| Unemployment Rate (%)                   | 4.4 ▲    | 3.5    | 3.8    | 6.1    | 5.9    |
| PMI - Manufacturing (%)                 | 49.1 ▼   | 50.1   | 54.6   | 54.1   | 52.6   |
| Baltic Dry Index - Shipping             | 626 ▲    | 535    | 689    | 1,217  | 2,315  |
| Consumer Conf (Conf Board)              | 118.80 ▼ | 132.60 | 124.20 | 93.19  | 92.37  |
| CPI YoY (Headline) (%)                  | 1.5 ▼    | 2.3    | 1.9    | 1.8    | 2.2    |
| CPI YoY (Core) (%)                      | 2.1 ▼    | 2.4    | 2.0    | 1.9    | 2.0    |
| PPI YoY (%)                             | -0.9 ▼   | 1.2    | 1.4    | 1.8    | 2.2    |
| M2 YoY (%)                              | 11.0 ▲   | 7.2    | 4.0    | 6.0    | 6.2    |
| US Dollar Total Weighted Index          | 122.82 ▲ | 117.77 | 115.05 | 102.95 | 102.96 |
| WTI Crude Oil per Barrel (\$)           | 20 ▼     | 45     | 60     | 72     | 62     |
| Gold Spot per Oz (\$)                   | 1,577 ▼  | 1,586  | 1,292  | 1,359  | 951    |

| Treasury Yield Curve (%) | Mar-20 | Feb-20 | Mar-19 | Mar-18 | Mar-17 |
|--------------------------|--------|--------|--------|--------|--------|
| 3 Month                  | 0.11   | 1.27   | 2.40   | 1.73   | 0.76   |
| 6 Month                  | 0.15   | 1.11   | 2.44   | 1.93   | 0.91   |
| 1 Year                   | 0.17   | 0.97   | 2.40   | 2.09   | 1.03   |
| 2 Year                   | 0.23   | 0.86   | 2.27   | 2.27   | 1.27   |
| 5 Year                   | 0.37   | 0.89   | 2.23   | 2.56   | 1.93   |
| 7 Year                   | 0.55   | 1.03   | 2.31   | 2.68   | 2.22   |
| 10 Year                  | 0.70   | 1.13   | 2.41   | 2.74   | 2.40   |
| 20 Year                  | 1.15   | 1.46   | 2.63   | 2.85   | 2.76   |
| 30 Year                  | 1.35   | 1.65   | 2.81   | 2.97   | 3.02   |

| Market Performance (%)          | MTD    | QTD    | CYTD   | 1 Yr   | 3 Yr  | 5 Yr  | 7 Yr   | 10 Yr |
|---------------------------------|--------|--------|--------|--------|-------|-------|--------|-------|
| S&P 500 (Cap Wtd)               | -12.35 | -19.60 | -19.60 | -6.98  | 5.10  | 6.73  | 9.62   | 10.53 |
| Russell 2000                    | -21.73 | -30.61 | -30.61 | -23.99 | -4.64 | -0.25 | 4.21   | 6.90  |
| MSCI EAFE (Net)                 | -13.35 | -22.83 | -22.83 | -14.38 | -1.82 | -0.62 | 1.75   | 2.72  |
| MSCI EAFE SC (Net)              | -17.24 | -27.52 | -27.52 | -18.15 | -2.88 | 0.97  | 3.31   | 4.81  |
| MSCI EM (Net)                   | -15.40 | -23.60 | -23.60 | -17.69 | -1.62 | -0.37 | -0.40  | 0.69  |
| Bloomberg US Agg Bond           | -0.59  | 3.15   | 3.15   | 8.93   | 4.82  | 3.36  | 3.19   | 3.88  |
| ICE BofAML 3 Mo US T-Bill       | 0.29   | 0.58   | 0.58   | 2.25   | 1.83  | 1.19  | 0.86   | 0.64  |
| NCREIF ODCE (Gross)             | 0.98   | 0.98   | 0.98   | 4.88   | 6.81  | 8.46  | 9.90   | 11.45 |
| FTSE NAREIT Eq REITs Index (TR) | -21.92 | -27.30 | -27.30 | -21.26 | -3.14 | -0.35 | 3.46   | 7.40  |
| HFRI FOF Comp Index             | -7.34  | -8.51  | -8.51  | -5.19  | 0.06  | 0.06  | 1.64   | 1.78  |
| Bloomberg Cmdbt Index (TR)      | -12.81 | -23.29 | -23.29 | -22.31 | -8.61 | -7.76 | -10.04 | -6.74 |

Treasury data courtesy of the US Department of the Treasury. Economic data courtesy of Bloomberg Professional Service.

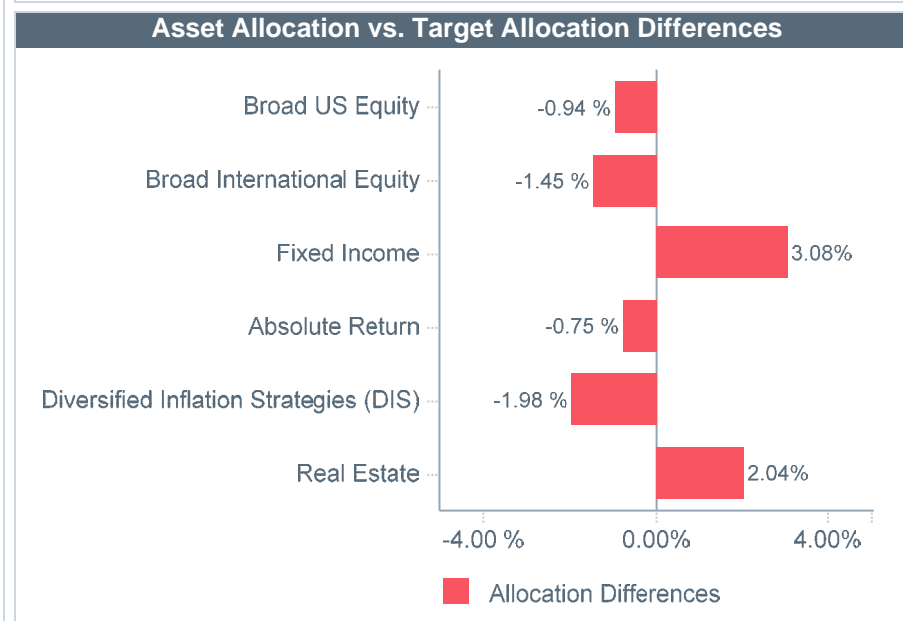


North Dakota Board of University and School Lands  
AA by Manager, AA vs. Target, and Schedule of Investable Assets

As of March 31, 2020

| Asset Allocation by Manager                               |                   |                |
|---|-------------------|----------------|
|   | Market Value (\$) | Allocation (%) |
| <b>Broad US Equity</b>                                    |                   |                |
| State Street Russell 1000 Index SL (US Large Cap)         | 619,082,532       | 14.17          |
| State Street Russell Mid Cap Index (US Mid Cap)           | 68,752,520        | 1.57           |
| NT Small Cap Core (US Small Cap)                          | 79,098,761        | 1.81           |
| <b>Broad International Equity</b>                         |                   |                |
| State Street World Ex US Index (International Equity)     | 480,308,102       | 10.99          |
| QMA International Small Cap Equity (International Equity) | 105,509,163       | 2.42           |
| DFA Emg Mkts Core Eq;I (Emerging Markets Equity)          | 78,870,763        | 1.81           |
| Harding Loevner:IEM;IZ (Emerging Markets Equity)          | 79,969,445        | 1.83           |
| <b>Fixed Income</b>                                       |                   |                |
| Payden & Rygel Long Term (Investment Grade US FI)         | 347,338,360       | 7.95           |
| JP Morgan FI Intermediate Bond (Investment Grade US FI)   | 342,806,392       | 7.85           |
| Brandywine Gbl Opp FI (Global FI)                         | 162,688,619       | 3.72           |
| FLP (Loans)   | 15,273,485        | 0.35           |
| ECLP (Loans)  | 1,039,665         | 0.02           |
| AG Direct Lending III LP (Direct Lending)                 | 152,656,886       | 3.49           |
| Schroders Securitized Credit (Structured Credit)          | 111,318,835       | 2.55           |
| ND Land - PTF Cash (Cash)                                 | 6,139,337         | 0.14           |
| <b>Absolute Return</b>                                    |                   |                |
| GMO:Bchmk-Fr All;IV (GTAA)                                | 323,130,259       | 7.40           |
| PIMCO:All Ast Ath;Inst (GTAA)                             | 299,388,666       | 6.85           |
| <b>Diversified Inflation Strategies (DIS)</b>             |                   |                |
| NT Common TIPS Index (TIPS)                               | 100,146,737       | 2.29           |
| Gresham Commodities (Commodities)                         | 115,025,034       | 2.63           |
| Harvest MLP (MLPs)  | 73,191,236        | 1.68           |
| Van Eck NR Equities (Natural Resources)                   | 62,125,450        | 1.42           |
| <b>Real Estate</b>  |                   |                |
| Morgan Stanley Prime Property (Core Real Estate)          | 217,502,575       | 4.98           |
| UBS Trumbull Property LP (Core Real Estate)               | 179,612,177       | 4.11           |
| Jamestown Premier Property (Core Plus Real Estate)        | 71,358,391        | 1.63           |
| Prologis USLF (Core Plus Real Estate)                     | 140,146,814       | 3.21           |
| JP Morgan US RE Inc & Grth LP (Core Plus Real Estate)     | 135,970,770       | 3.11           |

| Asset Allocation vs. Target Allocation |                          |                      |                       |
|--|--------------------------|----------------------|-----------------------|
|  | Asset Allocation (\$000) | Asset Allocation (%) | Target Allocation (%) |
| Total Fund                             | 4,368,451                | 100.00               | 100.00                |
| Broad US Equity                        | 766,934                  | 17.56                | 18.50                 |
| Broad International Equity             | 744,657                  | 17.05                | 18.50                 |
| Fixed Income                           | 1,139,262                | 26.08                | 23.00                 |
| Absolute Return                        | 622,519                  | 14.25                | 15.00                 |
| Diversified Inflation Strategies (DIS) | 350,488                  | 8.02                 | 10.00                 |
| Real Estate                            | 744,591                  | 17.04                | 15.00                 |



| Schedule of Investable Assets |                             |                    |                |                          |          |
|-------------------------------|-----------------------------|--------------------|----------------|--------------------------|----------|
| Periods Ending                | Beginning Market Value (\$) | Net Cash Flow (\$) | Gain/Loss (\$) | Ending Market Value (\$) | % Return |
| MTD                           | 4,872,338,351               | 1,271,493          | -505,158,870   | 4,368,450,973            | -10.37   |

Market values and performance are preliminary and subject to change. Allocations shown may not sum up to 100% exactly due to rounding. Net cash flow includes fees, securities lending income and client directed flows. Gain/loss includes dividend and interest income and capital appreciation. Performance shown is net of fees. Real Estate market values are as of the most recent quarter-end and adjusted for subsequent cash flows. In 03/2020, Payden:Low Dur;Inv (Low Duration FI) was liquidated.





North Dakota Board of University and School Lands  
Comparative Performance - Net

As of March 31, 2020

|   | MTD           | QTD           | CYTD          | FYTD          | 1 Year        | 3 Years       | 5 Years      | 7 Years     | 10 Years    | 2019         | 2018          | 2017         | Since Incep. | Inception Date    |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------|-------------|-------------|--------------|---------------|--------------|--------------|-------------------|
| <b>Total Fund</b>                             | <b>-10.37</b> | <b>-14.99</b> | <b>-14.99</b> | <b>-11.12</b> | <b>-9.08</b>  | <b>0.06</b>   | <b>1.15</b>  | <b>2.85</b> | <b>4.67</b> | <b>14.40</b> | <b>-5.11</b>  | <b>12.62</b> | <b>5.89</b>  | <b>08/01/1995</b> |
| Target Allocation Index (Net)                 | -8.83         | -12.86        | -12.86        | -8.40         | -5.83         | 1.78          | 2.72         | 4.27        | 5.81        | 16.30        | -4.51         | 13.14        | N/A          |                   |
| Difference                                    | -1.54         | -2.13         | -2.13         | -2.72         | -3.25         | -1.72         | -1.57        | -1.42       | -1.14       | -1.90        | -0.60         | -0.52        | N/A          |                   |
| <b>Broad US Equity</b>                        | <b>-14.91</b> | <b>-22.01</b> | <b>-22.01</b> | <b>-14.51</b> | <b>-10.84</b> | <b>3.29</b>   | <b>5.49</b>  | <b>8.08</b> | <b>9.34</b> | <b>30.30</b> | <b>-5.49</b>  | <b>21.40</b> | <b>11.52</b> | <b>07/01/2009</b> |
| Russell 3000 Index                            | -13.75        | -20.90        | -20.90        | -12.70        | -9.13         | 4.00          | 5.77         | 8.96        | 10.15       | 31.02        | -5.24         | 21.13        | 12.15        |                   |
| Difference                                    | -1.16         | -1.11         | -1.11         | -1.81         | -1.71         | -0.71         | -0.28        | -0.88       | -0.81       | -0.72        | -0.25         | 0.27         | -0.63        |                   |
| <b>Broad International Equity</b>             | <b>-16.21</b> | <b>-25.25</b> | <b>-25.25</b> | <b>-19.78</b> | <b>-17.61</b> | <b>-3.72</b>  | <b>-1.53</b> | <b>1.19</b> | <b>1.83</b> | <b>22.05</b> | <b>-16.49</b> | <b>26.51</b> | <b>3.64</b>  | <b>07/01/2009</b> |
| MSCI ACW Ex US Index (USD) (Net)              | -14.48        | -23.36        | -23.36        | -18.02        | -15.57        | -1.96         | -0.64        | 1.06        | 2.05        | 21.51        | -14.20        | 27.19        | 4.13         |                   |
| Difference                                    | -1.73         | -1.89         | -1.89         | -1.76         | -2.04         | -1.76         | -0.89        | 0.13        | -0.22       | 0.54         | -2.29         | -0.68        | -0.49        |                   |
| <b>Fixed Income</b>                           | <b>-3.60</b>  | <b>-2.10</b>  | <b>-2.10</b>  | <b>0.18</b>   | <b>2.80</b>   | <b>2.79</b>   | <b>2.42</b>  | <b>2.44</b> | <b>3.69</b> | <b>7.70</b>  | <b>-0.24</b>  | <b>4.79</b>  | <b>5.44</b>  | <b>08/01/1995</b> |
| Global Fixed Income Custom Index              | -1.95         | 1.30          | 1.30          | 3.92          | 7.15          | 4.48          | 3.40         | 2.98        | 3.80        | 9.21         | -0.52         | 4.98         | N/A          |                   |
| Difference                                    | -1.65         | -3.40         | -3.40         | -3.74         | -4.35         | -1.69         | -0.98        | -0.54       | -0.11       | -1.51        | 0.28          | -0.19        | N/A          |                   |
| Bloomberg US Agg Bond Index                   | -0.59         | 3.15          | 3.15          | 5.68          | 8.93          | 4.82          | 3.36         | 3.19        | 3.88        | 8.72         | 0.01          | 3.54         | 5.32         |                   |
| Difference                                    | -3.01         | -5.25         | -5.25         | -5.50         | -6.13         | -2.03         | -0.94        | -0.75       | -0.19       | -1.02        | -0.25         | 1.25         | 0.12         |                   |
| <b>Absolute Return</b>                        | <b>-12.99</b> | <b>-17.66</b> | <b>-17.66</b> | <b>-15.19</b> | <b>-13.38</b> | <b>-2.31</b>  | <b>-0.49</b> | <b>N/A</b>  | <b>N/A</b>  | <b>11.09</b> | <b>-5.16</b>  | <b>12.11</b> | <b>-0.90</b> | <b>07/01/2014</b> |
| Absolute Return Custom Index                  | -8.87         | -12.71        | -12.71        | -7.19         | -4.06         | 2.69          | 3.08         | 4.39        | 5.31        | 19.28        | -5.93         | 15.39        | 2.97         |                   |
| Difference                                    | -4.12         | -4.95         | -4.95         | -8.00         | -9.32         | -5.00         | -3.57        | N/A         | N/A         | -8.19        | 0.77          | -3.28        | -3.87        |                   |
| <b>Diversified Inflation Strategies (DIS)</b> | <b>-21.82</b> | <b>-30.01</b> | <b>-30.01</b> | <b>-30.19</b> | <b>-29.90</b> | <b>-11.81</b> | <b>-9.70</b> | <b>N/A</b>  | <b>N/A</b>  | <b>12.19</b> | <b>-14.24</b> | <b>2.45</b>  | <b>-5.87</b> | <b>04/01/2014</b> |
| DIS Custom Index                              | -19.35        | -27.82        | -27.82        | -27.85        | -27.20        | -9.66         | -6.96        | -4.08       | 0.43        | 10.27        | -9.13         | 4.80         | -4.41        |                   |
| Difference                                    | -2.47         | -2.19         | -2.19         | -2.34         | -2.70         | -2.15         | -2.74        | N/A         | N/A         | 1.92         | -5.11         | -2.35        | -1.46        |                   |
| <b>Real Estate</b>                            | <b>0.86</b>   | <b>0.86</b>   | <b>0.86</b>   | <b>3.77</b>   | <b>4.31</b>   | <b>7.04</b>   | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>4.48</b>  | <b>8.34</b>   | <b>9.52</b>  | <b>8.07</b>  | <b>07/01/2015</b> |
| NCREIF ODCE Index (AWA) (Net)                 | 0.75          | 0.75          | 0.75          | 3.14          | 3.93          | 5.85          | 7.48         | 8.91        | 10.42       | 4.39         | 7.36          | 6.66         | 7.09         |                   |
| Difference                                    | 0.11          | 0.11          | 0.11          | 0.63          | 0.38          | 1.19          | N/A          | N/A         | N/A         | 0.09         | 0.98          | 2.86         | 0.98         |                   |

Real Estate composite and index performance is available on a quarterly basis. Interim period performance assumes a 0.00% return.

Performance shown is net of fees. Performance is preliminary, subject to change, and annualized for periods greater than one year. Composite inception dates are based on availability of data for each asset class. Please see the Addendum for custom index definitions. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Fiscal year ends 06/30.

North Dakota Board of University and School Lands  
Comparative Performance - Net

As of March 31, 2020

|  | MTD           | QTD           | CYTD          | FYTD          | 1<br>Year     | 3<br>Years   | 5<br>Years   | 7<br>Years  | 10<br>Years | 2019         | 2018          | 2017         | Since<br>Incep. | Inception<br>Date |
|--|---------------|---------------|---------------|---------------|---------------|--------------|--------------|-------------|-------------|--------------|---------------|--------------|-----------------|-------------------|
| <b>Broad US Equity</b>                         |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>State Street Russell 1000 Index SL (CF)</b> | <b>-13.22</b> | <b>-20.23</b> | <b>-20.23</b> | <b>-11.79</b> | <b>-8.05</b>  | <b>N/A</b>   | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>31.39</b> | <b>-4.78</b>  | <b>N/A</b>   | <b>4.05</b>     | <b>06/01/2017</b> |
| Russell 1000 Index                             | -13.21        | -20.22        | -20.22        | -11.77        | -8.03         | 4.64         | 6.22         | 9.32        | 10.39       | 31.43        | -4.78         | 21.69        | 4.07            |                   |
| Difference                                     | -0.01         | -0.01         | -0.01         | -0.02         | -0.02         | N/A          | N/A          | N/A         | N/A         | -0.04        | 0.00          | N/A          | -0.02           |                   |
| <b>State Street Russell Mid Cap Index (SA)</b> |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>State Street Russell Mid Cap Index (SA)</b> | <b>-19.43</b> | <b>-27.02</b> | <b>-27.02</b> | <b>-21.52</b> | <b>-18.30</b> | <b>N/A</b>   | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>30.38</b> | <b>-8.97</b>  | <b>N/A</b>   | <b>-1.43</b>    | <b>06/01/2017</b> |
| Russell Mid Cap Index                          | -19.49        | -27.07        | -27.07        | -21.54        | -18.31        | -0.81        | 1.85         | 6.35        | 8.77        | 30.54        | -9.06         | 18.52        | -1.44           |                   |
| Difference                                     | 0.06          | 0.05          | 0.05          | 0.02          | 0.01          | N/A          | N/A          | N/A         | N/A         | -0.16        | 0.09          | N/A          | 0.01            |                   |
| <b>NT Small Cap Core (CF)</b>                  |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>NT Small Cap Core (CF)</b>                  | <b>-22.89</b> | <b>-30.03</b> | <b>-30.03</b> | <b>-26.59</b> | <b>-22.93</b> | <b>-2.54</b> | <b>1.22</b>  | <b>4.43</b> | <b>6.81</b> | <b>23.13</b> | <b>-7.63</b>  | <b>21.82</b> | <b>1.13</b>     | <b>07/01/2014</b> |
| Russell 2000 Index                             | -21.73        | -30.61        | -30.61        | -25.55        | -23.99        | -4.64        | -0.25        | 4.21        | 6.90        | 25.53        | -11.01        | 14.65        | 0.81            |                   |
| Difference                                     | -1.16         | 0.58          | 0.58          | -1.04         | 1.06          | 2.10         | 1.47         | 0.22        | -0.09       | -2.40        | 3.38          | 7.17         | 0.32            |                   |
| <b>Broad International Equity</b>              |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>State Street World Ex US Index (CF)</b>     | <b>-14.13</b> | <b>-23.27</b> | <b>-23.27</b> | <b>-18.04</b> | <b>-14.97</b> | <b>-2.15</b> | <b>-0.84</b> | <b>N/A</b>  | <b>N/A</b>  | <b>22.38</b> | <b>-14.16</b> | <b>24.15</b> | <b>-1.76</b>    | <b>07/01/2014</b> |
| MSCI Wrld Ex US Index (USD) (Net)              | -14.12        | -23.26        | -23.26        | -18.00        | -14.89        | -2.07        | -0.76        | 1.44        | 2.43        | 22.49        | -14.09        | 24.21        | -1.68           |                   |
| Difference                                     | -0.01         | -0.01         | -0.01         | -0.04         | -0.08         | -0.08        | -0.08        | N/A         | N/A         | -0.11        | -0.07         | -0.06        | -0.08           |                   |
| <b>QMA International Small Cap Equity (CF)</b> |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>QMA International Small Cap Equity (CF)</b> | <b>-19.69</b> | <b>-29.52</b> | <b>-29.52</b> | <b>-22.79</b> | <b>-22.04</b> | <b>N/A</b>   | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>22.54</b> | <b>N/A</b>    | <b>N/A</b>   | <b>-19.64</b>   | <b>02/01/2018</b> |
| MSCI EAFE Sm Cap Index (USD) (Net)             | -17.24        | -27.52        | -27.52        | -19.52        | -18.15        | -2.88        | 0.97         | 3.31        | 4.81        | 24.96        | -17.89        | 33.01        | -14.76          |                   |
| Difference                                     | -2.45         | -2.00         | -2.00         | -3.27         | -3.89         | N/A          | N/A          | N/A         | N/A         | -2.42        | N/A           | N/A          | -4.88           |                   |
| <b>DFA Emg Mkts Core Eq;I (DFCEX)</b>          |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>DFA Emg Mkts Core Eq;I (DFCEX)</b>          | <b>-19.55</b> | <b>-28.31</b> | <b>-28.31</b> | <b>-24.06</b> | <b>-23.40</b> | <b>-5.39</b> | <b>-2.01</b> | <b>N/A</b>  | <b>N/A</b>  | <b>16.04</b> | <b>-15.25</b> | <b>36.55</b> | <b>-2.79</b>    | <b>07/01/2014</b> |
| MSCI Emg Mkts Index (USD) (Net)                | -15.40        | -23.60        | -23.60        | -18.18        | -17.69        | -1.62        | -0.37        | -0.40       | 0.69        | 18.44        | -14.58        | 37.28        | -1.34           |                   |
| Difference                                     | -4.15         | -4.71         | -4.71         | -5.88         | -5.71         | -3.77        | -1.64        | N/A         | N/A         | -2.40        | -0.67         | -0.73        | -1.45           |                   |
| <b>Harding Loevner:IEM;IZ (HLEZX)</b>          |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>Harding Loevner:IEM;IZ (HLEZX)</b>          | <b>-20.04</b> | <b>-27.61</b> | <b>-27.61</b> | <b>-21.48</b> | <b>-20.43</b> | <b>-3.38</b> | <b>-0.44</b> | <b>N/A</b>  | <b>N/A</b>  | <b>25.97</b> | <b>-18.53</b> | <b>35.79</b> | <b>-1.66</b>    | <b>07/01/2014</b> |
| MSCI Emg Mkts Index (USD) (Net)                | -15.40        | -23.60        | -23.60        | -18.18        | -17.69        | -1.62        | -0.37        | -0.40       | 0.69        | 18.44        | -14.58        | 37.28        | -1.34           |                   |
| Difference                                     | -4.64         | -4.01         | -4.01         | -3.30         | -2.74         | -1.76        | -0.07        | N/A         | N/A         | 7.53         | -3.95         | -1.49        | -0.32           |                   |

Performance shown is net of fees. Performance is preliminary, subject to change, and annualized for periods greater than one year. Manager inception dates shown represent the first full month following initial funding. Please see the Addendum for custom index definitions. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Fiscal year ends 06/30.

North Dakota Board of University and School Lands  
Comparative Performance - Net

As of March 31, 2020

|  | MTD          | QTD           | CYTD          | FYTD         | 1<br>Year    | 3<br>Years   | 5<br>Years  | 7<br>Years  | 10<br>Years | 2019         | 2018         | 2017         | Since<br>Incep. | Inception<br>Date |
|--|--------------|---------------|---------------|--------------|--------------|--------------|-------------|-------------|-------------|--------------|--------------|--------------|-----------------|-------------------|
| <b>Fixed Income</b>                        |              |               |               |              |              |              |             |             |             |              |              |              |                 |                   |
| <b>Payden &amp; Rygel Long Term (SA)</b>   | <b>-3.89</b> | <b>-0.22</b>  | <b>-0.22</b>  | <b>2.36</b>  | <b>5.78</b>  | <b>4.31</b>  | <b>3.36</b> | <b>3.24</b> | <b>4.32</b> | <b>9.42</b>  | <b>0.16</b>  | <b>4.99</b>  | <b>5.80</b>     | <b>08/01/1995</b> |
| Bloomberg US Agg Bond Index                | -0.59        | 3.15          | 3.15          | 5.68         | 8.93         | 4.82         | 3.36        | 3.19        | 3.88        | 8.72         | 0.01         | 3.54         | 5.32            |                   |
| Difference                                 | -3.30        | -3.37         | -3.37         | -3.32        | -3.15        | -0.51        | 0.00        | 0.05        | 0.44        | 0.70         | 0.15         | 1.45         | 0.48            |                   |
| <b>JP Morgan FI Intermediate Bond (SA)</b> | <b>-1.13</b> | <b>1.75</b>   | <b>1.75</b>   | <b>3.57</b>  | <b>6.05</b>  | <b>3.76</b>  | <b>2.81</b> | <b>2.56</b> | <b>N/A</b>  | <b>6.70</b>  | <b>1.01</b>  | <b>2.71</b>  | <b>2.50</b>     | <b>08/01/2012</b> |
| Bloomberg US Gov't Crdt Int Trm Bond Index | -0.44        | 2.40          | 2.40          | 4.19         | 6.88         | 3.79         | 2.76        | 2.46        | 3.14        | 6.80         | 0.88         | 2.14         | 2.38            |                   |
| Difference                                 | -0.69        | -0.65         | -0.65         | -0.62        | -0.83        | -0.03        | 0.05        | 0.10        | N/A         | -0.10        | 0.13         | 0.57         | 0.12            |                   |
| <b>Brandywine Gbl Opp FI (CF)</b>          | <b>-7.91</b> | <b>-11.24</b> | <b>-11.24</b> | <b>-9.09</b> | <b>-5.97</b> | <b>-0.41</b> | <b>0.12</b> | <b>N/A</b>  | <b>N/A</b>  | <b>9.31</b>  | <b>-5.16</b> | <b>12.91</b> | <b>-0.16</b>    | <b>11/01/2014</b> |
| FTSE Wrld Gov't Bond Index                 | -0.61        | 2.00          | 2.00          | 2.51         | 6.17         | 4.27         | 2.96        | 1.48        | 2.19        | 5.90         | -0.84        | 7.49         | 2.01            |                   |
| Difference                                 | -7.30        | -13.24        | -13.24        | -11.60       | -12.14       | -4.68        | -2.84       | N/A         | N/A         | 3.41         | -4.32        | 5.42         | -2.17           |                   |
| <b>AG Direct Lending III LP (SA)</b>       | <b>0.00</b>  | <b>0.00</b>   | <b>0.00</b>   | <b>5.26</b>  | <b>7.66</b>  | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>10.02</b> | <b>N/A</b>   | <b>N/A</b>   | <b>7.79</b>     | <b>09/01/2018</b> |
| CS Lvg'd Loan Index                        | 0.00         | 0.00          | 0.00          | 0.92         | 2.52         | 3.49         | 3.76        | 3.81        | 4.56        | 6.39         | 1.14         | 4.25         | 2.39            |                   |
| Difference                                 | 0.00         | 0.00          | 0.00          | 4.34         | 5.14         | N/A          | N/A         | N/A         | N/A         | 3.63         | N/A          | N/A          | 5.40            |                   |
| <b>Schroders Securitized Credit (SA)</b>   | <b>-8.08</b> | <b>-7.31</b>  | <b>-7.31</b>  | <b>-6.15</b> | <b>-5.09</b> | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>3.85</b>  | <b>N/A</b>   | <b>N/A</b>   | <b>-2.97</b>    | <b>12/01/2018</b> |
| 3 Month LIBOR Index (USD)+1.75%            | 0.24         | 0.94          | 0.94          | 3.00         | 4.17         | 3.81         | 3.20        | 2.86        | 2.64        | 4.39         | 3.86         | 2.88         | 4.29            |                   |
| Difference                                 | -8.32        | -8.25         | -8.25         | -9.15        | -9.26        | N/A          | N/A         | N/A         | N/A         | -0.54        | N/A          | N/A          | -7.26           |                   |
| <b>ND Land - PTF Cash (SA)</b>             | <b>0.06</b>  | <b>0.31</b>   | <b>0.31</b>   | <b>1.62</b>  | <b>2.24</b>  | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>2.49</b>  | <b>1.71</b>  | <b>N/A</b>   | <b>1.88</b>     | <b>07/01/2017</b> |
| ICE BofAML 3 Mo US T-Bill Index            | 0.29         | 0.58          | 0.58          | 1.61         | 2.25         | 1.83         | 1.19        | 0.86        | 0.64        | 2.28         | 1.87         | 0.86         | 1.92            |                   |
| Difference                                 | -0.23        | -0.27         | -0.27         | 0.01         | -0.01        | N/A          | N/A         | N/A         | N/A         | 0.21         | -0.16        | N/A          | -0.04           |                   |
| <b>FLP (Loans)</b>                         | <b>0.38</b>  | <b>1.12</b>   | <b>1.12</b>   | <b>3.55</b>  | <b>4.75</b>  | <b>5.62</b>  | <b>5.81</b> | <b>5.80</b> | <b>5.90</b> | <b>4.86</b>  | <b>6.15</b>  | <b>6.16</b>  | <b>7.12</b>     | <b>08/01/1995</b> |
| <b>ECLP (Loans)</b>                        | <b>0.40</b>  | <b>1.14</b>   | <b>1.14</b>   | <b>3.42</b>  | <b>4.58</b>  | <b>4.53</b>  | <b>4.65</b> | <b>4.76</b> | <b>N/A</b>  | <b>4.49</b>  | <b>4.58</b>  | <b>4.25</b>  | <b>5.02</b>     | <b>11/01/2010</b> |

Performance shown is net of fees. Performance is preliminary, subject to change, and annualized for periods greater than one year. Manager inception dates shown represent the first full month following initial funding. Please see the Addendum for custom index definitions. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Fiscal year ends 06/30.

North Dakota Board of University and School Lands  
Comparative Performance - Net

As of March 31, 2020

|   | MTD           | QTD           | CYTD          | FYTD          | 1<br>Year     | 3<br>Years    | 5<br>Years   | 7<br>Years  | 10<br>Years | 2019         | 2018          | 2017         | Since<br>Incep. | Inception<br>Date |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------|-------------|-------------|--------------|---------------|--------------|-----------------|-------------------|
| <b>Absolute Return</b>                        |               |               |               |               |               |               |              |             |             |              |               |              |                 |                   |
| <b>GMO:Bchmk-Fr All;IV (GBMBX)</b>            | <b>-11.09</b> | <b>-16.02</b> | <b>-16.02</b> | <b>-12.53</b> | <b>-11.11</b> | <b>-1.38</b>  | <b>-0.38</b> | <b>N/A</b>  | <b>N/A</b>  | <b>11.64</b> | <b>-5.27</b>  | <b>13.07</b> | <b>-0.66</b>    | <b>07/01/2014</b> |
| 60% MSCI ACW (Net)/40% Bbrg Gbl Agg Idx       | -9.00         | -13.29        | -13.29        | -8.24         | -4.94         | 2.58          | 2.99         | 3.86        | 4.72        | 18.55        | -6.00         | 17.09        | 2.21            |                   |
| Difference                                    | -2.09         | -2.73         | -2.73         | -4.29         | -6.17         | -3.96         | -3.37        | N/A         | N/A         | -6.91        | 0.73          | -4.02        | -2.87           |                   |
| <b>PIMCO:All Ast Ath;Inst (PAUIX)</b>         | <b>-14.95</b> | <b>-19.37</b> | <b>-19.37</b> | <b>-17.96</b> | <b>-16.32</b> | <b>-4.44</b>  | <b>-1.67</b> | <b>N/A</b>  | <b>N/A</b>  | <b>7.62</b>  | <b>-6.14</b>  | <b>12.04</b> | <b>-2.96</b>    | <b>07/01/2014</b> |
| All Asset Custom Index (EqI Wtd)              | -5.49         | -6.66         | -6.66         | -2.79         | -0.05         | 3.25          | 3.33         | 3.58        | 4.61        | 12.97        | -1.62         | 8.94         | 2.96            |                   |
| Difference                                    | -9.46         | -12.71        | -12.71        | -15.17        | -16.27        | -7.69         | -5.00        | N/A         | N/A         | -5.35        | -4.52         | 3.10         | -5.92           |                   |
| <b>Diversified Inflation Strategies (DIS)</b> |               |               |               |               |               |               |              |             |             |              |               |              |                 |                   |
| <b>NT Common TIPS Index (CF)</b>              | <b>-1.71</b>  | <b>1.79</b>   | <b>1.79</b>   | <b>3.93</b>   | <b>6.92</b>   | <b>3.50</b>   | <b>2.70</b>  | <b>1.40</b> | <b>3.52</b> | <b>8.43</b>  | <b>-1.30</b>  | <b>3.09</b>  | <b>4.16</b>     | <b>06/01/2004</b> |
| Bloomberg US Trsy US TIPS Index               | -1.76         | 1.69          | 1.69          | 3.87          | 6.85          | 3.46          | 2.67         | 1.37        | 3.48        | 8.43         | -1.26         | 3.01         | 4.11            |                   |
| Difference                                    | 0.05          | 0.10          | 0.10          | 0.06          | 0.07          | 0.04          | 0.03         | 0.03        | 0.04        | 0.00         | -0.04         | 0.08         | 0.05            |                   |
| <b>Gresham Commodities (SA)</b>               | <b>-16.95</b> | <b>-27.25</b> | <b>-27.25</b> | <b>-24.16</b> | <b>-24.24</b> | <b>-7.19</b>  | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>13.59</b> | <b>-13.80</b> | <b>11.31</b> | <b>-8.04</b>    | <b>07/01/2015</b> |
| Bloomberg Cmdty Ex Energy Index (TR)          | -5.12         | -11.46        | -11.46        | -8.69         | -8.28         | -5.03         | -3.69        | -6.17       | -2.89       | 6.01         | -10.95        | 5.36         | -4.18           |                   |
| Difference                                    | -11.83        | -15.79        | -15.79        | -15.47        | -15.96        | -2.16         | N/A          | N/A         | N/A         | 7.58         | -2.85         | 5.95         | -3.86           |                   |
| Gresham Commodities (SA) Custom Index         | -14.74        | -25.15        | -25.15        | -22.05        | -21.68        | -7.75         | N/A          | N/A         | N/A         | 12.83        | -14.04        | 5.89         | -7.95           |                   |
| Difference                                    | -2.21         | -2.10         | -2.10         | -2.11         | -2.56         | 0.56          | N/A          | N/A         | N/A         | 0.76         | 0.24          | 5.42         | -0.09           |                   |
| <b>Harvest MLP (SA)</b>                       | <b>-40.97</b> | <b>-49.05</b> | <b>-49.05</b> | <b>-52.22</b> | <b>-52.42</b> | <b>-23.37</b> | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>12.72</b> | <b>-13.63</b> | <b>-5.50</b> | <b>-16.85</b>   | <b>07/01/2015</b> |
| S&P MLP Index (TR)                            | -46.15        | -55.88        | -55.88        | -58.97        | -59.21        | -26.97        | -19.88       | -13.16      | -3.92       | 9.78         | -11.67        | -5.58        | -19.91          |                   |
| Difference                                    | 5.18          | 6.83          | 6.83          | 6.75          | 6.79          | 3.60          | N/A          | N/A         | N/A         | 2.94         | -1.96         | 0.08         | 3.06            |                   |
| <b>Van Eck NR Equities (SA)</b>               | <b>-26.02</b> | <b>-38.31</b> | <b>-38.31</b> | <b>-38.53</b> | <b>-38.72</b> | <b>-19.99</b> | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>12.89</b> | <b>-28.52</b> | <b>-0.55</b> | <b>-14.08</b>   | <b>07/01/2015</b> |
| S&P Gbl Ntrl Res Sect Index (TR)              | -18.12        | -32.88        | -32.88        | -30.90        | -30.01        | -6.41         | -2.73        | -3.31       | -2.19       | 17.20        | -12.57        | 22.66        | -2.89           |                   |
| Difference                                    | -7.90         | -5.43         | -5.43         | -7.63         | -8.71         | -13.58        | N/A          | N/A         | N/A         | -4.31        | -15.95        | -23.21       | -11.19          |                   |
| S&P N Amer Ntrl Res Index                     | -30.33        | -43.90        | -43.90        | -42.40        | -43.21        | -18.03        | -11.91       | -9.11       | -4.35       | 17.63        | -21.07        | 1.23         | -11.99          |                   |
| Difference                                    | 4.31          | 5.59          | 5.59          | 3.87          | 4.49          | -1.96         | N/A          | N/A         | N/A         | -4.74        | -7.45         | -1.78        | -2.09           |                   |

Performance shown is net of fees. Performance is preliminary, subject to change, and annualized for periods greater than one year. Manager inception dates shown represent the first full month following initial funding. Please see the Addendum for custom index definitions. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Fiscal year ends 06/30.

North Dakota Board of University and School Lands  
Comparative Performance - Net

As of March 31, 2020

|   | MTD          | QTD          | CYTD         | FYTD         | 1<br>Year    | 3<br>Years   | 5<br>Years | 7<br>Years | 10<br>Years | 2019         | 2018         | 2017         | Since<br>Incep. | Inception<br>Date |
|---|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|-------------|--------------|--------------|--------------|-----------------|-------------------|
| <b>Real Estate</b>  |              |              |              |              |              |              |            |            |             |              |              |              |                 |                   |
| <b>Morgan Stanley Prime Property (CF)</b>                 | <b>0.61</b>  | <b>0.61</b>  | <b>0.61</b>  | <b>3.58</b>  | <b>5.47</b>  | <b>7.15</b>  | <b>N/A</b> | <b>N/A</b> | <b>N/A</b>  | <b>6.17</b>  | <b>7.96</b>  | <b>8.75</b>  | <b>8.33</b>     | <b>07/01/2015</b> |
| NCREIF ODCE Index (AWA) (Net)                             | 0.75         | 0.75         | 0.75         | 3.14         | 3.93         | 5.85         | 7.48       | 8.91       | 10.42       | 4.39         | 7.36         | 6.66         | 7.09            |                   |
| Difference  | -0.14        | -0.14        | -0.14        | 0.44         | 1.54         | 1.30         | N/A        | N/A        | N/A         | 1.78         | 0.60         | 2.09         | 1.24            |                   |
| <b>UBS Trumbull Property LP (CF)</b>                      | <b>0.25</b>  | <b>0.25</b>  | <b>0.25</b>  | <b>0.83</b>  | <b>-3.08</b> | <b>2.61</b>  | <b>N/A</b> | <b>N/A</b> | <b>N/A</b>  | <b>-2.84</b> | <b>6.17</b>  | <b>5.42</b>  | <b>4.39</b>     | <b>07/01/2015</b> |
| NCREIF ODCE Index (AWA) (Net)                             | 0.75         | 0.75         | 0.75         | 3.14         | 3.93         | 5.85         | 7.48       | 8.91       | 10.42       | 4.39         | 7.36         | 6.66         | 7.09            |                   |
| Difference  | -0.50        | -0.50        | -0.50        | -2.31        | -7.01        | -3.24        | N/A        | N/A        | N/A         | -7.23        | -1.19        | -1.24        | -2.70           |                   |
| <b>Jamestown Premier Property (CF)</b>                    | <b>-0.86</b> | <b>-0.86</b> | <b>-0.86</b> | <b>-0.37</b> | <b>1.91</b>  | <b>7.02</b>  | <b>N/A</b> | <b>N/A</b> | <b>N/A</b>  | <b>2.40</b>  | <b>7.75</b>  | <b>14.22</b> | <b>7.44</b>     | <b>07/01/2015</b> |
| NCREIF ODCE Index (AWA) (Net)                             | 0.75         | 0.75         | 0.75         | 3.14         | 3.93         | 5.85         | 7.48       | 8.91       | 10.42       | 4.39         | 7.36         | 6.66         | 7.09            |                   |
| Difference  | -1.61        | -1.61        | -1.61        | -3.51        | -2.02        | 1.17         | N/A        | N/A        | N/A         | -1.99        | 0.39         | 7.56         | 0.35            |                   |
| <b>Prologis USLF (CF)</b>                                 | <b>2.32</b>  | <b>2.32</b>  | <b>2.32</b>  | <b>11.64</b> | <b>16.20</b> | <b>17.10</b> | <b>N/A</b> | <b>N/A</b> | <b>N/A</b>  | <b>16.84</b> | <b>16.18</b> | <b>20.21</b> | <b>16.92</b>    | <b>04/01/2016</b> |
| NCREIF ODCE Index (AWA) (Net)                             | 0.75         | 0.75         | 0.75         | 3.14         | 3.93         | 5.85         | 7.48       | 8.91       | 10.42       | 4.39         | 7.36         | 6.66         | 6.23            |                   |
| Difference  | 1.57         | 1.57         | 1.57         | 8.50         | 12.27        | 11.25        | N/A        | N/A        | N/A         | 12.45        | 8.82         | 13.55        | 10.69           |                   |
| <b>JP Morgan US Real Estate Income and Growth LP (CF)</b> | <b>1.53</b>  | <b>1.53</b>  | <b>1.53</b>  | <b>2.80</b>  | <b>3.28</b>  | <b>4.43</b>  | <b>N/A</b> | <b>N/A</b> | <b>N/A</b>  | <b>2.24</b>  | <b>5.73</b>  | <b>5.82</b>  | <b>5.49</b>     | <b>07/01/2016</b> |
| NCREIF ODCE Index (AWA) (Net)                             | 0.75         | 0.75         | 0.75         | 3.14         | 3.93         | 5.85         | 7.48       | 8.91       | 10.42       | 4.39         | 7.36         | 6.66         | 6.12            |                   |
| Difference  | 0.78         | 0.78         | 0.78         | -0.34        | -0.65        | -1.42        | N/A        | N/A        | N/A         | -2.15        | -1.63        | -0.84        | -0.63           |                   |

Real Estate manager and index performance is available on a quarterly basis. Interim period performance assumes a 0.00% return. Net performance is reflective of fees paid according to investment manager's fee schedule. In 03/2020, Payden:Low Dur;Inv (Low Duration FI) was liquidated.

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North Dakota Board of University and School Lands  
Comparative Performance - Gross

As of March 31, 2020

|   | MTD           | QTD           | CYTD          | FYTD          | 1 Year        | 3 Years       | 5 Years      | 7 Years     | 10 Years    | 2019         | 2018          | 2017         | Since Incep. | Inception Date    |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------|-------------|-------------|--------------|---------------|--------------|--------------|-------------------|
| <b>Total Fund</b>                             | <b>-10.30</b> | <b>-14.88</b> | <b>-14.88</b> | <b>-10.79</b> | <b>-8.63</b>  | <b>0.58</b>   | <b>1.64</b>  | <b>3.30</b> | <b>5.06</b> | <b>14.96</b> | <b>-4.63</b>  | <b>13.23</b> | <b>6.38</b>  | <b>07/01/2009</b> |
| Target Allocation Index (Gross)               | -8.79         | -12.83        | -12.83        | -8.31         | -5.70         | 1.92          | 2.87         | 4.39        | 5.89        | 16.45        | -4.38         | 13.29        | 7.41         |                   |
| Difference                                    | -1.51         | -2.05         | -2.05         | -2.48         | -2.93         | -1.34         | -1.23        | -1.09       | -0.83       | -1.49        | -0.25         | -0.06        | -1.03        |                   |
| <b>Broad US Equity</b>                        | <b>-14.90</b> | <b>-21.99</b> | <b>-21.99</b> | <b>-14.46</b> | <b>-10.76</b> | <b>3.39</b>   | <b>5.61</b>  | <b>8.20</b> | <b>9.46</b> | <b>30.42</b> | <b>-5.40</b>  | <b>21.53</b> | <b>11.65</b> | <b>07/01/2009</b> |
| Russell 3000 Index                            | -13.75        | -20.90        | -20.90        | -12.70        | -9.13         | 4.00          | 5.77         | 8.96        | 10.15       | 31.02        | -5.24         | 21.13        | 12.15        |                   |
| Difference                                    | -1.15         | -1.09         | -1.09         | -1.76         | -1.63         | -0.61         | -0.16        | -0.76       | -0.69       | -0.60        | -0.16         | 0.40         | -0.50        |                   |
| <b>Broad International Equity</b>             | <b>-16.20</b> | <b>-25.19</b> | <b>-25.19</b> | <b>-19.61</b> | <b>-17.38</b> | <b>-3.47</b>  | <b>-1.30</b> | <b>1.51</b> | <b>2.23</b> | <b>22.39</b> | <b>-16.27</b> | <b>26.75</b> | <b>4.07</b>  | <b>07/01/2009</b> |
| MSCI ACW Ex US Index (USD) (Net)              | -14.48        | -23.36        | -23.36        | -18.02        | -15.57        | -1.96         | -0.64        | 1.06        | 2.05        | 21.51        | -14.20        | 27.19        | 4.13         |                   |
| Difference                                    | -1.72         | -1.83         | -1.83         | -1.59         | -1.81         | -1.51         | -0.66        | 0.45        | 0.18        | 0.88         | -2.07         | -0.44        | -0.06        |                   |
| <b>Fixed Income</b>                           | <b>-3.58</b>  | <b>-2.06</b>  | <b>-2.06</b>  | <b>0.37</b>   | <b>3.06</b>   | <b>3.03</b>   | <b>2.65</b>  | <b>2.67</b> | <b>3.93</b> | <b>8.01</b>  | <b>-0.02</b>  | <b>5.01</b>  | <b>4.48</b>  | <b>07/01/2009</b> |
| Global Fixed Income Custom Index              | -1.95         | 1.30          | 1.30          | 3.92          | 7.15          | 4.48          | 3.40         | 2.98        | 3.80        | 9.21         | -0.52         | 4.98         | 4.17         |                   |
| Difference                                    | -1.63         | -3.36         | -3.36         | -3.55         | -4.09         | -1.45         | -0.75        | -0.31       | 0.13        | -1.20        | 0.50          | 0.03         | 0.31         |                   |
| Bloomberg US Agg Bond Index                   | -0.59         | 3.15          | 3.15          | 5.68          | 8.93          | 4.82          | 3.36         | 3.19        | 3.88        | 8.72         | 0.01          | 3.54         | 4.15         |                   |
| Difference                                    | -2.99         | -5.21         | -5.21         | -5.31         | -5.87         | -1.79         | -0.71        | -0.52       | 0.05        | -0.71        | -0.03         | 1.47         | 0.33         |                   |
| <b>Absolute Return</b>                        | <b>-12.91</b> | <b>-17.46</b> | <b>-17.46</b> | <b>-14.60</b> | <b>-12.61</b> | <b>-1.51</b>  | <b>0.31</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>12.01</b> | <b>-4.41</b>  | <b>12.99</b> | <b>-0.11</b> | <b>07/01/2014</b> |
| Absolute Return Custom Index                  | -8.87         | -12.71        | -12.71        | -7.19         | -4.06         | 2.69          | 3.08         | 4.39        | 5.31        | 19.28        | -5.93         | 15.39        | 2.97         |                   |
| Difference                                    | -4.04         | -4.75         | -4.75         | -7.41         | -8.55         | -4.20         | -2.77        | N/A         | N/A         | -7.27        | 1.52          | -2.40        | -3.08        |                   |
| <b>Diversified Inflation Strategies (DIS)</b> | <b>-21.70</b> | <b>-29.90</b> | <b>-29.90</b> | <b>-29.90</b> | <b>-29.52</b> | <b>-11.33</b> | <b>-9.22</b> | <b>N/A</b>  | <b>N/A</b>  | <b>12.78</b> | <b>-13.77</b> | <b>3.01</b>  | <b>-5.40</b> | <b>04/01/2014</b> |
| DIS Custom Index                              | -19.35        | -27.82        | -27.82        | -27.85        | -27.20        | -9.66         | -6.96        | -4.08       | 0.43        | 10.27        | -9.13         | 4.80         | -4.41        |                   |
| Difference                                    | -2.35         | -2.08         | -2.08         | -2.05         | -2.32         | -1.67         | -2.26        | N/A         | N/A         | 2.51         | -4.64         | -1.79        | -0.99        |                   |
| <b>Real Estate</b>                            | <b>1.12</b>   | <b>1.12</b>   | <b>1.12</b>   | <b>4.68</b>   | <b>5.54</b>   | <b>8.44</b>   | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>5.70</b>  | <b>9.67</b>   | <b>11.25</b> | <b>9.46</b>  | <b>07/01/2015</b> |
| NCREIF ODCE Index (AWA) (Gross)               | 0.98          | 0.98          | 0.98          | 3.84          | 4.88          | 6.81          | 8.46         | 9.90        | 11.45       | 5.34         | 8.35          | 7.62         | 8.07         |                   |
| Difference                                    | 0.14          | 0.14          | 0.14          | 0.84          | 0.66          | 1.63          | N/A          | N/A         | N/A         | 0.36         | 1.32          | 3.63         | 1.39         |                   |

Real Estate composite and index performance is available on a quarterly basis. Interim period performance assumes a 0.00% return.

Performance shown is gross of fees. Performance is preliminary, subject to change, and annualized for periods greater than one year. Composite inception dates are based on availability of data for each asset class. Please see the Addendum for custom index definitions. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Fiscal year ends 06/30.

North Dakota Board of University and School Lands  
Comparative Performance - Gross

As of March 31, 2020

|  | MTD           | QTD           | CYTD          | FYTD          | 1<br>Year     | 3<br>Years   | 5<br>Years   | 7<br>Years  | 10<br>Years | 2019         | 2018          | 2017         | Since<br>Incep. | Inception<br>Date |
|--|---------------|---------------|---------------|---------------|---------------|--------------|--------------|-------------|-------------|--------------|---------------|--------------|-----------------|-------------------|
| <b>Broad US Equity</b>                         |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>State Street Russell 1000 Index SL (CF)</b> | <b>-13.22</b> | <b>-20.23</b> | <b>-20.23</b> | <b>-11.78</b> | <b>-8.05</b>  | <b>N/A</b>   | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>31.40</b> | <b>-4.77</b>  | <b>N/A</b>   | <b>4.05</b>     | <b>06/01/2017</b> |
| Russell 1000 Index                             | -13.21        | -20.22        | -20.22        | -11.77        | -8.03         | 4.64         | 6.22         | 9.32        | 10.39       | 31.43        | -4.78         | 21.69        | 4.07            |                   |
| Difference                                     | -0.01         | -0.01         | -0.01         | -0.01         | -0.02         | N/A          | N/A          | N/A         | N/A         | -0.03        | 0.01          | N/A          | -0.02           |                   |
| <b>State Street Russell Mid Cap Index (SA)</b> |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>State Street Russell Mid Cap Index (SA)</b> | <b>-19.43</b> | <b>-27.01</b> | <b>-27.01</b> | <b>-21.50</b> | <b>-18.28</b> | <b>N/A</b>   | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>30.42</b> | <b>-8.94</b>  | <b>N/A</b>   | <b>-1.40</b>    | <b>06/01/2017</b> |
| Russell Mid Cap Index                          | -19.49        | -27.07        | -27.07        | -21.54        | -18.31        | -0.81        | 1.85         | 6.35        | 8.77        | 30.54        | -9.06         | 18.52        | -1.44           |                   |
| Difference                                     | 0.06          | 0.06          | 0.06          | 0.04          | 0.03          | N/A          | N/A          | N/A         | N/A         | -0.12        | 0.12          | N/A          | 0.04            |                   |
| <b>NT Small Cap Core (CF)</b>                  |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>NT Small Cap Core (CF)</b>                  | <b>-22.83</b> | <b>-29.90</b> | <b>-29.90</b> | <b>-26.19</b> | <b>-22.37</b> | <b>-1.85</b> | <b>1.94</b>  | <b>5.16</b> | <b>7.57</b> | <b>23.98</b> | <b>-6.97</b>  | <b>22.66</b> | <b>1.84</b>     | <b>07/01/2014</b> |
| Russell 2000 Index                             | -21.73        | -30.61        | -30.61        | -25.55        | -23.99        | -4.64        | -0.25        | 4.21        | 6.90        | 25.53        | -11.01        | 14.65        | 0.81            |                   |
| Difference                                     | -1.10         | 0.71          | 0.71          | -0.64         | 1.62          | 2.79         | 2.19         | 0.95        | 0.67        | -1.55        | 4.04          | 8.01         | 1.03            |                   |
| <b>Broad International Equity</b>              |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>State Street World Ex US Index (CF)</b>     | <b>-14.13</b> | <b>-23.27</b> | <b>-23.27</b> | <b>-18.02</b> | <b>-14.96</b> | <b>-2.13</b> | <b>-0.82</b> | <b>N/A</b>  | <b>N/A</b>  | <b>22.40</b> | <b>-14.14</b> | <b>24.17</b> | <b>-1.73</b>    | <b>07/01/2014</b> |
| MSCI Wrld Ex US Index (USD) (Net)              | -14.12        | -23.26        | -23.26        | -18.00        | -14.89        | -2.07        | -0.76        | 1.44        | 2.43        | 22.49        | -14.09        | 24.21        | -1.68           |                   |
| Difference                                     | -0.01         | -0.01         | -0.01         | -0.02         | -0.07         | -0.06        | -0.06        | N/A         | N/A         | -0.09        | -0.05         | -0.04        | -0.05           |                   |
| <b>QMA International Small Cap Equity (CF)</b> |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>QMA International Small Cap Equity (CF)</b> | <b>-19.69</b> | <b>-29.41</b> | <b>-29.41</b> | <b>-22.43</b> | <b>-21.55</b> | <b>N/A</b>   | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>23.29</b> | <b>N/A</b>    | <b>N/A</b>   | <b>-19.19</b>   | <b>02/01/2018</b> |
| MSCI EAFE Sm Cap Index (USD) (Net)             | -17.24        | -27.52        | -27.52        | -19.52        | -18.15        | -2.88        | 0.97         | 3.31        | 4.81        | 24.96        | -17.89        | 33.01        | -14.76          |                   |
| Difference                                     | -2.45         | -1.89         | -1.89         | -2.91         | -3.40         | N/A          | N/A          | N/A         | N/A         | -1.67        | N/A           | N/A          | -4.43           |                   |
| <b>DFA Emg Mkts Core Eq;I (DFCEX)</b>          |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>DFA Emg Mkts Core Eq;I (DFCEX)</b>          | <b>-19.51</b> | <b>-28.21</b> | <b>-28.21</b> | <b>-23.75</b> | <b>-23.00</b> | <b>-4.86</b> | <b>-1.45</b> | <b>N/A</b>  | <b>N/A</b>  | <b>16.64</b> | <b>-14.77</b> | <b>37.36</b> | <b>-2.22</b>    | <b>07/01/2014</b> |
| MSCI Emg Mkts Index (USD) (Net)                | -15.40        | -23.60        | -23.60        | -18.18        | -17.69        | -1.62        | -0.37        | -0.40       | 0.69        | 18.44        | -14.58        | 37.28        | -1.34           |                   |
| Difference                                     | -4.11         | -4.61         | -4.61         | -5.57         | -5.31         | -3.24        | -1.08        | N/A         | N/A         | -1.80        | -0.19         | 0.08         | -0.88           |                   |
| <b>Harding Loevner:IEM;IZ (HLEZX)</b>          |               |               |               |               |               |              |              |             |             |              |               |              |                 |                   |
| <b>Harding Loevner:IEM;IZ (HLEZX)</b>          | <b>-19.95</b> | <b>-27.39</b> | <b>-27.39</b> | <b>-20.80</b> | <b>-19.52</b> | <b>-2.29</b> | <b>0.69</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>27.35</b> | <b>-17.61</b> | <b>37.29</b> | <b>-0.54</b>    | <b>07/01/2014</b> |
| MSCI Emg Mkts Index (USD) (Net)                | -15.40        | -23.60        | -23.60        | -18.18        | -17.69        | -1.62        | -0.37        | -0.40       | 0.69        | 18.44        | -14.58        | 37.28        | -1.34           |                   |
| Difference                                     | -4.55         | -3.79         | -3.79         | -2.62         | -1.83         | -0.67        | 1.06         | N/A         | N/A         | 8.91         | -3.03         | 0.01         | 0.80            |                   |

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North Dakota Board of University and School Lands  
Comparative Performance - Gross

As of March 31, 2020

|  | MTD          | QTD           | CYTD          | FYTD         | 1<br>Year    | 3<br>Years  | 5<br>Years  | 7<br>Years  | 10<br>Years | 2019         | 2018         | 2017         | Since<br>Incep. | Inception<br>Date |
|--|--------------|---------------|---------------|--------------|--------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|-----------------|-------------------|
| <b>Fixed Income</b>                        |              |               |               |              |              |             |             |             |             |              |              |              |                 |                   |
| <b>Payden &amp; Rygel Long Term (SA)</b>   | <b>-3.84</b> | <b>-0.17</b>  | <b>-0.17</b>  | <b>2.51</b>  | <b>5.99</b>  | <b>4.51</b> | <b>3.56</b> | <b>3.45</b> | <b>4.50</b> | <b>9.64</b>  | <b>0.36</b>  | <b>5.20</b>  | <b>5.93</b>     | <b>08/01/1995</b> |
| Bloomberg US Agg Bond Index                | -0.59        | 3.15          | 3.15          | 5.68         | 8.93         | 4.82        | 3.36        | 3.19        | 3.88        | 8.72         | 0.01         | 3.54         | 5.32            |                   |
| Difference                                 | -3.25        | -3.32         | -3.32         | -3.17        | -2.94        | -0.31       | 0.20        | 0.26        | 0.62        | 0.92         | 0.35         | 1.66         | 0.61            |                   |
| <b>JP Morgan FI Intermediate Bond (SA)</b> | <b>-1.11</b> | <b>1.77</b>   | <b>1.77</b>   | <b>3.64</b>  | <b>6.14</b>  | <b>3.86</b> | <b>2.91</b> | <b>2.66</b> | <b>N/A</b>  | <b>6.80</b>  | <b>1.11</b>  | <b>2.81</b>  | <b>2.61</b>     | <b>08/01/2012</b> |
| Bloomberg US Gov't Crdt Int Trm Bond Index | -0.44        | 2.40          | 2.40          | 4.19         | 6.88         | 3.79        | 2.76        | 2.46        | 3.14        | 6.80         | 0.88         | 2.14         | 2.38            |                   |
| Difference                                 | -0.67        | -0.63         | -0.63         | -0.55        | -0.74        | 0.07        | 0.15        | 0.20        | N/A         | 0.00         | 0.23         | 0.67         | 0.23            |                   |
| <b>Brandywine Gbl Opp FI (CF)</b>          | <b>-7.91</b> | <b>-11.15</b> | <b>-11.15</b> | <b>-8.82</b> | <b>-5.60</b> | <b>0.00</b> | <b>0.53</b> | <b>N/A</b>  | <b>N/A</b>  | <b>9.74</b>  | <b>-4.71</b> | <b>13.33</b> | <b>0.23</b>     | <b>11/01/2014</b> |
| FTSE Wrld Gov't Bond Index                 | -0.61        | 2.00          | 2.00          | 2.51         | 6.17         | 4.27        | 2.96        | 1.48        | 2.19        | 5.90         | -0.84        | 7.49         | 2.01            |                   |
| Difference                                 | -7.30        | -13.15        | -13.15        | -11.33       | -11.77       | -4.27       | -2.43       | N/A         | N/A         | 3.84         | -3.87        | 5.84         | -1.78           |                   |
| <b>AG Direct Lending III LP (SA)</b>       | <b>0.00</b>  | <b>0.00</b>   | <b>0.00</b>   | <b>5.80</b>  | <b>8.50</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>11.14</b> | <b>N/A</b>   | <b>N/A</b>   | <b>8.52</b>     | <b>09/01/2018</b> |
| CS Lvg'd Loan Index                        | 0.00         | 0.00          | 0.00          | 0.92         | 2.52         | 3.49        | 3.76        | 3.81        | 4.56        | 6.39         | 1.14         | 4.25         | 2.39            |                   |
| Difference                                 | 0.00         | 0.00          | 0.00          | 4.88         | 5.98         | N/A         | N/A         | N/A         | N/A         | 4.75         | N/A          | N/A          | 6.13            |                   |
| <b>Schroders Securitized Credit (SA)</b>   | <b>-8.08</b> | <b>-7.31</b>  | <b>-7.31</b>  | <b>-5.99</b> | <b>-4.84</b> | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>4.22</b>  | <b>N/A</b>   | <b>N/A</b>   | <b>-2.66</b>    | <b>12/01/2018</b> |
| 3 Month LIBOR Index (USD)+1.75%            | 0.24         | 0.94          | 0.94          | 3.00         | 4.17         | 3.81        | 3.20        | 2.86        | 2.64        | 4.39         | 3.86         | 2.88         | 4.29            |                   |
| Difference                                 | -8.32        | -8.25         | -8.25         | -8.99        | -9.01        | N/A         | N/A         | N/A         | N/A         | -0.17        | N/A          | N/A          | -6.95           |                   |
| <b>ND Land - PTF Cash (SA)</b>             | <b>0.06</b>  | <b>0.36</b>   | <b>0.36</b>   | <b>1.74</b>  | <b>2.35</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>2.56</b>  | <b>1.71</b>  | <b>N/A</b>   | <b>1.92</b>     | <b>07/01/2017</b> |
| ICE BofAML 3 Mo US T-Bill Index            | 0.29         | 0.58          | 0.58          | 1.61         | 2.25         | 1.83        | 1.19        | 0.86        | 0.64        | 2.28         | 1.87         | 0.86         | 1.92            |                   |
| Difference                                 | -0.23        | -0.22         | -0.22         | 0.13         | 0.10         | N/A         | N/A         | N/A         | N/A         | 0.28         | -0.16        | N/A          | 0.00            |                   |
| <b>FLP (Loans)</b>                         | <b>0.40</b>  | <b>1.20</b>   | <b>1.20</b>   | <b>3.65</b>  | <b>4.86</b>  | <b>5.66</b> | <b>5.83</b> | <b>5.82</b> | <b>5.91</b> | <b>4.89</b>  | <b>6.15</b>  | <b>6.16</b>  | <b>7.12</b>     | <b>08/01/1995</b> |
| <b>ECLP (Loans)</b>                        | <b>0.40</b>  | <b>1.14</b>   | <b>1.14</b>   | <b>3.42</b>  | <b>4.58</b>  | <b>4.53</b> | <b>4.65</b> | <b>4.76</b> | <b>N/A</b>  | <b>4.49</b>  | <b>4.58</b>  | <b>4.25</b>  | <b>5.02</b>     | <b>11/01/2010</b> |

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North Dakota Board of University and School Lands  
Comparative Performance - Gross

As of March 31, 2020

|   | MTD           | QTD           | CYTD          | FYTD          | 1<br>Year     | 3<br>Years    | 5<br>Years   | 7<br>Years  | 10<br>Years | 2019         | 2018          | 2017         | Since<br>Incep. | Inception<br>Date |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------|-------------|-------------|--------------|---------------|--------------|-----------------|-------------------|
| <b>Absolute Return</b>                        |               |               |               |               |               |               |              |             |             |              |               |              |                 |                   |
| <b>GMO:Bchmk-Fr All;IV (GBMBX)</b>            | <b>-11.01</b> | <b>-15.82</b> | <b>-15.82</b> | <b>-11.94</b> | <b>-10.32</b> | <b>-0.53</b>  | <b>0.48</b>  | <b>N/A</b>  | <b>N/A</b>  | <b>12.59</b> | <b>-4.46</b>  | <b>14.07</b> | <b>0.19</b>     | <b>07/01/2014</b> |
| 60% MSCI ACW (Net)/40% Bbrg Gbl Agg Idx       | -9.00         | -13.29        | -13.29        | -8.24         | -4.94         | 2.58          | 2.99         | 3.86        | 4.72        | 18.55        | -6.00         | 17.09        | 2.21            |                   |
| Difference                                    | -2.01         | -2.53         | -2.53         | -3.70         | -5.38         | -3.11         | -2.51        | N/A         | N/A         | -5.96        | 1.54          | -3.02        | -2.02           |                   |
| <b>PIMCO:All Ast Ath;Inst (PAUIX)</b>         | <b>-14.87</b> | <b>-19.16</b> | <b>-19.16</b> | <b>-17.37</b> | <b>-15.52</b> | <b>-3.52</b>  | <b>-0.74</b> | <b>N/A</b>  | <b>N/A</b>  | <b>8.63</b>  | <b>-5.22</b>  | <b>13.09</b> | <b>-2.03</b>    | <b>07/01/2014</b> |
| All Asset Custom Index (EqI Wtd)              | -5.49         | -6.66         | -6.66         | -2.79         | -0.05         | 3.25          | 3.33         | 3.58        | 4.61        | 12.97        | -1.62         | 8.94         | 2.96            |                   |
| Difference                                    | -9.38         | -12.50        | -12.50        | -14.58        | -15.47        | -6.77         | -4.07        | N/A         | N/A         | -4.34        | -3.60         | 4.15         | -4.99           |                   |
| <b>Diversified Inflation Strategies (DIS)</b> |               |               |               |               |               |               |              |             |             |              |               |              |                 |                   |
| <b>NT Common TIPS Index (CF)</b>              | <b>-1.70</b>  | <b>1.80</b>   | <b>1.80</b>   | <b>3.97</b>   | <b>6.97</b>   | <b>3.55</b>   | <b>2.75</b>  | <b>1.45</b> | <b>3.56</b> | <b>8.48</b>  | <b>-1.25</b>  | <b>3.14</b>  | <b>4.21</b>     | <b>06/01/2004</b> |
| Bloomberg US Trsy US TIPS Index               | -1.76         | 1.69          | 1.69          | 3.87          | 6.85          | 3.46          | 2.67         | 1.37        | 3.48        | 8.43         | -1.26         | 3.01         | 4.11            |                   |
| Difference                                    | 0.06          | 0.11          | 0.11          | 0.10          | 0.12          | 0.09          | 0.08         | 0.08        | 0.08        | 0.05         | 0.01          | 0.13         | 0.10            |                   |
| <b>Gresham Commodities (SA)</b>               | <b>-16.81</b> | <b>-27.12</b> | <b>-27.12</b> | <b>-23.81</b> | <b>-23.78</b> | <b>-6.64</b>  | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>14.25</b> | <b>-13.29</b> | <b>11.98</b> | <b>-7.49</b>    | <b>07/01/2015</b> |
| Bloomberg Cmdty Ex Energy Index (TR)          | -5.12         | -11.46        | -11.46        | -8.69         | -8.28         | -5.03         | -3.69        | -6.17       | -2.89       | 6.01         | -10.95        | 5.36         | -4.18           |                   |
| Difference                                    | -11.69        | -15.66        | -15.66        | -15.12        | -15.50        | -1.61         | N/A          | N/A         | N/A         | 8.24         | -2.34         | 6.62         | -3.31           |                   |
| Gresham Commodities (SA) Custom Index         | -14.74        | -25.15        | -25.15        | -22.05        | -21.68        | -7.75         | N/A          | N/A         | N/A         | 12.83        | -14.04        | 5.89         | -7.95           |                   |
| Difference                                    | -2.07         | -1.97         | -1.97         | -1.76         | -2.10         | 1.11          | N/A          | N/A         | N/A         | 1.42         | 0.75          | 6.09         | 0.46            |                   |
| <b>Harvest MLP (SA)</b>                       | <b>-40.81</b> | <b>-48.91</b> | <b>-48.91</b> | <b>-51.92</b> | <b>-52.02</b> | <b>-22.78</b> | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>13.54</b> | <b>-12.98</b> | <b>-4.81</b> | <b>-16.21</b>   | <b>07/01/2015</b> |
| S&P MLP Index (TR)                            | -46.15        | -55.88        | -55.88        | -58.97        | -59.21        | -26.97        | -19.88       | -13.16      | -3.92       | 9.78         | -11.67        | -5.58        | -19.91          |                   |
| Difference                                    | 5.34          | 6.97          | 6.97          | 7.05          | 7.19          | 4.19          | N/A          | N/A         | N/A         | 3.76         | -1.31         | 0.77         | 3.70            |                   |
| <b>Van Eck NR Equities (SA)</b>               | <b>-25.89</b> | <b>-38.20</b> | <b>-38.20</b> | <b>-38.23</b> | <b>-38.33</b> | <b>-19.47</b> | <b>N/A</b>   | <b>N/A</b>  | <b>N/A</b>  | <b>13.59</b> | <b>-28.04</b> | <b>0.09</b>  | <b>-13.52</b>   | <b>07/01/2015</b> |
| S&P Gbl Ntrl Res Sect Index (TR)              | -18.12        | -32.88        | -32.88        | -30.90        | -30.01        | -6.41         | -2.73        | -3.31       | -2.19       | 17.20        | -12.57        | 22.66        | -2.89           |                   |
| Difference                                    | -7.77         | -5.32         | -5.32         | -7.33         | -8.32         | -13.06        | N/A          | N/A         | N/A         | -3.61        | -15.47        | -22.57       | -10.63          |                   |
| S&P N Amer Ntrl Res Index                     | -30.33        | -43.90        | -43.90        | -42.40        | -43.21        | -18.03        | -11.91       | -9.11       | -4.35       | 17.63        | -21.07        | 1.23         | -11.99          |                   |
| Difference                                    | 4.44          | 5.70          | 5.70          | 4.17          | 4.88          | -1.44         | N/A          | N/A         | N/A         | -4.04        | -6.97         | -1.14        | -1.53           |                   |

Performance shown is gross of fees. Performance is preliminary, subject to change, and annualized for periods greater than one year. Manager inception dates shown represent the first full month following initial funding. Please see the Addendum for custom index definitions. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Fiscal year ends 06/30.

North Dakota Board of University and School Lands  
Comparative Performance - Gross

As of March 31, 2020

|   | MTD          | QTD          | CYTD         | FYTD         | 1<br>Year    | 3<br>Years   | 5<br>Years | 7<br>Years | 10<br>Years | 2019         | 2018         | 2017         | Since<br>Incep. | Inception<br>Date |
|---|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|-------------|--------------|--------------|--------------|-----------------|-------------------|
| <b>Real Estate</b>  |              |              |              |              |              |              |            |            |             |              |              |              |                 |                   |
| <b>Morgan Stanley Prime Property (CF)</b>                 | <b>0.92</b>  | <b>0.92</b>  | <b>0.92</b>  | <b>4.48</b>  | <b>6.69</b>  | <b>8.30</b>  | <b>N/A</b> | <b>N/A</b> | <b>N/A</b>  | <b>7.38</b>  | <b>9.05</b>  | <b>9.86</b>  | <b>9.52</b>     | <b>07/01/2015</b> |
| NCREIF ODCE Index (AWA) (Gross)                           | 0.98         | 0.98         | 0.98         | 3.84         | 4.88         | 6.81         | 8.46       | 9.90       | 11.45       | 5.34         | 8.35         | 7.62         | 8.07            |                   |
| Difference  | -0.06        | -0.06        | -0.06        | 0.64         | 1.81         | 1.49         | N/A        | N/A        | N/A         | 2.04         | 0.70         | 2.24         | 1.45            |                   |
| <b>UBS Trumbull Property LP (CF)</b>                      | <b>0.44</b>  | <b>0.44</b>  | <b>0.44</b>  | <b>1.40</b>  | <b>-2.35</b> | <b>3.40</b>  | <b>N/A</b> | <b>N/A</b> | <b>N/A</b>  | <b>-2.11</b> | <b>6.98</b>  | <b>6.30</b>  | <b>5.29</b>     | <b>07/01/2015</b> |
| NCREIF ODCE Index (AWA) (Gross)                           | 0.98         | 0.98         | 0.98         | 3.84         | 4.88         | 6.81         | 8.46       | 9.90       | 11.45       | 5.34         | 8.35         | 7.62         | 8.07            |                   |
| Difference  | -0.54        | -0.54        | -0.54        | -2.44        | -7.23        | -3.41        | N/A        | N/A        | N/A         | -7.45        | -1.37        | -1.32        | -2.78           |                   |
| <b>Jamestown Premier Property (CF)</b>                    | <b>-0.71</b> | <b>-0.71</b> | <b>-0.71</b> | <b>0.08</b>  | <b>2.52</b>  | <b>9.07</b>  | <b>N/A</b> | <b>N/A</b> | <b>N/A</b>  | <b>3.02</b>  | <b>9.96</b>  | <b>18.00</b> | <b>9.45</b>     | <b>07/01/2015</b> |
| NCREIF ODCE Index (AWA) (Gross)                           | 0.98         | 0.98         | 0.98         | 3.84         | 4.88         | 6.81         | 8.46       | 9.90       | 11.45       | 5.34         | 8.35         | 7.62         | 8.07            |                   |
| Difference  | -1.69        | -1.69        | -1.69        | -3.76        | -2.36        | 2.26         | N/A        | N/A        | N/A         | -2.32        | 1.61         | 10.38        | 1.38            |                   |
| <b>Prologis USLF (CF)</b>                                 | <b>2.67</b>  | <b>2.67</b>  | <b>2.67</b>  | <b>13.55</b> | <b>18.90</b> | <b>19.95</b> | <b>N/A</b> | <b>N/A</b> | <b>N/A</b>  | <b>19.51</b> | <b>18.56</b> | <b>24.22</b> | <b>19.72</b>    | <b>04/01/2016</b> |
| NCREIF ODCE Index (AWA) (Gross)                           | 0.98         | 0.98         | 0.98         | 3.84         | 4.88         | 6.81         | 8.46       | 9.90       | 11.45       | 5.34         | 8.35         | 7.62         | 7.19            |                   |
| Difference  | 1.69         | 1.69         | 1.69         | 9.71         | 14.02        | 13.14        | N/A        | N/A        | N/A         | 14.17        | 10.21        | 16.60        | 12.53           |                   |
| <b>JP Morgan US Real Estate Income and Growth LP (CF)</b> | <b>1.77</b>  | <b>1.77</b>  | <b>1.77</b>  | <b>3.53</b>  | <b>4.26</b>  | <b>5.42</b>  | <b>N/A</b> | <b>N/A</b> | <b>N/A</b>  | <b>3.21</b>  | <b>6.75</b>  | <b>6.83</b>  | <b>6.52</b>     | <b>07/01/2016</b> |
| NCREIF ODCE Index (AWA) (Gross)                           | 0.98         | 0.98         | 0.98         | 3.84         | 4.88         | 6.81         | 8.46       | 9.90       | 11.45       | 5.34         | 8.35         | 7.62         | 7.08            |                   |
| Difference  | 0.79         | 0.79         | 0.79         | -0.31        | -0.62        | -1.39        | N/A        | N/A        | N/A         | -2.13        | -1.60        | -0.79        | -0.56           |                   |

Real Estate manager and index performance is available on a quarterly basis. Interim period performance assumes a 0.00% return. In 03/2020, Payden:Low Dur;Inv (Low Duration FI) was liquidated.

Performance shown is gross of fees. Performance is preliminary, subject to change, and annualized for periods greater than one year. Manager inception dates shown represent the first full month following initial funding. Please see the Addendum for custom index definitions. RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Fiscal year ends 06/30.

**Performance Related Comments**

- Market values and performance are preliminary and subject to change.
- Real Estate composite, manager, and index performance are available on a quarterly basis. Market values are as of the most recent quarter-end and adjusted for subsequent cash flows. Interim period performance assumes a 0.00% return.
- Manager inception dates shown represent the first full month following initial funding.
- RVK began monitoring the assets of North Dakota Board of University and School Lands in Q3 2014. Prior historical data was provided by North Dakota Board of University and School Lands.
- Indices show N/A for since inception returns when the fund contains more history than the corresponding benchmark.
- As of 07/2014, composite and manager performance is provided and calculated by RVK.
- Net performance for FLP & ECLP bank loans represent Fees Payable.

**Index Comments**

- The Target Allocation Index (Net) is a static custom index that is calculated monthly and consists of:
  - From 07/2019 through present: 18.5% Russell 3000 Index, 18.5% MSCI ACW Ex US Index (USD) (Net), 23% Global Fixed Income Custom Index, 15% NCREIF ODCE Index (AWA) (Net), 15% Absolute Return Custom Index, and 10% DIS Custom Index.
  - From 02/2018 through 06/2019: 17% Russell 3000 Index, 17% MSCI ACW Ex US Index (USD) (Net), 21% Global Fixed Income Custom Index, 15% NCREIF ODCE Index (AWA) (Net), 20% Absolute Return Custom Index, and 10% DIS Custom Index.
  - From 07/2014 through 01/2018: 17% Russell 3000 Index, 15% MSCI ACW Ex US Index (USD) (Net), 23% Global Fixed Income Custom Index, 15% NCREIF ODCE Index (AWA) (Net), 20% Absolute Return Custom Index, and 10% DIS Custom Index.
  - From 01/2013 through 06/2014: 18.7% Russell 1000 Index, 12.4% Russell 2500 Index, 7.5% FTSE EPRA/NAREIT US Index, 12.4% MSCI EAFE Index (USD) (Net), 33.3% Bloomberg US Agg Bond Index, 0.70% CS Lvg'd Loan Index, 10% Bloomberg US Corp Hi Yld Index, and 5% Bloomberg Gbl Agg Ex USD Index (Hedged).
  - From 07/2009 through 12/2012: 15% Russell 1000 Index, 10% Russell 2500 Index, 6% FTSE EPRA/NAREIT US Index, 10% MSCI EAFE Index (USD) (Net), 32.3% Bloomberg US Agg Bond Index, 1.70% CS Lvg'd Loan Index, 10% Bloomberg US Corp Hi Yld Index, 5% Bloomberg Gbl Agg Ex USD Index (Hedged), and 10% ICE BofAML Cnvrtd Bonds Index (All Qual).
- The Target Allocation Index (Gross) is a static custom index that is calculated monthly and consists of:
  - From 07/2019 through present: 18.5% Russell 3000 Index, 18.5% MSCI ACW Ex US Index (USD) (Net), 23% Global Fixed Income Custom Index, 15% NCREIF ODCE Index (AWA) (Gross), 15% Absolute Return Custom Index, and 10% DIS Custom Index.
  - From 02/2018 through 06/2019: 17% Russell 3000 Index, 17% MSCI ACW Ex US Index (USD) (Net), 21% Global Fixed Income Custom Index, 15% NCREIF ODCE Index (AWA) (Gross), 20% Absolute Return Custom Index, and 10% DIS Custom Index.
  - From 07/2014 through 01/2018: 17% Russell 3000 Index, 15% MSCI ACW Ex US Index (USD) (Net), 23% Global Fixed Income Custom Index, 15% NCREIF ODCE Index (AWA) (Gross), 20% Absolute Return Custom Index, and 10% DIS Custom Index.
  - From 01/2013 through 06/2014: 18.7% Russell 1000 Index, 12.4% Russell 2500 Index, 7.5% FTSE EPRA/NAREIT US Index, 12.4% MSCI EAFE Index (USD) (Net), 33.3% Bloomberg US Agg Bond Index, 0.70% CS Lvg'd Loan Index, 10% Bloomberg US Corp Hi Yld Index, and 5% Bloomberg Gbl Agg Ex USD Index (Hedged).
  - From 07/2009 through 12/2012: 15% Russell 1000 Index, 10% Russell 2500 Index, 6% FTSE EPRA/NAREIT US Index, 10% MSCI EAFE Index (USD) (Net), 32.3% Bloomberg US Agg Bond Index, 1.70% CS Lvg'd Loan Index, 10% Bloomberg US Corp Hi Yld Index, 5% Bloomberg Gbl Agg Ex USD Index (Hedged), and 10% ICE BofAML Cnvrtd Bonds Index (All Qual).
- The Global Fixed Income Custom Index consists of the Bloomberg US Unv Bond Index. Prior to 03/2019, the index consisted of 75% Bloomberg US Unv Bond Index and 25% Bloomberg Multiverse Index.
- The Absolute Return Custom Index consists of 60% MSCI ACW IM Index (USD) (Net) and 40% Bloomberg US Agg Bond Index.
- The DIS Custom Index consists of 50% Bloomberg US Trsy US TIPS Index and 50% FTSE EPRA/NAREIT Dvl'd Index (Gross) through 06/2015. It consists of 20% Bloomberg US Trsy US TIPS Index, 30% Bloomberg Cmdty Ex Energy Index (TR), 30% S&P MLP Index (TR), and 20% S&P Gbl Natural Res Sect Index (TR) thereafter.

- The All Asset Custom Index (EqI Wtd) is an equal-weighted hybrid created independently by RVK specifically for PIMCO's All Asset strategies, and it consists of the following benchmarks:
  1. Short Term Strategies: ICE BofAML 1 Yr T-Bill Index
  2. US Core and Long Maturity Bond Strategies: Bloomberg US Agg Bond Index
  3. EM and Gbl Bond Strategies: PIMCO GLADI Index\*
  4. Crdt Strategies: ICE BofAML US Hi Yld Master II Index
  5. Inflation Related Strategies: Bloomberg US Trsy US TIPS Index
  6. US Equity Strategies: Russell 3000 Index
  7. Global Equity Strategies: MSCI ACW Index (USD) (Net)
  8. Alternative Strategies: ICE BofAML 3 Mo US T-Bill Index+3%

\* Performance for the PIMCO Gbl Advantage Bond Index (London Close) prior to 01/01/2004 consists of the JPM EMBI Gbl Dvf'd Index (USD) (TR).

PORTLAND

BOISE

CHICAGO

NEW YORK

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| Schedule of Investable Assets |                             |                    |                |                          |          |
|-------------------------------|-----------------------------|--------------------|----------------|--------------------------|----------|
| Periods Ending                | Beginning Market Value (\$) | Net Cash Flow (\$) | Gain/Loss (\$) | Ending Market Value (\$) | % Return |
| MTD                           | 736,077,387                 | -389,072           | -7,641,519     | 728,046,796              | -1.04    |

| Asset Allocation & Performance       |                   |                 |       |       |       |        |              |                |
|--------------------------------------|-------------------|-----------------|-------|-------|-------|--------|--------------|----------------|
|                                      | Market Value (\$) | Performance (%) |       |       |       |        |              |                |
|                                      |                   | MTD             | QTD   | FYTD  | CYTD  | 1 Year | Since Incep. | Inception Date |
| NT Ultra Short Extended (SA)         | 728,046,796       | -1.04           | -0.14 | 1.09  | -0.14 | 2.16   | 1.87         | 08/01/2015     |
| NT Ultra Short Extended Custom Index |                   | 0.30            | 1.13  | 2.30  | 1.13  | 3.39   | 1.63         |                |
| Difference                           |                   | -1.34           | -1.27 | -1.21 | -1.27 | -1.23  | 0.24         |                |

| Fund Objective   |  |
|--|--|
| The objective of this fund is to provide capital preservation with returns which exceed that of its custom benchmark, 50% Bloomberg US Gov't Crdt 1-3 Yr Bond Index and 50% ICE BofAML 3 Mo US T-Bill Index. |  |

| Portfolio Characteristics |           |           |
|---------------------------|-----------|-----------|
|                           | Portfolio | Benchmark |
| Effective Duration        | 0.97      | 1.02      |
| Modified Duration         | 1.07      | 0.99      |
| Spread Duration           | 1.18      | 1.02      |
| Convexity                 | 0.02      | N/A       |
| Avg. Maturity             | 0.99      | 1.05      |
| Avg. Quality              | A1        | Aa1       |
| Yield To Maturity (%)     | 2.10      | 0.50      |
| Coupon Rate (%)           | 1.97      | N/A       |
| Current Yield (%)         | 1.97      | N/A       |
| Holdings Count            | 172       | 1,673     |

| Sector Distribution (%) |       |
|-------------------------|-------|
| Cash Equiv              | 2.03  |
| US Trsy                 | 83.58 |
| Gov't Related           | 5.23  |
| Agency MBS              | 14.90 |
| ABS                     | 16.80 |
| Inv Grade Corp          | 46.52 |
| Other                   | 0.61  |

| Sector         | NT Ultra Short Extended (SA) | NT Ultra Short Extended Custom Index |
|----------------|------------------------------|--------------------------------------|
| Cash Equiv     | 2.03                         | 0.00                                 |
| US Trsy        | 19.14                        | 83.58                                |
| Gov't Related  | 0.00                         | 5.23                                 |
| Agency MBS     | 14.90                        | 0.00                                 |
| ABS            | 16.80                        | 0.00                                 |
| Inv Grade Corp | 46.52                        | 11.20                                |
| Other          | 0.61                         | 0.00                                 |

Performance shown is net of fees. Net cash flow includes securities lending income and client directed flows. Gain/loss includes dividend and interest income and capital appreciation. Allocations shown may not sum up to 100% exactly due to rounding. The NT Ultra Short Extended Custom Index is calculated monthly and currently consists of 50% Bloomberg US Gov't Crdt 1-3 Yr Bond Index and 50% ICE BofAML 3 Mo US T-Bill Index. Fiscal year end 06/30. Allocation to "Other" consists of High Yield USD Corps.



## MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

May 28, 2020

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### RE: Opportunistic Investments

On April 30, 2020 the Board of University and School Lands' approved an asset allocation to Opportunistic Investments within the broader Strategic Asset Allocation for the Permanent Trusts.

Dislocation and Distressed Fund Strategy: Due to the current COVID-19 pandemic and the related economic crisis there are currently opportunities in the credit (non-Treasury) bond market for liquid asset purchases at favorable market values (i.e., "dislocated" prices). As the economic recession unfolds there will be further opportunities in the "distressed" credit market as well – where managers that focus on credit and asset-based underwriting can find value in rescue lending, corporate restructuring and special situation lending. These strategies have limited terms from 4 to 7 years and may or may not employ leverage (borrowing to invest and thereby increase returns).

RVK began the manager search by compiling a list of all managers that are currently raising dislocated credit funds and distressed credit funds or both. After reviewing product details and holding discussions with RVK, the list of managers was reduced down to three based upon strategy, leverage, track record, etc. During early-May, RVK and Department of Trust Lands (Department) staff interviewed the three managers (Apollo, KKR and Varde) with the team recommending Varde to the Board.

Varde is an investment manager founded in 1993 and headquartered in Minneapolis and New York, with offices throughout Europe and Asia. They have over \$12 Billion in assets under management and over 26 years of credit investment experience, including distressed and dislocated credit. Varde has over 90 investment professionals with expertise in various areas of the credit market. Varde plans to invest the Fund methodically throughout multiple stages of the recession during the Fund's 18-month investment period and will not move into opportunities that do not yet present an attractive risk-adjusted return.

Varde's experience suggests that major credit cycles play out in several stages. Varde believes this will present opportunities that offer private equity-like returns for credit risk. Therefore, Varde's has chosen a dual strategy of investing in both dislocated credit and distressed credit. Varde views the current stage of the recession as favorable to dislocated high-quality credits. Varde's belief is that distressed credit will not become attractive until the economy enters the later stages of the recession when there is more visibility as to the depths of the economic damage and thereby to corporate revenues and underlying asset values.

**Recommendation: The Board approve a \$100 Million investment in The Varde Dislocation Fund L.P. as part of the Opportunistic Investment allocation, subject to final review and approval of all legal documents by the Office of the Attorney General.**

| <b>Action Record</b>       | <b>Motion</b> | <b>Second</b> | <b>Aye</b> | <b>Nay</b> | <b>Absent</b> |
|----------------------------|---------------|---------------|------------|------------|---------------|
| Secretary Jaeger           |               |               |            |            |               |
| Superintendent Baesler     |               |               |            |            |               |
| Treasurer Schmidt          |               |               |            |            |               |
| Attorney General Stenehjem |               |               |            |            |               |
| Governor Burgum            |               |               |            |            |               |

Attachment 1: RVK Recommendation Memo

Attachment 2: The Varde Dislocation Fund Presentation





## Memorandum

|         |   |
|---------|---|
| To      | North Dakota Board of University and School Lands |
| From    | RVK Private Credit Manager Research Team          |
| Subject | Värde Dislocation Fund Investment Due Diligence   |
| Date    | May 2020  |

### Executive Summary

The Värde Dislocation Fund (the “Fund”) is a dislocation and distressed debt fund that seeks to invest across several phases of the current credit cycle. As such, this offering is a “hybrid” fund, with the ability to invest in senior, high-quality public debt within the initial phase of the cycle, along with more niche, private lending opportunities that will become more attractive in later phases. The Fund has a broad investment mandate and will look across the credit spectrum for the most attractive risk-adjusted relative value within different asset classes, liquidity profiles, and geographies. This Fund is supported by a strong investment team, with over 90 experienced investment professionals across 13 global offices. While the Fund has the ability to pivot opportunistically across the different phases of the credit cycle, the team plans to invest this Fund methodically, avoiding the highest risk sectors and deep distress opportunities during the first phase in the cycle in favor of more high-quality opportunities. Additionally, RVK clients will benefit from discounted management fees, making this offering compelling from an economics perspective as well.

This Fund is Värde’s first dedicated dislocation and distressed debt fund, though the Firm has been investing in dislocated credit and distressed debt in some capacity since its founding in 1993. This offering is structured as a closed-end, drawdown vehicle, and potential investors need to be aware that their capital will be locked-up for a multi-year time period.

The Värde Dislocation Fund will target a net annualized return in the mid-teens, approximately 15% net IRR, over the life of the Fund. This offering will have a relatively short investment period and harvest period, subject to extensions. Within a portfolio context, this Fund is expected to provide a robust level absolute return, diversification across dislocated and distressed credit markets, and protection from sectors most affected by the crisis. This opportunity provides a relatively conservative investment approach for taking advantage of the current market dislocation.

Overall, RVK believes that the Värde Dislocation Fund is a compelling investment opportunity due to its strong investment team, ability to pivot opportunistically across distressed asset classes, and conservative portfolio construction. This Fund will boost the returns of a diversified fixed income, opportunistic, or private credit portfolio through dislocated public credit and distressed debt investments across the globe.

## Strengths/Merits

**Strong Investment Team:** The investment team at Värde is one of the most experienced, well-resourced, and geographically diverse investment teams that is investing in dislocation and distressed debt at this time. Värde's senior leaders have been at the Firm since it was founded over 25 years ago and have developed their distressed debt playbook over multiple cycles. The investment team of over 90 investment professionals have expertise within traditional corporate credit and other, more specialized asset classes such as real estate, mortgages, real assets, transportation, structured credit, asset-based lending, and private lending. This deep knowledge in niche asset classes gives Värde an augmented ability to identify credit opportunities with the best relative value compared to peers that are dedicated solely to traditional corporate credit markets. In addition to a wide range of asset class expertise, Värde has a global presence, with 13 offices around the globe. The Firm relies on local and on-the-ground investing teams with language fluency in the markets in which they are operating. The investment team is supported by the Värde's platform which includes all in-house support teams.

**Ability to Opportunistically Pivot across the Cycle:** The Värde Dislocation Fund has a broad mandate and the ability to invest across the spectrum of liquidity, capital structures, geographies, and asset classes. This broad investment spectrum allows the Fund to capture the greatest relative value within credit markets across the globe. This fund will pivot opportunistically across public and dislocated markets in the initial phase of the distressed credit cycle into more private and distressed opportunities in the following phases of the cycle. As such, this can be considered a "hybrid" fund that taps into multiple distressed debt sub-sectors, allowing clients to exploit opportunities across all stages of the coming credit cycle with a single commitment.

**Thoughtful Portfolio Construction:** The investment team at Värde plans to invest the Fund methodically throughout multiple phases of the cycle during the Fund's investment period, and will not move into opportunities that do not yet present an attractive risk-adjusted return. While some of Värde's peers have not hesitated to jump into sectors that are located in the epicenter of this crisis such as lodging, gaming, energy, and transportation, Värde has taken a more conservative approach by waiting until downside scenarios can be underwritten with more certainty. Additionally, this fund will likely not invest in deep distress or complex special situations in the initial phases of the cycle, as these opportunities may not offer adequate compensation for the risk investors would be exposed to until the later stages of the cycle.

**Attractive Fees:** RVK clients will benefit from RVK's aggregated committed capital into the Fund in the form of a slight discount to the stated management fee. Additionally, clients who make the first close, currently targeted for early June, will receive an additional fee discount. The resulting discounted management fee is one of the most attractive management fees available among

distressed debt funds, which are often notorious for outsized fees due to the high costs associated with the underwriting of distressed borrowers and assets.

## Issues to Consider

**First Time Fund Series:** While Värde has been investing in dislocated, stressed, and distressed credit since the firm was founded in 1993, this is the Firm's fund exclusively focused on this specific investment strategy. As such, while distressed debt investing is at the roots of the Firm's strategy, the Värde Dislocation Fund will be Värde's first dedicated fund attempting to capitalize on market dislocation and distressed debt opportunities. A potential mitigating factor is the fact that other Värde funds have performed well in previous distressed credit cycles. The Värde Global Funds, Värde's flagship closed-end fund series that targets both performing and distressed investment opportunities across all of Värde's investment strategies, performed very well in the years following the Great Financial Crisis ("GFC"), returning a 1<sup>st</sup> quartile net IRR.

**Investing Alongside with the Firm's Other Strategies:** The Värde Dislocation Fund will be investing alongside Värde's two evergreen funds, Värde Credit Partners and Värde Investment Partners, and several closed-end funds, including the Värde Flagship Fund series and other specialized Värde closed-end funds. However, this fund is the only Värde fund being launched to take advantage of this particular dislocation and cycle, which means it may not compete with other Värde funds on most potential investments. Additionally, this Fund has a higher return target than Värde's other funds. Should a potential investment overlap the strategies of multiple Värde funds, the investment is generally allocated pro rata across funds, though this depends on a number of factors.

**Illiquid Fund Structure:** The Värde Dislocation Fund is a private, closed-end fund that has a set investment period that is followed by a harvest period, which is subject to further extensions. As such, potential investors will need to weigh the opportunity cost of having their capital locked-up in this Fund for multiple years. However, it should be noted that this Fund's term is relatively short compared to its distressed debt peers.

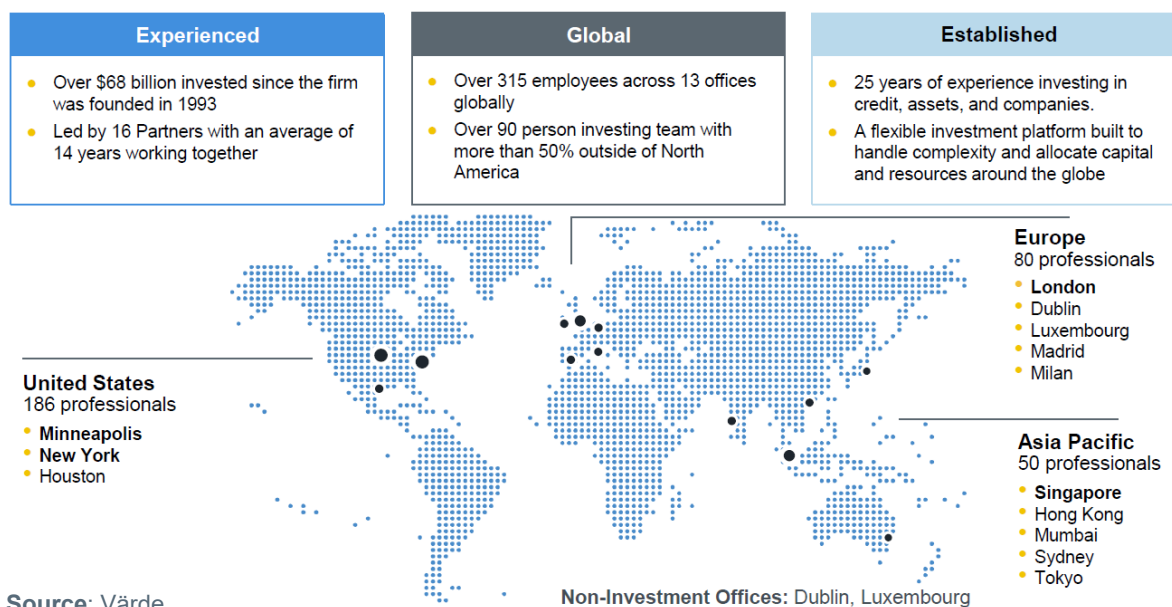
**Geographic Risk:** This Fund will invest a substantial amount of capital, approximately 40%-60%, in countries outside the U.S., which invites geographic risks such as macroeconomic, geopolitical, and currency risk. Although Värde eliminates the great majority of its currency risk through currency hedging, there is still a realistic possibility that higher levels of macroeconomic or geopolitical volatility in Western Europe or the Asia Pacific could materially impact the Fund's investments. While the Fund is expected to be heavily weighted to developed markets, the Fund

may include a small allocation to emerging markets, including Latin America or developing Asia. Värde expects to mitigate risks within its emerging market investments by focusing on high quality investments with heavy collateral packages that are held in offshore accounts.

## Firm Background and Ownership

Värde Partners, Inc. (“Värde”, the “Firm”, or the “Manager”) is a global alternative investment management firm that was founded in Minneapolis, Minnesota in 1993. The Firm manages over \$14 billion in assets across multiple market segments with a focus on credit and value investing. Despite its roots in center of the United States, the Värde platform is now global, with 13 offices across four continents, including three in the U.S., five in Europe, and five in the Asia Pacific/Australia. The Firm has over 315 employees, including over 90 professionals on the investment team. Värde employees comprise over 20 nationalities and speak more than 30 languages. Värde’s global platform allows the Firm to seek the greatest relative value across multiple geographies and asset classes, which is often why Värde’s funds include investments in North America, Europe, and the Asia Pacific and span corporate credit, real estate, and real assets, among others. See Figure 1 for an illustration of the Värde global investing platform.

**Figure 1: Värde Global Investing Platform**



Source: Värde



Värde is an employee-owned firm with 17 principles. This group includes 16 principles who are active members of the Värde team and are currently located within senior leadership positions in the Firm. The Principles group also includes founding partner Gregory McMillian, who retired from Värde in 2008 but still maintains an ownership position within the Firm. The Principles, who are an experienced group that has been working together for an average of 14 years, are responsible for the overall management of the Firm and meet at least quarterly to discuss the strategic oversight of the Firm's global business strategy.

Since the Firm's inception, Värde has invested over \$68 billion across all of the Firm's strategies. Värde's investment philosophy relies upon the Firm's core principles of applying a fundamental, value-based approach to identifying opportunities where the Firm can add value through scale, or purchase at an intrinsic discount. Värde's investment universe has historically been wide in its scope, with investments across the spectrum of liquidity (public securities and private loans), capital structures (senior and junior debt along with equity positions), geographies (North America, Europe, and the Asia Pacific) and asset classes (corporate, real estate, financial services, and real assets). This flexibility has allowed the Firm to pursue the most attractive risk-adjusted relative value across multiple credit cycles over its 25 year history. See Figure 2 for an overview of Värde's fund lineup, which includes two evergreen strategies and six closed-end strategies. While many of Värde's existing funds have a strategy that overlaps with the Värde Dislocation Fund, it is important to note that these funds typically have a lower performance hurdle (low teens target performance versus mid-teens performance for the Värde Dislocation Fund). Additionally, the Värde Dislocation Fund is the only Värde fund dedicated to seeking dislocated and distressed opportunities.

Nearly half of Värde's investor base are with in pension funds, endowments, and foundations. Additionally, Värde Partners has also invested significantly into their Funds, demonstrating a strong alignment of Firm incentives with investors.

## Investment Team

As mentioned earlier, Värde's investment universe is flexible in order to capitalize on the greatest relative value across the spectrum of liquidity, capital structures, geographies, and asset classes. The investment team at Värde has been split into several different investment sleeves and offices that allow the Firm to excel within this wide investment scope. RVK believes that Värde's investment team is a key strength of this fund, led by experienced senior leaders with expertise in niche sub-sectors outside of traditional corporate credit. Additionally, Värde is able to invest successfully across multiple geographies thanks to a team that is local and on-the-ground across

the globe and fluent in over 30 languages. RVK believes that both of these are characteristics are essential for investing in countries outside the U.S.

The Firm is led by George Hicks, Co-founder and Co-CEO, and Marcia Page, Co-founder and Executive Chair, who have both been with the Firm since inception in 1993. Ilfryn Carstairs, Co-CEO and CIO, is Chair of Värde’s Investment Committee and has been slated to become the sole CEO and remain CIO of the firm in January 2022 when Mr. Hicks will step down to become Co-Executive Chair with Ms. Page. Other key members of the investment leadership group are Brad Bauer and Giuseppe Naglieri, who serve as Deputy CIOs. These five senior leaders of the Firm have been with Värde for an average of 18 years and have an average of 26 years of investment experience. Please see Figure 4 for a snapshot of Värde’s organization and team.

**Figure 4: Värde Leadership and Organization**

| George Hicks (Co-Founder, Partner, Co-CEO) & Ilfryn Carstairs (Partner, Co-CEO, CIO)<br>Marcia Page (Co-Founder, Partner, Executive Chair)   |  |   |  |  |   |
|--|--|---|--|--|---|
| Investment Leadership  |  |   |  |  | Business Leadership   |
| Ilfryn Carstairs (Partner, CIO)<br>Brad Bauer (Partner, Deputy CIO) & Giuseppe Naglieri (Partner, Deputy CIO)  |  |   |  |  |   |
| Corporate & Traded Credit  | Financial Services   | Real Estate   | Mortgages  | Real Assets & Infrastructure   | Business Development & Investor Relations, Communications & Public Affairs                            |
| Giuseppe Naglieri (Partner, Global Co-Head)<br>Scott Hartman (Partner, Global Co-Head)<br>Haseeb Malik (Partner, Head of Asia)<br>Carlos Sanz Esteve (SMD)<br><br>+21 Investment Professionals | Rick Noel (Partner, Global Head)<br>Elena Lieskovska (Partner, Head of Europe)<br>Aneek Mamik (SMD, Head of North America and Asia)<br><br>+5 Investment Professionals | Tim Mooney (Partner, Global Head)<br>Francisco Milone (Partner, Head of Europe)<br>Anthony Iannazzo (SMD)<br><br>+21 Investment Professionals | Brian Schmidt (Partner, Head of Mortgages, North America Real Estate)<br>Jim Dunbar (SMD)<br><br>+9 Investment Professionals | Brad Bauer (Partner, Global Head)<br>Todd Jelen (SMD)<br><br>+8 Investment Professionals | Jon Fox (Partner, Global Head)  |
|  |  |   |  |  | Legal, Compliance, Audit & Tax<br>David Marple (Partner, General Counsel)<br>Katie Kloster (SMD, CCO) |
|  |  |   |  |  | Finance, Technology & Operations<br>Brendan Albee (SMD, COO)  |
| Capital Markets<br>Craig Rydqvist (SMD, Global Head)   | Portfolio Operations<br>Andy Lenk (Partner)<br>Krzysztof Drozd (SMD, Global Head)  |   | Fund Analytics & Risk Management<br>Mary Jo Sanderson (SMD, Global Head)   |  | Human Resources & Administration<br>Ksenia Anikina (SMD, Global Head)                                 |

Source: Värde

The Värde Dislocation Fund will be supported by the Firm’s entire investment team, which includes over 90 investment professionals and is split into the following five investment teams:

- **Corporate and Traded Credit:** This team includes 25 members across the U.S., Europe, and Asia Pacific. The team will focus on value-based traded credit, structured credit & CLOs, and distressed debt investing such as restructurings and liquidations.
- **Financial Services:** This team includes 8 members across the U.S. and Europe. The

team will focus on both debt and equity investments in public and private financial services companies. This will include a wide variety of structured investments and asset types, such as insurance, specialty finance, trust & corporate services, and payments & asset management portfolios.

- **Real Estate:** This team includes 24 members across the U.S., Europe, and Asia Pacific. The team will focus on opportunistic and distressed investments in both residential and commercial real estate assets, operating companies, and real estate secured debt.
- **Mortgages:** This team includes 11 members and is based in the U.S. The team will focus on new origination of commercial and residential mortgages, secondary loans and portfolios, mortgage securities (such as CMBS and RMBS), and servicing commercial loans.
- **Real Assets and Infrastructure:** This team includes 10 members across the U.S. and Europe. The team will focus on private loans, asset purchases, and structured finance transactions within energy, energy-related infrastructure, and transportation.

In addition to the five investment teams, Värde also has three support teams that partner with the investment team and provide strategic support to enhance its ability to access and create value:

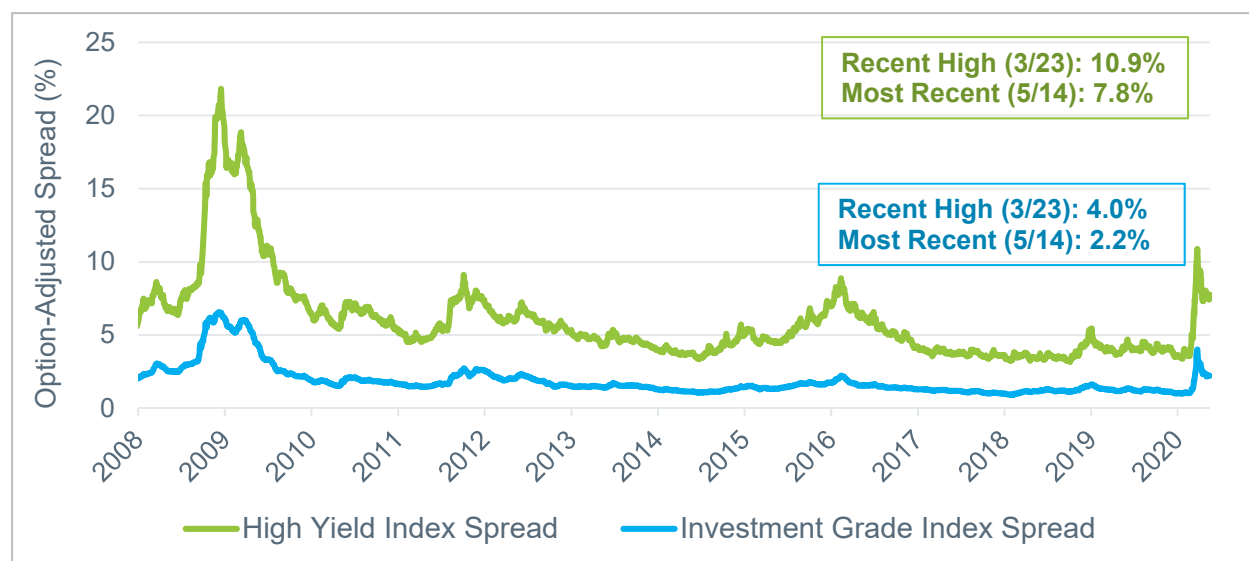
- **Capital Markets:** The five-person Capital Markets team is dedicated to obtaining efficient access, structuring, and terms for fund-level financings and portfolio-related transaction financings.
- **Portfolio Operations Group:** The three-person Fund Analytics & Risk Management team works with the management teams of Värde's portfolio companies in complex control-oriented or private equity situations. The team has expertise in implementing strategies for operational and revenue improvements, improving corporate governance, and enhancing organizational performance.
- **Fund Analytics & Risk Management (FARM):** The three-person FARM team works with the CIO and investment committee to analyze risk, performance, and liquidity activities. Additionally, the team is responsible for risk hedging, including FX hedges.

## Market Update

In March of 2020, a combination of investor liquidity needs and concerns over the potential income and cash flow impact of the COVID-19 pandemic on a series of public companies, assets, and

related credit securities caused significant outflows from a wide range of investment vehicles, as well as the forced deleveraging of a series of highly levered investment products facing significant margin calls in a liquidity constrained environment. The suddenness and scale of outflows and deleveraging, in combination with a lack of potential market buyers, has created an unprecedentedly sharp distortion across much of the US public credit market. In many cases, bond spreads doubled in less than one month, compared to a more typical doubling of spreads over periods of three to six months during the course of the 2008-2010 financial crisis. Figure 5 shows changes in high yield and investment grade bond spreads through May 14, 2020 as two examples of the scale and speed of the current credit market distortion.

**Figure 5: High Yield and Investment Grade Index Spread**



**Source:** Ice Data Indices, LLC. High Yield Index is represented by the ICE BofA US High Yield Index. Investment Grade Index represented by the ICE BofA US Corporate Index. Data as of 5/14/2020.

While the sharp declines in price are justified in the case of some securities, the recent dislocation across US credit has been largely indiscriminate. In many cases, the prices of senior debt, securities issued by stable companies, and structured credit instruments secured by robust underlying cash flows or assets have dropped nearly as sharply as the prices of junior debt, securities issued by unstable borrowers, or instruments unsecured by collateral. Similarly, the prices of more stable securities have, in many cases, dropped more sharply than would be expected even in the event of a material, multi-year negative impact on company earnings or, in extreme cases, the bankruptcy of their issuers. In many cases, high quality securities with negligible associated risk of delinquency or default, even when the likely effects of an ongoing



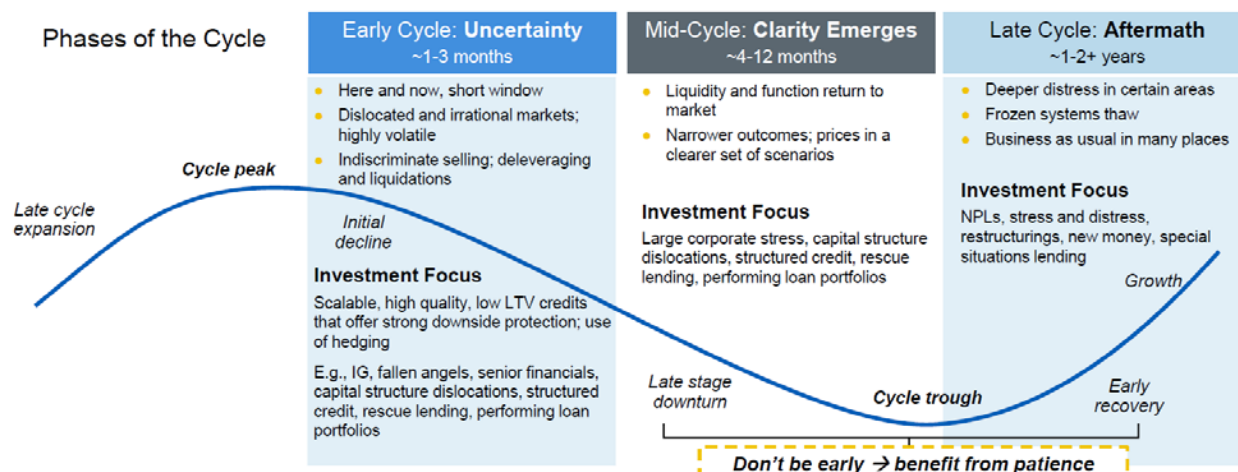
pandemic are accounted for, are trading at discounts that indicate the potential for a realization of equity-like returns in a relatively short period of time.

Although many dislocations can be identified in the current market landscape of global asset prices, the opportunity to potentially earn equity-like returns through investment in the senior debt of stable borrowers or in structured credit securities backed by stable cash flows or high quality assets represent some of the best risk-adjusted relative value currently available to diversified institutional investors. From the perspective of historical valuation, this environment likely represents the most compelling broad-based opportunity that has been available in US credit markets for many years. It is important to note that given the speed and comprehensiveness of unprecedented policy initiatives by the Federal Reserve, which have involved not only the lowering of interest rates but also an aggressive renewal of the Federal Reserve's quantitative easing practices with a stated focus on the price stabilization of both corporate bonds and mortgage backed securities, it is unknown how long the current credit dislocation and its associated investment opportunities will last.

## Investment Strategy

Värde believes that the current distressed credit cycle that began in March, 2020 will be as bad, or worse than, the Great Financial Crisis of 2008-2009. Specifically, due to the increased size of credit markets over the last decade, this cycle has the potential to be the largest in history in terms of the magnitude of the distressed opportunity set. While there is considerable uncertainty regarding the length of the cycle, Värde believes that this cycle will span multiple years, and will include several stages. The Firm has a strong view that there is a playbook for investing in cycles in order to properly assess relative value throughout each stage of the cycle. Värde's playbook, seen below in Figure 6, includes three cycle phases and is the primary driver behind the strategy for the Värde Dislocation Fund.

**Figure 6: Värde’s Investment Playbook for the Cycle**



Source: Värde

**Phase 1 – Early Cycle:** This initial phase of the cycle is characterized by maximum uncertainty and market chaos. Liquidity in the market breaks down as investors are forced to liquidate positions to meet margin calls or rebalance their portfolios back into compliance. This phase began in March 2020 and Värde expects it to last only a few months, representing the shortest phase of the cycle. During this time, Värde believes that the most attractive investments from a risk adjusted relative value basis are high-quality, liquid credit at prices that are affected by irrational dislocations in the market, such as investment grade corporate credit, “fallen angels”, and senior tranches of structured credit.

Värde believes that there are still ample investment opportunities from the first phase of the cycle, though the “easiest” returns have subsided. While the Firm believes that the return potential has not diminished greatly from the initial period of this phase, credit selection has become more important as the focus of underwriting shifts to analyzing the uncertainty within downside scenarios. Värde does not expect to invest in any deep distress or workout opportunities because the uncertainty involved in restructurings is too great at this time, the lowest-quality companies usually restructure first, and the risk-adjusted relative value of deep distress is not attractive in this phase.

**Phase 2 – Mid-Cycle:** Phase two of the credit cycle, which Värde expects to begin in the next few months and last for 6-12 months, is the “meat” of the cycle. This phase is characterized with a more reasonable range of potential outcomes for investments as liquidity returns to the market. It is during this phase that deep research and understanding of the sectors most affected by the crisis will matter the most. During the GFC for example, Värde developed a deep knowledge of

opportunities in financials, distressed RMBS, and homebuilding lending platforms. During the current crisis however, Värde expects to focus on sectors that have been impacted by the crisis including, but not limited to: consumer ABS, aircraft ABS, CMBS, hospitality, CLOs, private debt NPLs, among other niche industry specializations. Värde believes that having a broad investment mandate with a large team will allow them to take advantage of opportunities in niche markets in addition to traditional liquid corporate credit markets.

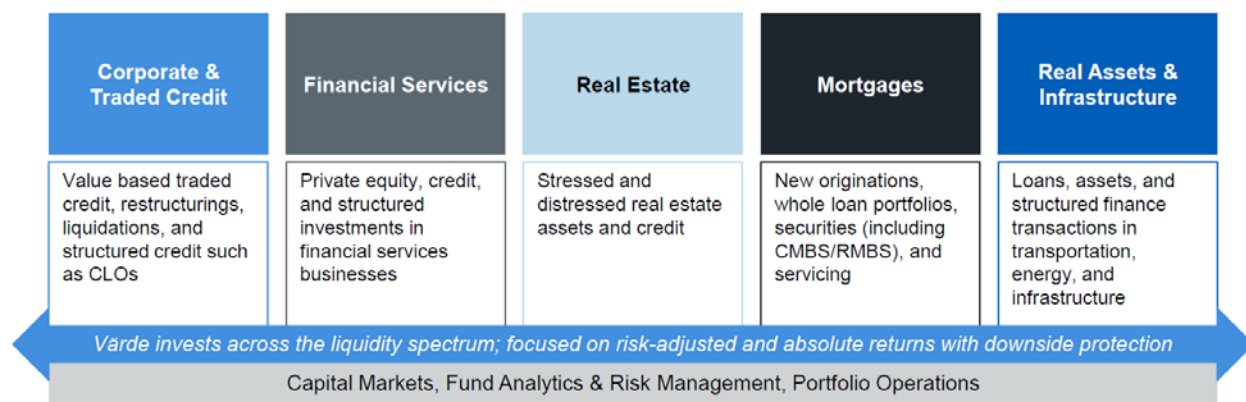
During this phase, Värde expects to use their entire “playbook”. Rescue lending and forced asset sales will become more attractive in addition to the other illiquid opportunities that may have smaller allocations in the portfolio, such as restructurings, asset portfolios, and some NPLs. While the initial deployment of capital in phase one is expected to be around 80% liquid and 20% illiquid opportunities, phase two will likely shift to a more balanced 60% liquid and 40% illiquid opportunities.

**Phase 3 – Late Cycle:** This phase is characterized by highly illiquid opportunities with long tails that could last for two to five years, if not longer. The Värde Dislocation Fund does not expect to be very active in most NPLs, restructurings, and special situations lending opportunities that arise during this phase since the Fund’s short 18-month investment period is likely to be complete by the time that these opportunities become attractive.

#### Värde’s Investment Platform

As mentioned previously, the Värde Dislocation Fund plans to invest a majority of its capital in the first two phases of the distressed credit cycle. Additionally, investment opportunities in the liquid credit markets are expected to make up the majority of the Fund’s initial investments. As such, this Fund will rely most heavily on Värde’s Corporate & Traded Credit team. However, the Fund is supported by Värde’s entire investment platform, seen in Figure 7, and all five teams are expected to contribute to the Fund’s investments. As more illiquid opportunities arise further into the cycle and into phase two, Värde’s other investment teams will play a larger role in the Fund’s investments.

**Figure 7: Värde's Investment Platform**



Source: Värde

A summary of the investment focus for each of Värde's five investment teams can be found below and on the following pages:

**Corporate and Traded Credit:** The Corporate and Traded Credit Team is expected to be responsible for the bulk of initial capital deployment during phase 1 of the cycle and continue to be a meaningful contributor during phase 2. The focus in the first few weeks of the dislocation in March 2020 was senior positions within high-quality, investment grade companies. These large, blue chip companies are not typically on the radar for Värde, but these investment opportunities presented the most attractive risk-adjusted relative value at the time.

**Financial Services:** The Financial Services team will contribute to the Fund through asset-backed securities (ABS) collateralized by a wide variety of different asset types, including orphaned sectors that fall outside of the TALF program such as personal lending. The private non-bank lending space will also be a focus for the team during later phases of the cycle, including asset-based portfolio acquisitions, asset-secured junior debt, and rescue financings.

**Real Estate:** The Real Estate team will partner with the Corporate and Traded Credit team in underwriting "crossover investments" between the teams, which typically involve corporate structures backed by real estate-related assets. The team will also explore stressed and distressed real estate assets or platforms in later phases of the cycle.

**Mortgages:** The Mortgages team will contribute to the Fund through opportunities in liquid structured credit markets, such as CMBS and RMBS. Additionally, the team has begun evaluating rescue financings and purchasing performing assets or portfolios from the forced sales of over-levered mortgage REITs. Finally, the team is preparing to look at opportunities in private real estate markets and NPLs in later phases of the cycle.

**Real Assets and Infrastructure:** The Real Assets and Infrastructure team is preparing to invest in the heavily dislocated aircraft industry through senior tranches within aircraft ABS. The team has experience in this market and believe that they have established tangible barriers to entry that result in aircraft ABS becoming an attractive investment opportunity. Additionally, the team is preparing for the rescue financings of high quality assets and for companies with short-term liquidity needs.

### Värde Dislocation Fund Portfolio Exposure

The Värde Dislocation Fund is targeting a diversified portfolio of 30-50 investments across a broad range of asset classes, liquidity profiles, and sectors.

Geographically speaking, the Fund is expected to be heavily invested in developed markets within the U.S. and Western Europe, with some exposure to Australia and Japan, as seen in Figure 9. At this moment in time, the opportunity set in developed markets is attractive enough that the Fund will likely not consider an investment in emerging markets. However, in later phases of the cycle, Värde may decide to invest in emerging market countries within Latin America or Asia, though this will be a much less meaningful allocation. If the team does decide to move forward with an investment in an emerging market country, the team places a heavy emphasis on the highest-quality opportunities with heavy collateral packages that are held in an offshore account. Importantly, all foreign currency risk will be hedged back to USD, which RVK views as an essential practice when investing outside the U.S.

## Investment Process

On a top-down basis, assessing the global relative value equation and properly managing Firm resources is an important objective for the Firm. The same relative value equation is also considered during the bottom-up investment process. Each potential investment is vetted rigorously by the Investment Committee through weekly meetings, and members of the IC have generally been involved during the day-to-day underwriting process. The Fund will invest in both liquid and illiquid investments throughout the Fund's life, and while there are differences in how these investments are sourced, managed, and eventually exited, Värde's investment philosophy remains largely the same. The key drivers of the investment process are identifying motivated sellers while sourcing opportunities, frequent monitoring of the current portfolio to assess relative value, and capitalizing on an exit catalyst that was identified during the underwriting process.

**Sourcing and Origination:** Värde believes that the market for distressed debt in mid-sized or larger companies is largely a relationship-driven and intermediated market. Over the course of



Värde's 25+ year history, the investment team has developed an extensive network of specialized brokers, commercial bankers, legal and financial advisors, and asset management firms that help to facilitate deal flow. Värde's investment team has often followed an industry or sector for a considerable amount of time, and can utilize the network to source attractive investment opportunities.

While sourcing opportunities outside the U.S., Värde has hired local investment professionals who speak the native language. RVK views this as an essential element in order to successfully source attractive investment opportunities in non-English-speaking countries. Additionally, this presents a tangible barrier to entry for other investment managers who are attempting to source investment opportunities from the European or Asian-Pacific countries that Värde is already well established in.

**Underwriting:** The underwriting process starts at the investment segment level within one of Värde's five investment teams. A "first look" is performed by the deal team, which typically includes at least the analyst and a senior investment professional. If an investment passes the IC's relative value assessment of the first look, further underwriting is performed. Deals are vetted rigorously through financial models in order to assess valuation. Investment professionals will typically perform a discounted cash flow analysis, a company re-organization and liquidity analysis, compare the valuation against similar investments in liquid and illiquid markets, and analyze potential returns for the investment. In addition to this valuation analysis, a corporate structure study is conducted to determine Värde's seniority in the capital stack and the collateral package. Finally, a detailed operation review and management assessment is performed, which is a key component of the underwriting when Värde could potentially control the situation. Once the underwriting process is complete, an IC memo is presented to the Investment Committee for approval.

**Portfolio Construction:** The Värde Investment Committee, which is composed of all Värde Partners and senior investments professionals (non-partner level), Värde's COO, and the Senior Managing Director of the Fund Analytics and Risk Management team (FARM) meets weekly in order to assess the pipeline, vet existing ideas through review of IC memos, and review potential investments before they are approved into the portfolio. It is at this weekly meeting that the underwriting of potential investments are challenged by the IC to ensure that the price range is accurate and the relative value of opportunity is attractive compared to other opportunities in the pipeline.

Once an investment has been approved, Värde's Fund Analytics and Risk Management team (FARM) plays a vital role in the implementation of the portfolio construction process. The FARM team ensures that capital deployment is conducted as efficiently as possible with minimal cash

drag. Additionally, FARM assists the CIOs by analyzing position sizes and risks amongst Värde's multiple funds. Lastly, FARM conducts all hedging in the portfolio. While a significant amount of Värde's investments may be in currency other than USD, the FARM team hedges all foreign currency risk back into USD through primarily forward contracts. RVK would view this as an essential practice for investment managers who make investments outside the U.S.

**Asset Management:** Värde will utilize third-party asset management firms to service and monetize illiquid investments. The third party asset manager will execute the realization strategy developed by Värde during the investment's initial underwriting. Värde will generally monitor their asset manager partners on a monthly basis. In the event that an investment needs a workout situation, Värde will become more actively involved in the monitoring process.

While Värde generally does not seek control of companies through restructurings, it will often be actively involved in bankruptcy or restructuring processes. The Firm has participated in many restructurings throughout the over two decades of investment experience, and as a result, many of Värde's senior investment team members have served on creditor committees and participated on the board of directors for several Värde portfolio companies. Additionally, Värde's Portfolio Operations team is dedicated to assisting the investment team in complex, control-oriented situations by working with portfolio company management teams to identify and implement strategies for operational and revenue improvements, improve corporate governance, and enhance organizational design.

## Performance and Track Record Analysis

The Värde Dislocation Fund is the first fund in this fund series; however, Värde has been investing successfully in dislocation, distressed debt, and complex special situations since the founding of the Firm in 1993. These investments have historically taken place in Värde's flagship global closed-end fund series as well as the evergreen fund, Värde Investment Partners, LP (VIP).

Värde's global closed-end fund series targets primarily illiquid investments across all five Värde investment segments (corporate and traded credit, mortgages, real estate, financial services, real assets & infrastructure)

While the fund series targets investments across all market cycles, the fund invested during the last market cycle correction performed extremely well, which may be the greatest indication of Värde's ability to invest in periods of stress and distress. Specifically, Fund IX and IX-A was a vintage 2008 fund that was invested in the years following the Great Financial Crisis and is in the top quartile of vintage 2008 private credit funds according to Preqin.



Värde's flagship open-ended fund, VIP, targets primarily liquid investments within corporate and traded credit, though it also has the ability to invest up to 30% in illiquid debt and equity opportunities across all five Värde investment segments.



# VÄRDE



## The Värde Dislocation Strategy May 2020

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## Current market dislocations offer high conviction credit investment opportunities

### Opportunity

- **Market dislocations and economic disruptions present compelling opportunities across global credit rivaling the scale seen during the GFC; total size measured in USD trillions**
- Värde's experience suggests that major credit cycles play out in several phases over time
- Värde believes this will present opportunities that offer private equity-like returns for credit risk
- Irrespective of short term market performance, significant fundamental distress opportunities are developing

### Strategy<sup>1</sup>

- **Värde is seeking to raise \$1 billion+ in capital commitments**
- Flexible, global mandate to pursue a broad universe of mispriced, stressed and distressed credit
- Focus on short- to medium-term credit opportunities

### Why Värde?

- **26+ years of investing experience in global credit markets and distressed, across many cycles**
- Integrated global platform with over 90 investment professionals built to handle complexity and allocate capital and resources dynamically across the globe
- Robust business continuity planning has enabled employees of Värde to work remotely without significant interruption
- Research-based approach supported by global platform and CIO team, portfolio management and risk management functions

1. There can be no assurance that any Fund achieve returns or objectives stated herein. The ultimate returns realized by a Fund will depend on numerous factors, which are subject to uncertainty. Accordingly, there can be no assurances that any performance or return objective will be realized or achieved. In addition, there are a variety of risks that may impede the achievement of the performance objectives. You should not assume that the performance of any specific investment or investment strategy will be profitable; any investment may result in a loss to investors.

Värde is a global alternative investment firm focused on credit and asset investing with over \$12.5 billion in assets under management

## Experienced

- **Over \$68 billion** invested since 1993
- **26+ years experience** investing in credit, assets and companies
- **Led by 16 Partners** with average of 14 years working together

## Global

- **Over 315 employees** connected across 13 offices
  - **Over 90 investing professionals** with more than 50% outside North America
- **Dedicated trading operations across U.S., Europe and Asia**

## Established

- **Flexible platform** built to handle complexity and allocate capital and resources around the globe
- **Well-resourced platform** functioning around the clock, without interruption
- **Strong culture and leadership** sustaining investing and business operations in uncertain times

### United States

186 professionals

- **Minneapolis**
- **New York**
- **Houston**

### Europe

80 professionals

- **London**
- **Dublin**
- **Luxembourg**
- **Madrid**
- **Milan**

### Asia Pacific

50 professionals

- **Singapore**
- **Hong Kong**
- **Mumbai**
- **Sydney**
- **Tokyo**

**Non-Investment Offices:** Dublin, Luxembourg

Värde's approach to credit is an extension of the Firm's time-tested investing philosophy

## Market Inefficiency & Catalysts

- Search opportunistically for **mispriced situations** where our broad experience and ability to work through complexity can produce favorable outcomes.
- Focus on **value drivers**, the path to unlock value and potential exit strategies.

## Intrinsic Value & Deep Fundamental Research

- Seek to invest at a **discount to intrinsic value**, and/or at a price that provides **downside protection** and helps **drive investment returns**.
- **Bottom-up, fundamental research** is the basis for all investing.

## Flexibility

- Shift capital and resources across the credit spectrum, asset classes and markets in pursuit of **strong risk-adjusted returns** and **attractive relative value**.

## Global & Local

- **Global** perspective with meaningful **local** presence, built around language skills, local knowledge, investing experience, and operational infrastructure.

## Risk Management

- **Breadth of perspectives** across credit spectrum and markets enhances ability to price risks and construct portfolios.
- Focus on **downside protection** in underwriting and **opportunistic hedging** of unwanted risks to improve results.

Värde's senior investment professionals<sup>1</sup> have 19 years of experience on average

**George Hicks** (Co-Founder, Partner, Co-CEO) & **Ifryn Carstairs** (Partner, Co-CEO, CIO)  
**Marcia Page** (Co-Founder, Partner, Executive Chair)

## Investment Leadership

**Ifryn Carstairs** (Partner, CIO)  
**Brad Bauer** (Partner, Deputy CIO) & **Giuseppe Naglieri** (Partner, Deputy CIO)

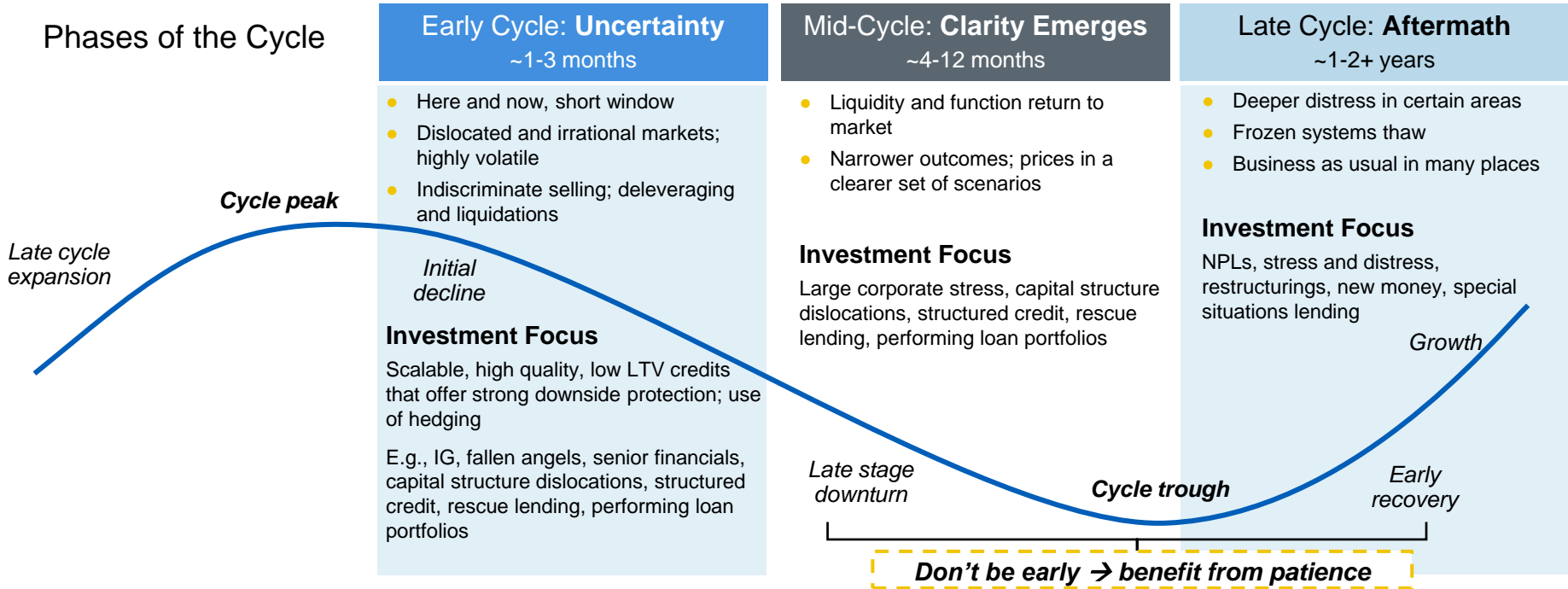
## Business Leadership

| Corporate & Traded Credit  | Financial Services   | Real Estate   | Mortgages  | Real Assets & Infrastructure   | Business Development & Investor Relations, Communications & Public Affairs                                       |
|--|--|---|--|--|--|
| Giuseppe Naglieri (Partner, Global Co-Head)<br>Scott Hartman (Partner, Global Co-Head)<br>Haseeb Malik (Partner, Head of Asia)<br>Carlos Sanz Esteve (SMD)<br>+21 Investment Professionals | Rick Noel (Partner, Global Head)<br>Elena Lieskovska (Partner, Head of Europe)<br>Aneek Mamik (SMD, Head of North America and Asia)<br>+5 Investment Professionals | Tim Mooney (Partner, Global Head)<br>Francisco Milone (Partner, Head of Europe)<br>Anthony Iannazzo (SMD)<br>+21 Investment Professionals | Brian Schmidt (Partner, Head of Mortgages, North America Real Estate)<br>Jim Dunbar (SMD)<br>+9 Investment Professionals | Brad Bauer (Partner, Global Head)<br>Todd Jelen (SMD)<br>+8 Investment Professionals | Jon Fox (Partner, Global Head)   |
|  |  |   |  |  | <b>Legal, Compliance, Audit &amp; Tax</b><br>David Marple (Partner, General Counsel)<br>Katie Kloster (SMD, CCO) |
|  |  |   |  |  | <b>Finance, Technology &amp; Operations</b><br>Brendan Albee (SMD, COO)  |
| <b>Capital Markets</b><br>Craig Rydqvist (SMD, Global Head)  | <b>Portfolio Operations</b><br>Andy Lenk (Partner)<br>Krzysztof Drozd (SMD, Global Head)   |   | <b>Fund Analytics &amp; Risk Management</b><br>Mary Jo Sanderson (SMD, Global Head)                                      |  | <b>Human Resources &amp; Administration</b><br>Ksenia Anikina (SMD, Global Head)                                 |

1. Defined as Managing Director and above.

Deep experience built over 26 years has taught us how to pursue each phase of the credit cycle

## Phases of the Cycle



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# VÄRDE

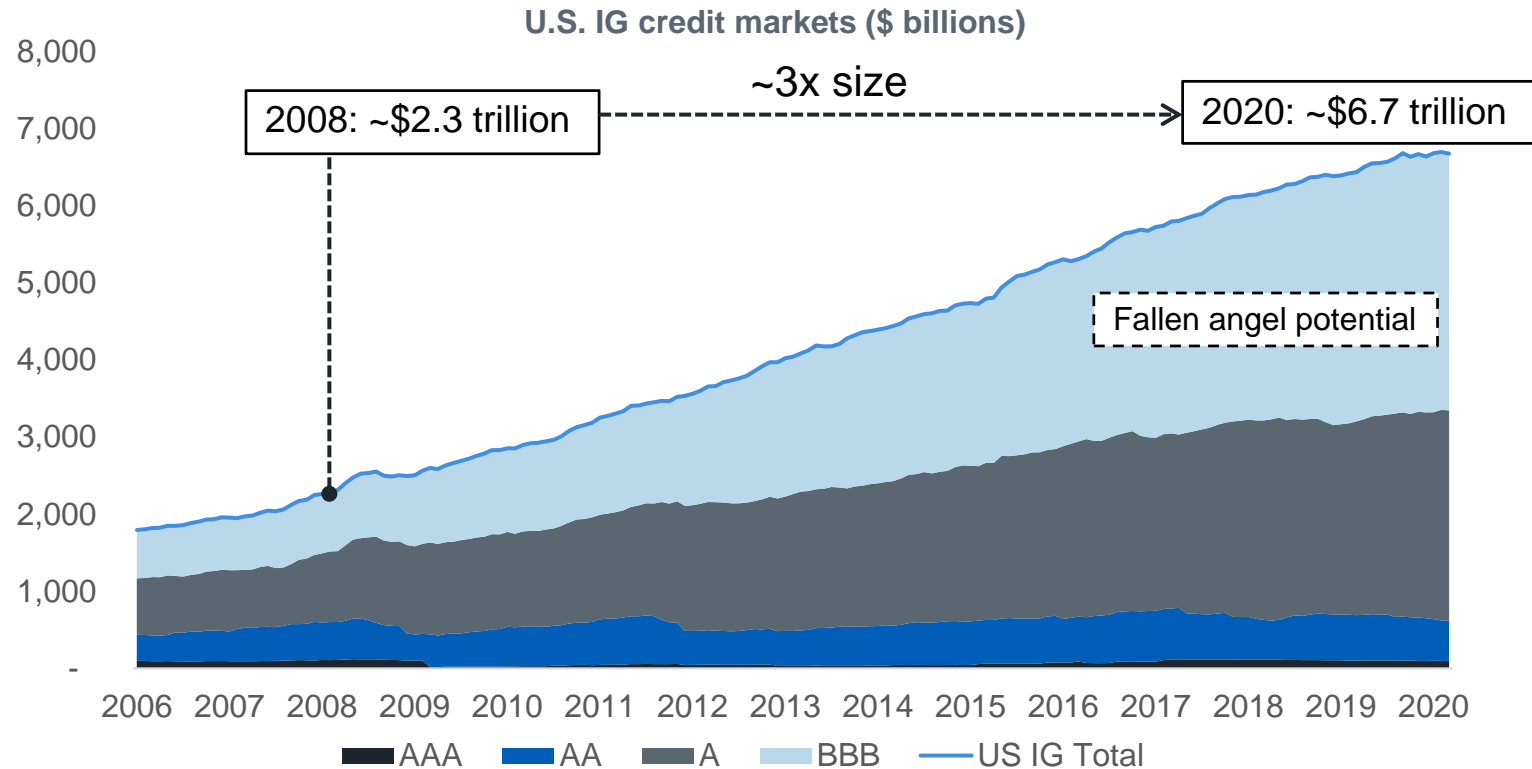
Current Environment



Current market dynamics and impending credit cycle create huge structural problems in credit

- 1 The liquidity squeeze from rapid deleveraging and forced selling to raise cash** drives dislocations across credit in substantial scale
- 2 Physical disruption of global economies** halts commerce abruptly, increasing financial stress; black swan nature of this event challenges assumptions underpinning even prudent capital structures
- 3 Unprecedented sudden decline in economic activity** inevitably leads to distress across multi-trillion dollar markets in the U.S., Europe, and Asia Pacific
- 4 Distressed opportunity set continues to grow** and will appear across a historically broad swath of the economy
- 5 Despite heavy stimulus** lasting fundamental economic damage is inevitable

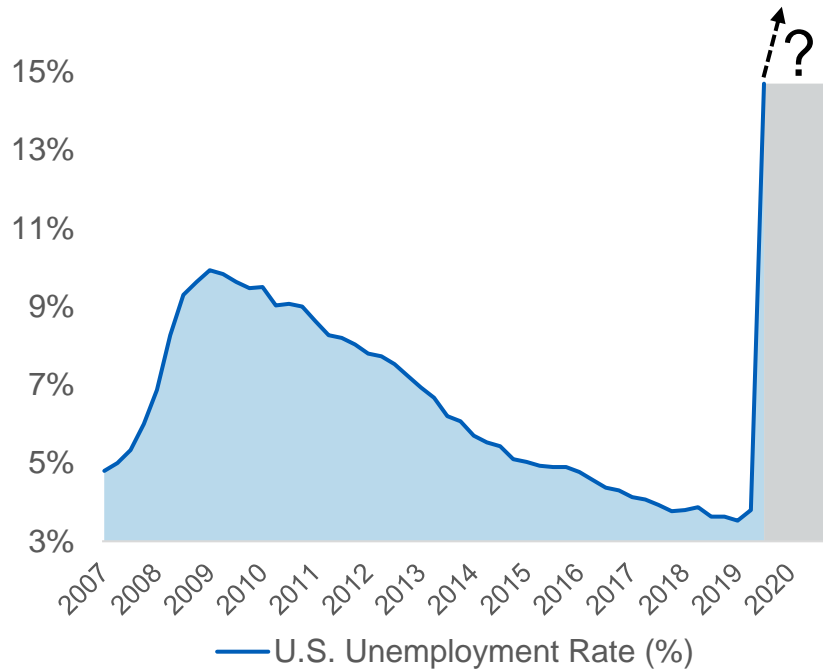
Growth in the U.S. IG market has increased the potential opportunity set for high quality, dislocated credit



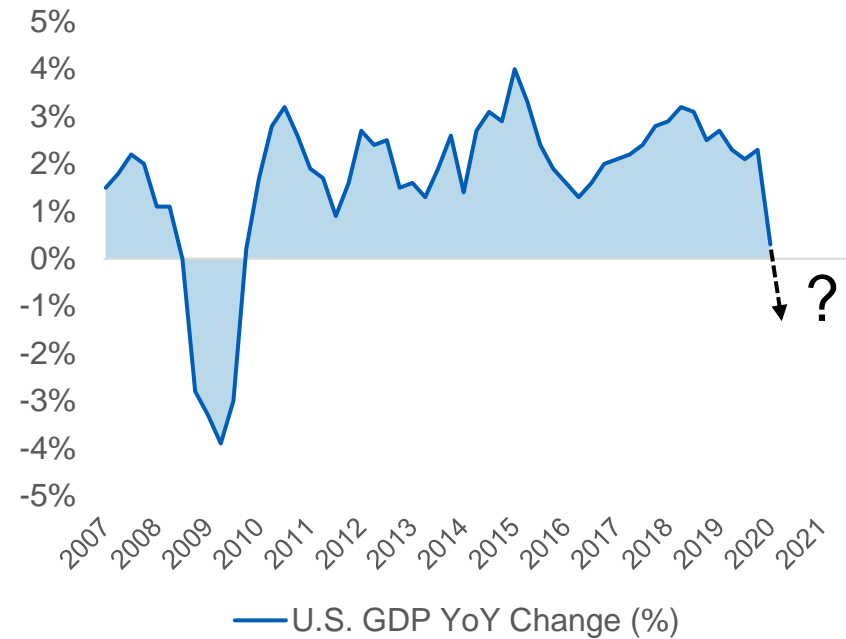
Source: BAML Chartbook. Data as of March 31, 2020.

Physical disruption and a sharp decline in economic activity could result in prolonged market stress

### U.S. Unemployment Rate (%)



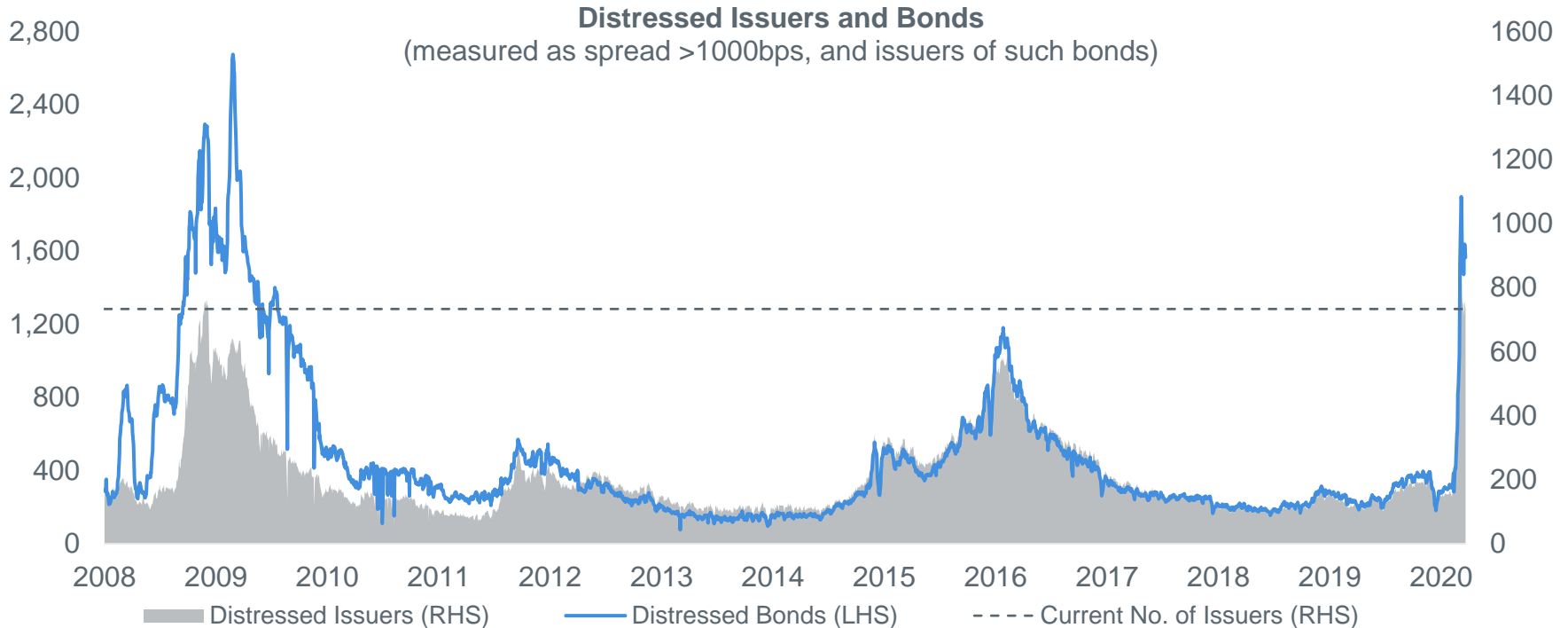
### Quarterly YoY % Change in U.S. GDP



Source: Bloomberg. U.S. unemployment rate (%) shown as of April 2020 and quarterly YoY % change in GDP as of Q1 2020.

# First Signs of Stress and Distress are Here and Now

The magnitude of distressed issuers and bonds are at levels not observed since the GFC



# VÄRDE

## Phases of the Credit Cycle and Opportunity Set

Early Cycle: **Uncertainty**

Mid-Cycle: **Clarity Emerges**

Late Cycle: **Aftermath**

A variety of investment opportunities may emerge as the cycle plays out

## Early Cycle: Uncertainty

**Point of maximum uncertainty and dislocation: focus on high quality credit**

- Aim for highest quality credit
  - Often IG, sector leaders with proven resilience
  - Low LTVs and large capital structures
  - Many levers of liquidity; access to capital markets
- Capital structure dislocations
- Seek to hedge cheaply, but to select credits that are money good in their own right

## Mid-Cycle: Clarity Emerges

**Narrower range of outcomes: deeper credit underwrite to extract value**

- Corporate stress & distress
- Crossover opportunities; integration of credit and asset underwriting
- Structured credit
- Private credit
  - Performing assets and loan portfolios
  - Rescue lending

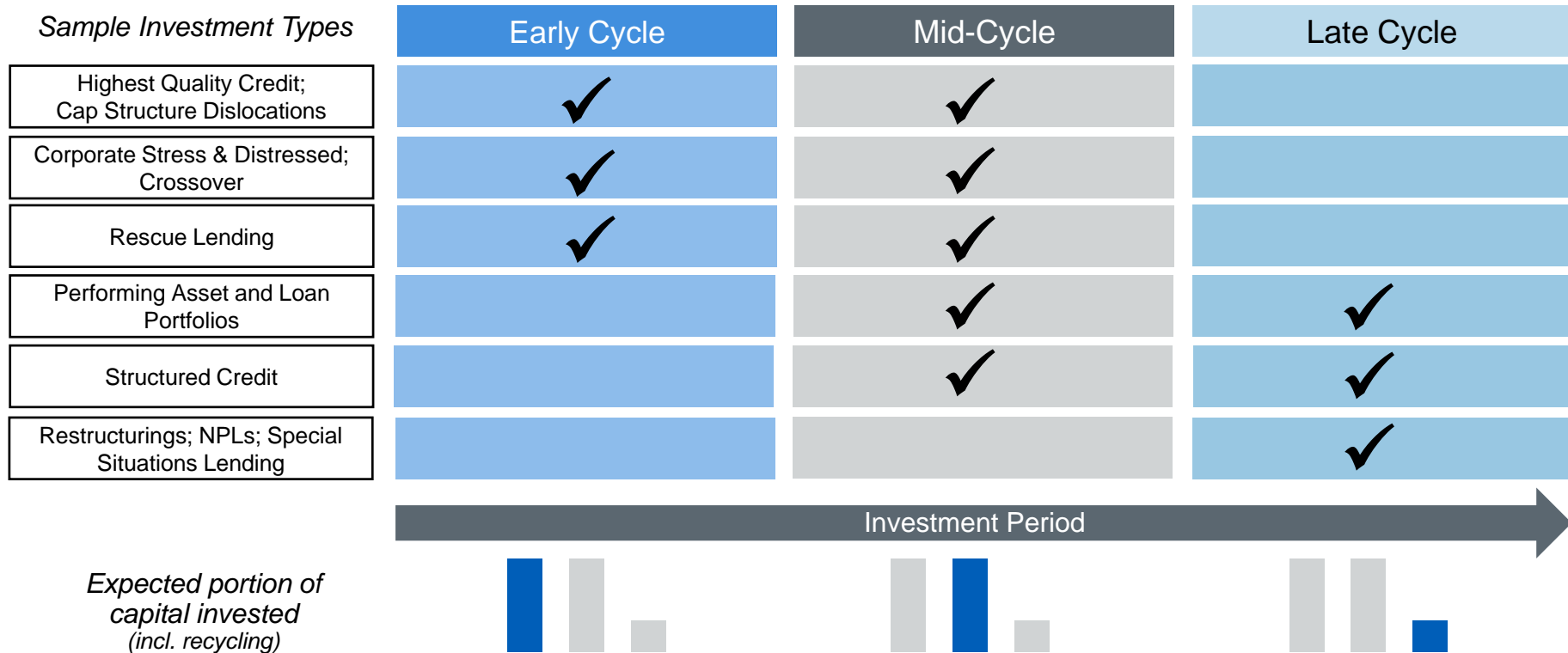
## Late Cycle: Aftermath

**Business as usual but stress and distress continue to play out**

- Corporate restructurings
- Non-performing loan portfolios & structured credit work-outs
- Alternative and special situations lending

# Flexible Mandate to Invest Through the Credit Cycle

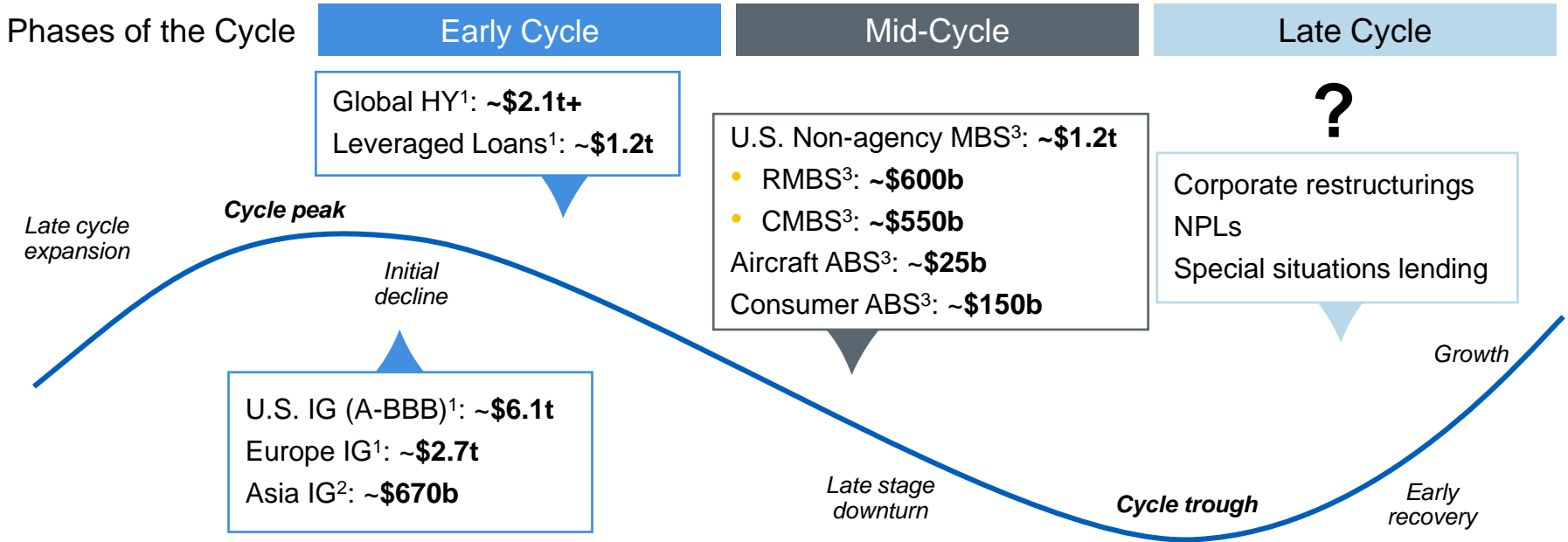
Relative value is assessed across the opportunity set at each phase of the cycle to optimize capital



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# Opportunities Abound as the Credit Cycle Plays Out

Size of the investment opportunity sets throughout the credit cycle are significant



1) Source: BAML Chartbook. 2) Bloomberg. 3) Sources: SIFMA, Deutsche Bank, Värde estimates. Data as of March 31, 2020. Represents illustrative evolution of strategy and capital deployment over time based on expected evolution of the credit cycle and the resulting opportunity set. Due to various risks and uncertainties, actual events or results may differ materially from the views and forward-looking statements included in this presentation. You should not assume that the performance of any specific investment or investment strategy will be profitable, in line with targeted returns or consistent with estimates. Any investment or investment strategy can be impacted by numerous factors, including market and economic conditions, and may result in a loss to investors. There can be no assurance that any future event will occur or that any projections will be achieved.



Early cycle investments are here and now; stressed and distressed opportunities are likely to develop over time

- Early days of the cycle, highest quality credit is available at levels we believe are highly attractive
- Senior debt in Fortune 500 companies, protected by low LTVs; global, impactful brands, with proven durability over time
- Cheap hedging is still available: markets across asset classes are disconnected given strong demand to sell bonds for cash
- **We believe that dislocation and distress will persist over time, but the window to capitalize on highest quality opportunities will be brief**

As path of the cycle becomes clearer, we expect our investment focus to shift to situations where fundamental research and operating expertise increasingly differentiate

## Corporate Stress & Distress

- **Corporate stress & distress:** quality businesses facing balance sheet stress
- **Capital structure dislocations:** relative value and mispricings across the capital structure of a single issuer

## Crossover

- **Crossover:** joint underwriting by teams with deep credit knowledge and underlying asset expertise
  - **Real estate, consumer finance, aircraft**

## Private Credit

- **Performing loan portfolios and hung financings:** lenders or banks forced to deleverage or decrease exposure to risk assets
- **Rescue lending:** real and financial assets for collateral

## Structured Credit

- **CMBS and RMBS:** mispriced and distressed bonds, troubled real estate loans
- **CLOs and ABS:** opportunities in dislocated structures or to purchase assets and portfolios, e.g. corporate loan purchases, aircraft, other transportation

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Market dislocations resolve and liquidity returns to markets in the aftermath of a cycle. We expect late-cycle investments to be a limited opportunity set for the Värde dislocation strategy, given the typically longer duration profile.

## Corporate Restructurings



- **Restructurings:** investments for control or influence in businesses or assets that require process-driven recapitalizations or re-positioning of assets
- **Recapitalizations:** refinancing opportunities to restructure broken balance sheets

## NPLs



- **Non-Performing Loan portfolios:** acquisitions or financing of non-performing loans from banks, asset managers or other financial companies

## Alternative and Special Situations Lending



- **Special situations lending:** new money lending opportunities for companies with limited access to capital markets or bank finance

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## Strategy performance driven by factors beyond good underwriting

- Position sizing a function of risk, shape of the trade, conviction and size/liquidity of the capital structure
- Risk assessed at individual position level and evaluated relative to other investment opportunities globally
- Systematic evaluation of portfolio risks, including concentration (e.g. sector or country), interest rate, commodity and liquidity
- Dedicated Fund Analytics & Risk Management team that assists PMs with portfolio management, allocations and position sizing
- Potential opportunistic hedging of unwanted risks

# VÄRDE

Appendix

## In Our Investing

We believe that ESG principles **align naturally with our fiduciary responsibility** to protect and create value for our investors.



## In Our Business

As our core values state, we align our actions with our commitments while **holding ourselves and others to a high standard.**

Full integration among those who set ESG policy and those who invest LP capital



Harnessing the power of collective intelligence and cognitive diversity

- Established Executive D&I Council in 2018 with Co-CEO George Hicks as Chair
- Thoughtfully redesigned hiring and talent management processes to minimize unconscious bias
- Conducted firm-wide Conscious Inclusion training
- More than doubled female Investment Professional headcount from 9% in 2015 to 20% in 2020
- Continued collaboration with portfolio companies and external institutions, such as World Economic Forum, to promote D&I best practices



We believe a team comprised more fully of individuals with diverse backgrounds, experiences, perspectives, and insights **makes us better investors and better corporate citizens.**





Fundamentally changing lives for good through a culture of engaged generosity

- Established five firm-wide philanthropic priorities:
  - Children & youth development
  - Climate & environment
  - Education
  - Housing & homelessness
  - Hunger & healthy food systems
- Increased firm-sponsored volunteer opportunities across the globe, partnering with 14 new organizations in 2019
- In response to the covid-19 pandemic, Värde is:
  - Making significant philanthropic donations from each of our 13 global offices to local organizations
  - Funding individual donation opportunities from each of our 300+ employees to an organization of their choice to give back where it is needed most in the communities where we work and live



Hands On  
LONDON



OLIVER  
SCHOLARS  
opportunity unlocked



## **Procedures for Executive Session regarding Attorney Consultation and Consideration of Closed Records**

### Overview

- 1) The governing body must first meet in open session.
- 2) During the meeting's open session the governing body must announce the topics to be discussed in executive session and the legal authority to hold it.
- 3) If the executive session's purpose is attorney consultation, the governing body must pass a motion to hold an executive session. If executive session's purpose is to review confidential records a motion is not needed, though one could be entertained and acted on. The difference is that attorney consultation is not necessarily confidential but rather has "exempt" status, giving the governing body the option to consult with its attorney either in open session or in executive session. Confidential records, on the other hand, cannot be opened to the public and so the governing body is obligated to review them in executive session.
- 4) The executive session must be recorded (electronically, audio, or video) and the recording maintained for 6 months.
- 5) Only topics announced in open session may be discussed in executive session.
- 6) When the governing body returns to open session, it is not obligated to discuss or even summarize what occurred in executive session. But if "final action" is to be taken, the motion on the decision must be made and voted on in open session. If, however, the motion would reveal "too much," then the motion can be abbreviated. A motion can be made and voted on in executive session so long as it is repeated and voted on in open session. "Final actions" DO NOT include guidance given by the governing body to its attorney or other negotiator regarding strategy, litigation, negotiation, etc. (See NDCC §44-04-19.2(2)(e) for further details.)

Recommended Motion to be made in open session:

**Under the authority of North Dakota Century Code Sections 44-04-19.1(9), the Board close the meeting to the public and go into executive session for purposes of attorney consultation relating to:**

- **Opportunistic Investments**

| <b>Action Record</b>       | <b>Motion</b> | <b>Second</b> | <b>Aye</b> | <b>Nay</b> | <b>Absent</b> |
|----------------------------|---------------|---------------|------------|------------|---------------|
| Secretary Jaeger           |               |               |            |            |               |
| Superintendent Baesler     |               |               |            |            |               |
| Treasurer Schmidt          |               |               |            |            |               |
| Attorney General Stenehjem |               |               |            |            |               |
| Governor Burgum            |               |               |            |            |               |

**Statement:**

“This executive session will be recorded and all Board members are reminded that the discussion during executive session must be limited to the announced purpose for entering into executive session, which is anticipated to last approximately one hour.

The Board is meeting in executive session to provide guidance or instructions to its attorneys regarding the identified litigation. Any formal action by the Board will occur after it reconvenes in open session.

Board members, their staff, employees of the Department of Trust Lands and counsel with the Attorney General staff will remain, but the public is asked to leave the room.

The executive session will begin at: \_\_\_\_\_AM, and will commence with a new audio recording device. When the executive session ends the Board will reconvene in open session.”

Statements upon return to open session:

State the time at which the executive session adjourned and that the public has been invited to return to the meeting room.

State that the Board is back in open session.

State that during its executive session, the Board provided its attorney with guidance regarding litigation relating to the sovereign lands' minerals claims.

[The guidance or instructions to attorney does not have to be announced or voted upon.]

State that no final action will be taken at this time as a result of the executive session discussion

**-or- .**

Ask for a formal motion and a vote on it.

**Move to the next agenda item.**