

**Minutes of the Meeting of the
Board of University and School Lands
August 25, 2022**

The August 25, 2022 meeting of the Board of University and School Lands was called to order at 9:03 AM by Chairman Doug Burgum.

Members Present:

Doug Burgum	Governor
Alvin A. Jaeger	Secretary of State
Drew Wrigley	Attorney General
Thomas Beadle	State Treasurer (via Teams)
Kirsten Baesler	Superintendent of Public Instruction (via Teams)

Department of Trust Lands Personnel Present:

Joseph Heringer	Commissioner
Kate Schirado	Administrative Assistant
Catelin Newell	Administrative Staff Officer
Rick Owings	Administrative Staff Officer
Dennis Chua	Investments
James Wald	Legal Council
Elvedina Papalichev	Paralegal
Chris Suelzle	Minerals Division Director
Jessica Fretty	Unclaimed Property
Joseph Stegmiller	Surface Division Director
Scott Giere	Revenue Compliance
Matthew Reile	Technical Support Specialist
Christopher Dingwall	Minerals Title Specialist
Lynn Spencer	Minerals Title Specialist
Adam Otteson	Revenue Compliance Division Director
Kayla Spangelo	Surface Range Soils Management Specialist
Emily Bosch	Unclaimed Property
Peggy Gudvangen	Finance Division Director
Vicki Siegel	Finance
Susan Dollinger	Unclaimed Property

Guests in Attendance:

Ryan Norrell	Office of the Governor
John Reiten	Office of the Governor
Dave Garner	Office of the Attorney General
Reice Haase	ND Industrial Commission
Karlene Fine	ND Industrial Commission
Geoff Simon	Western Dakota Energy Association
Brady Pelton	NDPC
Kevin Balaod	WithIntelligence (Journalist)
Jackie	Bismarck Tribune

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 July 25, 2022, meeting was made by Secretary Jaeger and the motion was seconded by Attorney General Wrigley and the motion carried unanimously on a voice vote.

O P E R A T I O N S

(08/25/22)

Commissioner’s Report

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

HR Update

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

DIVISION REPORTS

SURFACE

SURFACE DIVISION

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

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



MINERALS

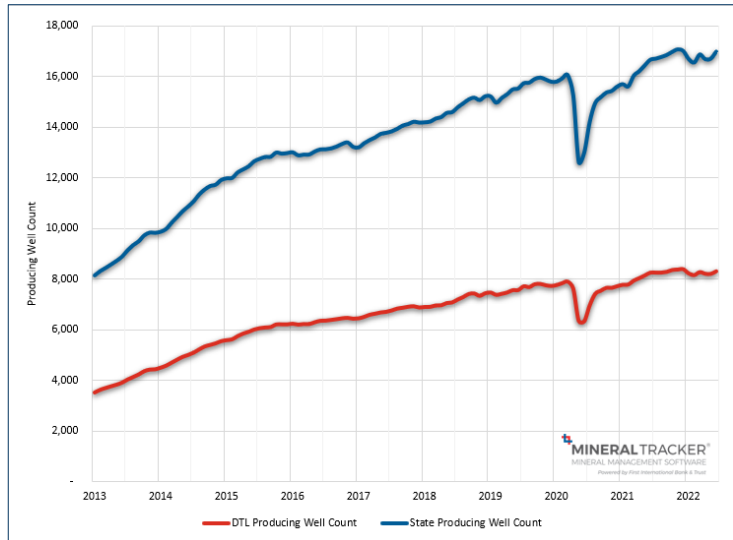
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For the month of July 2022, the Division did not receive extension requests or shut-in requests.

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

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

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



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Q3 Online Oil & Gas Lease Auction Summary

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

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

MINERALS DIVISION



Q3 Online Oil & Gas Lease Auction Summary

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

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

Average Bonus/Acre (Total Bonus/Total Acres)

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

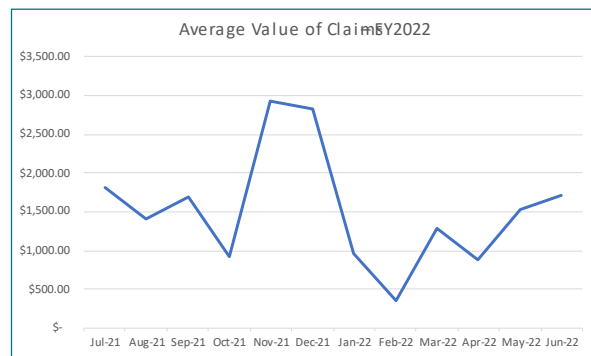
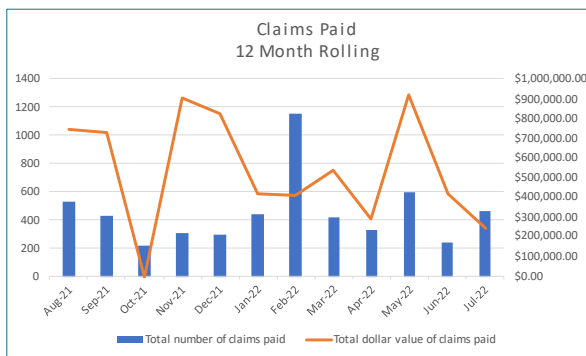
UNCLAIMED PROPERTY

UNCLAIMED PROPERTY DIVISION CLAIMS




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

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

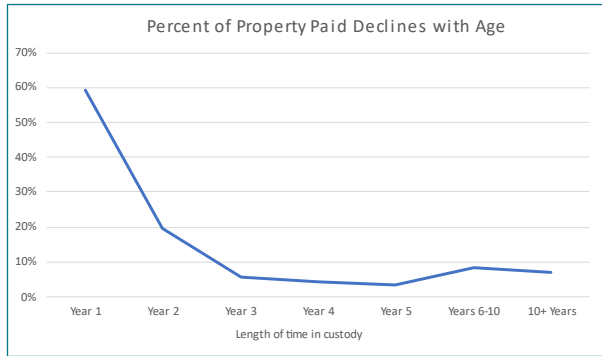
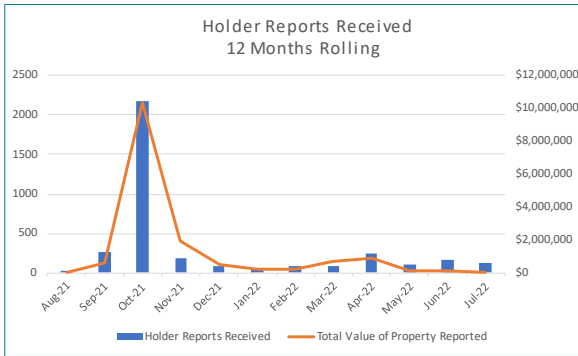


UNCLAIMED PROPERTY DIVISION HOLDERS



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

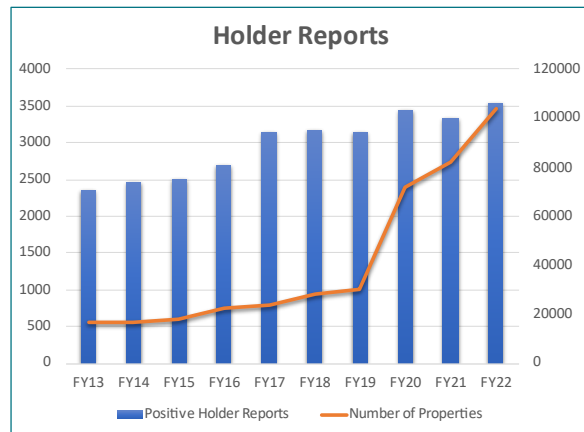
Fun Fact: The majority of property returned to owners happens within the first two years of it being in the Division's custody. After that, the percentage of property returned dramatically declines.



UNCLAIMED PROPERTY DIVISION HOLDERS



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



FINANCIALS

Financial Statements Position Report (Unaudited) for period ended May 31, 2022

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

The Financial Report (Unaudited) for period ending May 31, 2022, was presented to the Board for review and is available at the Department upon request.

(08/25/22)

I N V E S T M E N T S

Investment Updates

Portfolio Rebalancing Updates

Morgan Stanley Ashbridge TS Fund II documents were executed.

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

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

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

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

Asset Allocation

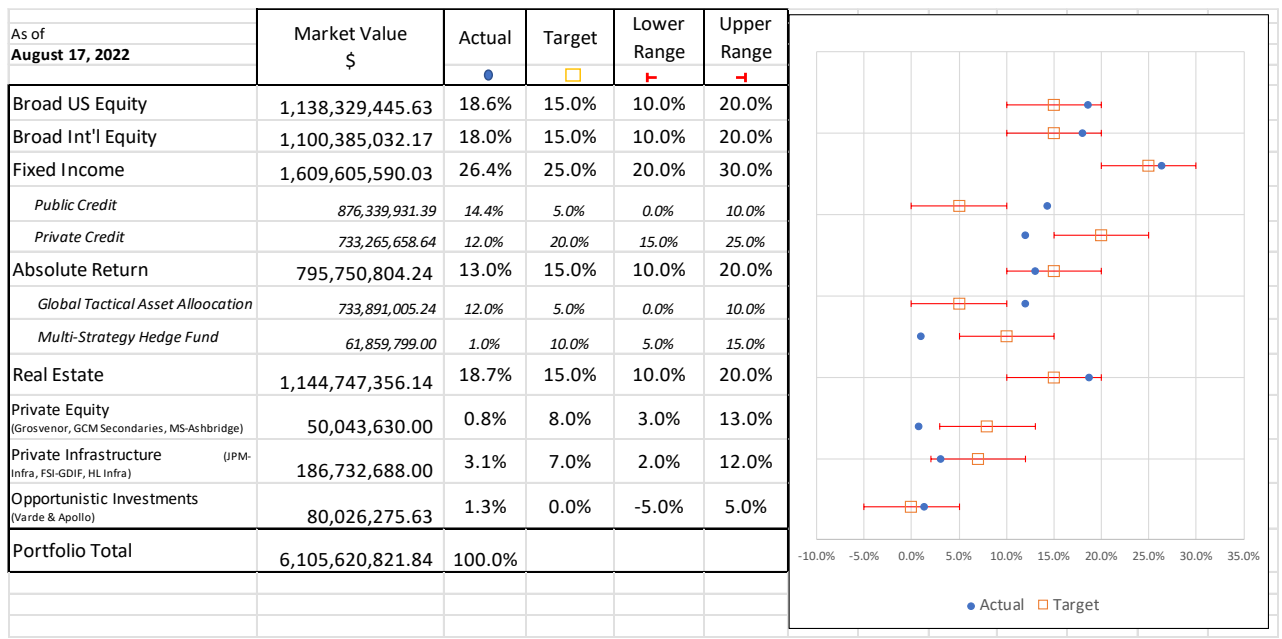
The table below shows the status of the permanent trusts' asset allocation as of August 17, 2022. The figures provided are unaudited.

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

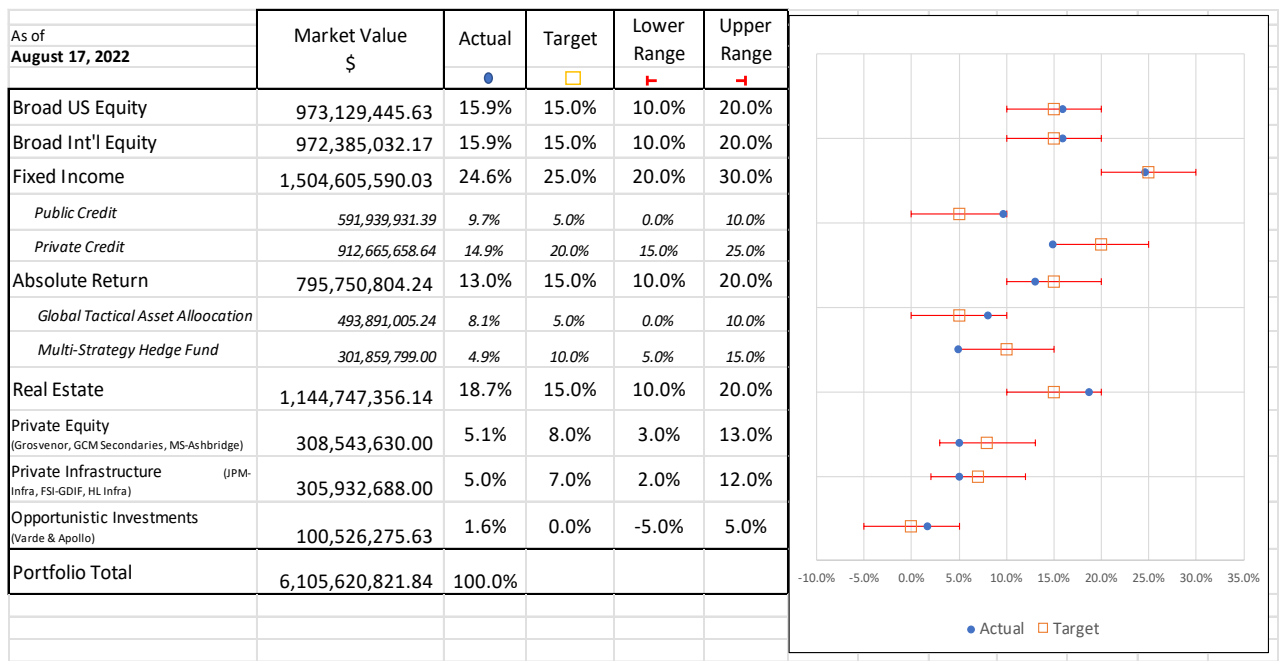
Hypothetical Funding of All Unfunded Commitments Using New Asset Allocation:

(08/25/22)

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



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



Assumptions:

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

Investment Policy Statement – Second Reading

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

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

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

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

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

Investment Policy Statement redline version was presented to the Board and is available at the Department upon request.

UNCLAIMED PROPERTY

Unclaimed Property Division Overview Presentation

An overview of the Unclaimed Property Division was presented by Susan Dollinger, North Dakota Department of Trust Lands Unclaimed Property Division Director and that presentation is available at the Department upon request.

SPECIAL PROJECTS

Acreage Adjustment Report

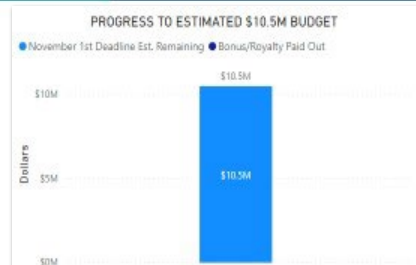
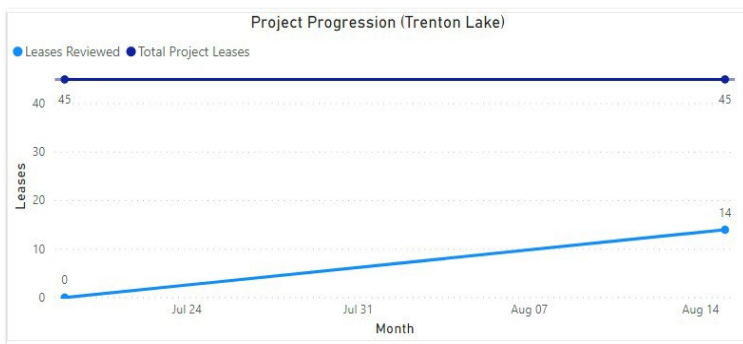
ACREAGE ADJUSTMENT PART I

June 25th, 2022, DEADLINE



ACREAGE ADJUSTMENT PART II

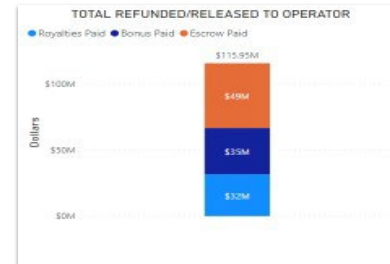
November 1st, 2023, DEADLINE



ACREAGE ADJUSTMENT SURVEY REPORT

PROJECT TOTAL

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Strategic Investment and Improvements Fund - Assigned Fund Balance

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

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

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

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

Strategic Investment and Improvements Fund ND OMB allocation of state share of oil and gas taxes attachment was presented to the Board and is available at the Department upon request.

BNI Coal Lease Application

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

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

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

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

Lease Bonus: \$100/acre

Total Bonus: \$16,000

Royalty: \$0.20/ton

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

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

Total Delay Rental: \$800/year

Motion: The Board accepts the proposed lease terms.

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

(08/25/22)

BNI Coal lease map was presented to the Board and is available at the Department upon request.

LITIGATION

Litigation Update

- MHA (Missouri riverbed ownership) – Appealed D.C. Federal District Court denial of State’s motion to intervene; our brief due September 17th; opposing brief due Oct. 14; our reply due Oct. 28th
- EEE (OHWM title dispute / takings claim) – ND Federal District Court issued order May 31st granting Board’s motion to dismiss on all counts: federal preemption, sovereign immunity, takings; Plaintiffs appealed to 8th Circuit; our brief filed August 12th
- Leland/Whiting (OHWM river island ownership) – Watford City trial set for September 12-16, 2022.
- Newfield (royalty deductions) – waiting for ND Supreme Court opinion; oral arguments - June 30, 2022,
- Continental Interpleader (OHWM fed/state dispute) – “Acquired Federal Lands” issue briefing recently completed, awaiting ND Federal District Court decision
- Wilkinson (OHWM title dispute / takings claim) – waiting for ND Supreme Court opinion; oral arguments - May 18, 2022. 9-6-2022- Opinion not yet issued.
- Whitetail Wave (OHWM title dispute / takings claim) – Briefing complete, ND Supreme Court oral arguments September 7th, 2022 at 10:45 am.

A D J O U R N

There being no further business, the meeting was adjourned at 11:08 AM.

Doug Burgum, Chairman
Board of University and School Lands

Joseph Heringer, Secretary
Board of University and School Lands