

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

The July 25, 2022 meeting of the Board of University and School Lands was called to order at 9:04 AM by Chairman Doug Burgum. Roll call was taken for the Board Members.

Members Present:

Doug Burgum	Governor
Alvin A. Jaeger	Secretary of State
Drew Wrigley	Attorney General
Thomas Beadle	State Treasurer

Members Absent:

Kirsten Baesler	Superintendent of Public Instruction
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Department of Trust Lands Personnel present:

Joseph Heringer	Commissioner
Kate Schirado	Administrative Assistant
Dennis Chua	Investments
Rick Owings	Administrative Staff Officer
Michael Shackelford	Investments Director
James Wald	Legal Council
Catelin Newell	Administrative Staff Officer
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
Derek Lowstuter	Land Management Specialist

Guests in Attendance:

Ryan Norrell	Office of the Governor
Reice Haase	Industrial Commission
Dave Garner	Office of the Attorney General
Geoff Simon	Western Dakota Energy Association
Josh Kevan	RVK
Brady Pelton	NDPC
Karlene Fine	NDIC
Ron Ness	NDPC
Jesse Cauble	Parametric
Clint Talmo	Parametric
Michael Zaslarsky	Parametric
C. Rajala	
Gary Hagen	

APPROVAL OF MINUTES

A motion to approve the minutes of the June 30, 2022, meeting was made by Treasurer Beadle and the motion was seconded by Secretary Jaeger and the motion carried unanimously on a voice vote.

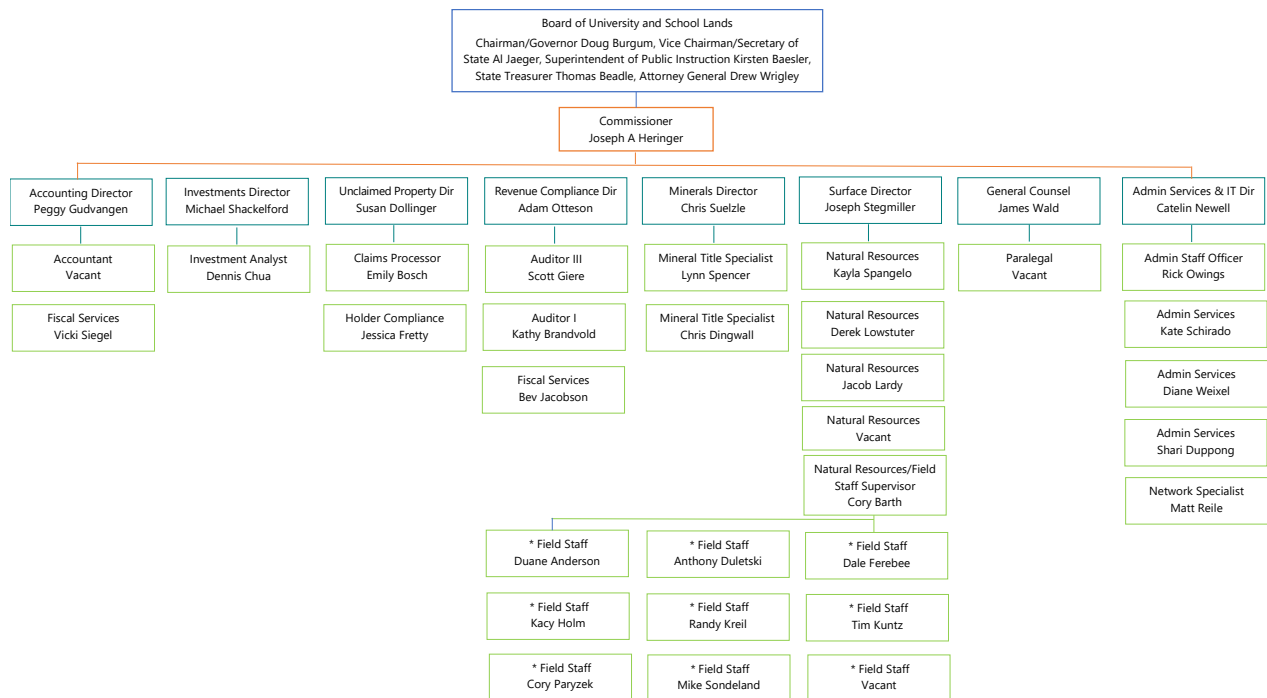
(07/25/22)

OPERATIONS

Commissioner’s Report

- Updated agency organizational chart
- James Wald promoted to DTL General Counsel; moved direct supervision of department paralegal from Commissioner to General Counsel
- Extended Mineral Tracker contract and informed Mineral Tracker that the Board will likely want an updated minerals appraisal completed for the November meeting
- Attended National Association of Trust Lands Annual Conference in Utah; great educational, networking, and collaboration opportunities; 2023 conference will be in New Mexico
- New Minerals system design testing kicked off July 18th – several week process
- Attended July 22nd State Investment Board Meeting as a voting member
- HR Update
- Land Management Specialist – conducting interviews
- Paralegal – reviewing applications
- Accountant – open/receiving applications
- Investment Manager, Michael Shackelford, has accepted an offer to serve as the next Chief Investment Officer for the Public Employees Retirement Association of New Mexico. His last day in the office will be July 29th. We thank Michael for his three years of excellent service to DTL. Have met with investment team on transition and will develop a hiring plan.

Department of Trust Lands Updated Organizational Chart



* Field Staff are Temporary Staff and not included in the Department FTE count

DIVISION REPORTS

SURFACE

SURFACE DIVISION



For the month of June 2022, the Division granted 22 encumbrances for a total of \$220,192 in initial income for the trusts.



Photo Credit: Jacob Lardy
Department of Trust Lands Wells County 142-100-16

MINERALS

MINERALS DIVISION

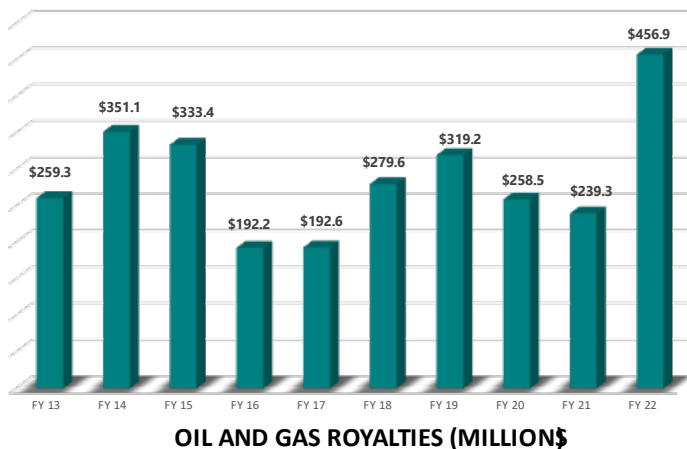


For the month of June 2022, the Division did not receive extension requests or shut-in requests.

The total DTL producing wells for the Department is unchanged from last month's report at 49% of producing wells in North Dakota.

As of June 2022, for fiscal year 2022 the Department has received \$464,082,736 in royalties; a record for the Department.

FISCAL 2021-2022 ALL TIME RECORD



UNCLAIMED PROPERTY

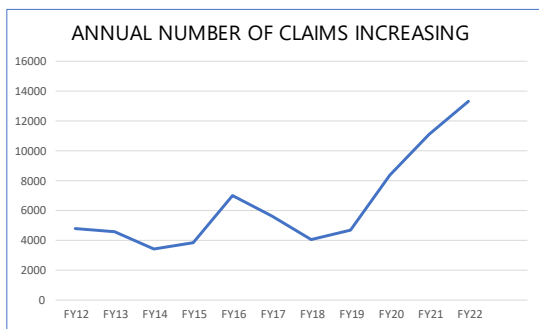
UNCLAIMED PROPERTY DIVISION OWNER OUTREACH



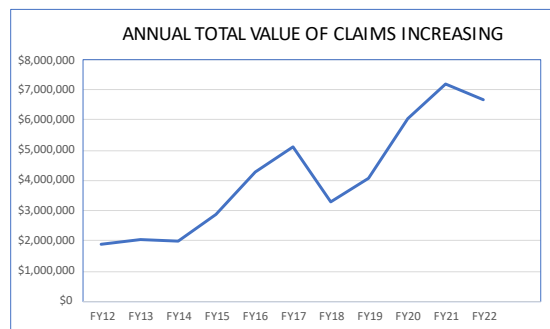
NORTH
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For the Fiscal Year 2022, the Unclaimed Property Division (Division) returned \$6,678,321 on 13,384 claims to rightful owners/heirs.

The Division's most successful outreach activity to date is direct mailing to each owner. LexisNexis identity verification and authentication software is integrated with the Division's Unclaimed Property Software KAPS to acquire updated addresses.



CLAIMS PAID PER YEAR



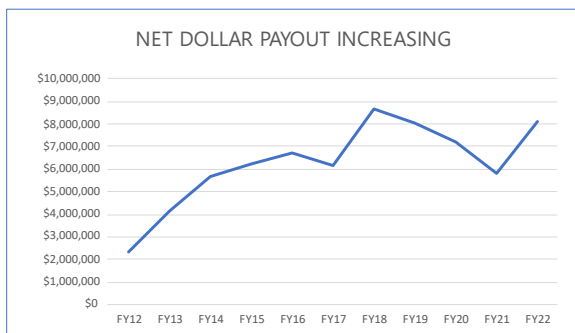
VALUE OF CLAIMS PAID PER YEAR

UNCLAIMED PROPERTY DIVISION 10-YEAR HISTORY NET IN/OUT

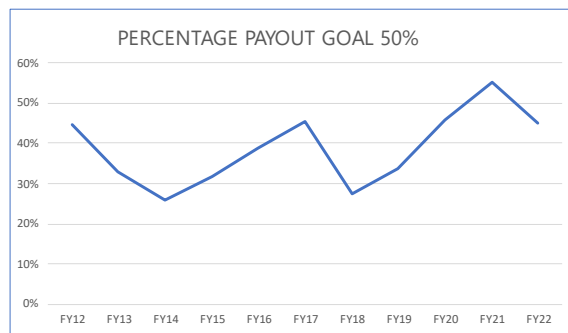


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The North Dakota Unclaimed Property Division returns on average approximately 43% of reported properties per fiscal year, which is in line with other similar states. We are strategizing new outreach activities with a goal of achieving a 50% return rate. (e.g., social media, events booth space, collaboration with other state agencies)



FUNDS RECEIVED MINUS FUNDS PAID



ANNUAL PERCENTAGE PAYOUT OF FUNDS RECEIVED

FINANCIALS

Financial Statements Position Report (Unaudited) for period ended April 30, 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 April 30, 2022, was presented to the Board for review and is available at the Department upon request.

INVESTMENTS

Investment Updates

Portfolio Rebalancing Updates

Hamilton Lane Infrastructure Opportunities Fund documents were executed on 6/30. Staff is finalizing the Fund documents for Morgan Stanley Ashbridge Fund II.

On 7/7, UBS Trumbull Property Fund distributed another \$5.1M as our pro-rata share of its redemption proceeds for the quarter. This brings a total of approximately \$35.5M of the principal received so far after the Board approved the full redemption in the 10/28/21 Board meeting. We currently have around \$172M left in the Fund.

Since the last Board meeting, we are now fully invested in Harrison Street Core Property Fund as the remaining \$30M was called on 7/5. Owl Rock has made a \$10M capital call also on 7/7. On 7/28, another \$10M will be called by Angelo Gordon DL IV.

Unfunded commitments after the distribution and calls will be at \$563.4M. These are:

1. Varde Dislocation Fund, \$20.5M (Opportunistic Investments)
2. GCM Private Equity, \$105.5M (Private Equity)
3. ARES Pathfinder Fund, \$54.4M (Private Credit)
4. Angelo Gordon DL IV, \$15M (Private Credit)
5. Owl Rock Diversified Lending, \$60M (Private Credit)
6. GCM Secondary Opportunities Fund, \$128M (Private Equity)
7. FSI GDIF (Infrastructure), \$105M (Private Infrastructure)
8. AGDL-BUSL Fund, \$50M (Private Credit)
9. Hamilton Lane Infrastructure Opportunities Fund, \$25M (Private Infrastructure)

Asset Allocation

The table below shows the status of the permanent trusts' asset allocation as of July 15, 2022. The figures provided are unaudited.

As of July 15, 2022	Market Value \$	Actual	Target	Lower Range	Upper Range
Broad US Equity	1,076,444,268.01	18.6%	19.0%	14.0%	24.0%
Broad Int'l Equity	1,023,168,488.00	17.7%	19.0%	14.0%	24.0%
Fixed Income	1,506,768,656.52	26.1%	22.0%	17.0%	27.0%
Absolute Return	761,505,522.29	13.2%	15.0%	10.0%	20.0%
Real Estate	1,099,039,915.90	19.0%	15.0%	10.0%	20.0%
Private Equity (Grosvenor)	50,043,630.00	0.9%	5.0%	0.0%	10.0%
Private Infrastructure (JPM-Infra)	175,219,447.00	3.0%	5.0%	0.0%	10.0%
Opportunistic Investments (Varde & Apollo)	88,602,806.00	1.5%	0.0%	-5.0%	5.0%
Portfolio Total	5,780,792,733.72	100.0%			

Oil Hedging Discussion Continued

At the June 2022 board meeting of the Board of University and School Lands (Board) the Department investment staff (Staff) and the Board’s investment consultant RVK presented research on the cost and benefits of hedging the Board’s oil revenues against significant declines in price.

Today Staff and RVK have asked an investment manager, Parametric, to provide the Board a more detailed educational presentation on the intricacies of oil hedging, as well as answer the Board’s related questions.

RVK and Parametric Oil Hedging Presentations were presented to the Board and are available at the Department upon request.

Investment Policy Statement – First 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.

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

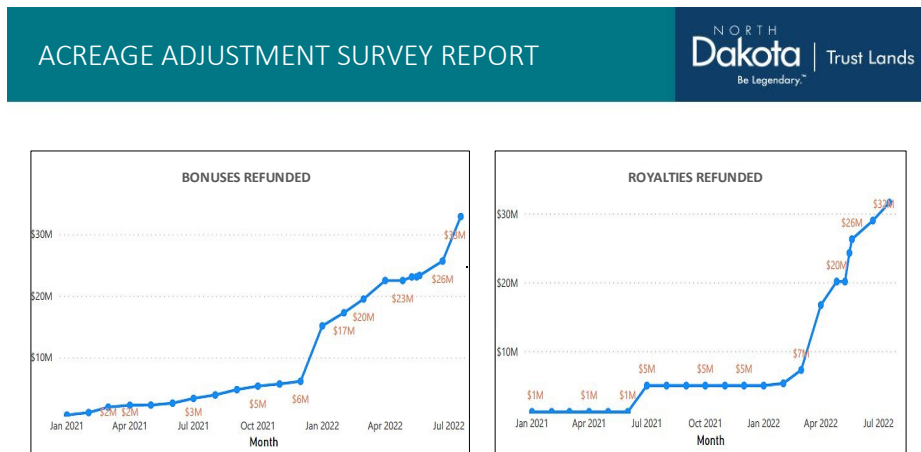
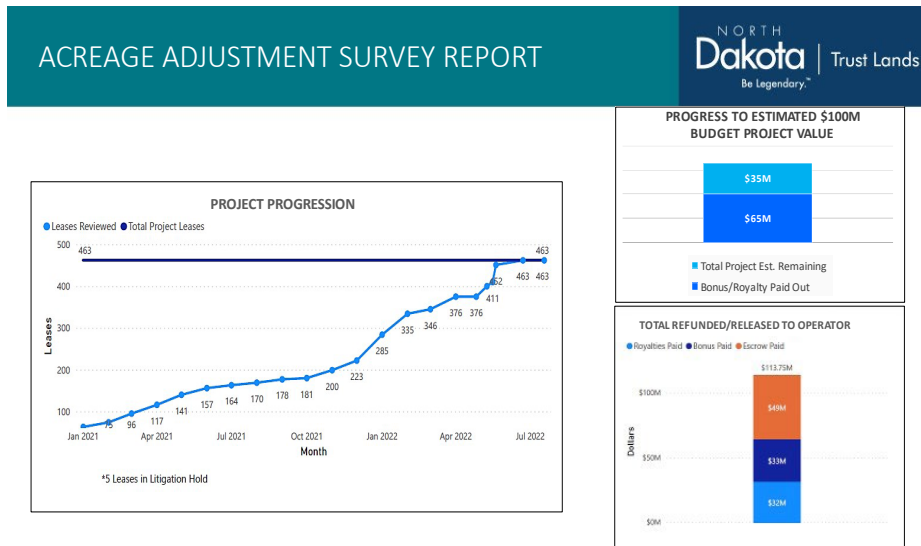
S U R F A C E

Surface Division Overview Presentation

An overview of the Surface Division was presented by Joseph Stegmiller, North Dakota Department of Trust Lands Surface Management Division Director and that presentation is available at the Department upon request.

SPECIAL PROJECTS

Acreage Adjustment Report



Coal Lease Applications

North American Coal Lease Application

The Board received Coal Lease applications from North American Coal Company (Falkirk Mine) for the following tracts in McLean County (map attached):

T147N R82W Section 36: N2

- 320 gross acres - 100% coal interest owned by Board
- The Board does not have surface ownership of this tract.

T146N R82W Section 2: Lots 1, 2, S2NE4

- 160.20 gross acres - 50% coal interest owned by Board
- The Board does not have surface ownership on this tract.

(07/25/22)

During its May 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 North American Coal the terms of the lease which are as follows:

- Lease Bonus: \$100/acre
- Total Bonus: \$40,010
- Royalty: \$0.16/ton with 3% annual escalator
- Term: 15-year initial term; 15-year renewal upon payment of additional \$100/acre bonus
- Delay Rental: \$5/acre per year
- Total Delay Rental: \$2000.50 per year

Motion: Acceptance of the proposed lease terms.

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

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

BNI Coal Lease Application

The Board has received a coal lease application 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.

This tract was previously leased in the 1980s, however there was approximately a 10-acre tract of coal that was left in-situ, and the lease was allowed to expire. That coal was left in place as a base for an emergency stockpile that BNI built up during the 1980s and 1990s. BNI has started removal of this emergency stockpile and anticipates reaching the in-situ coal where the stockpile was built in the 2nd or 3rd quarter of 2023. BNI calculates that there is approximately 85,000 tons of in-situ coal remaining to be mined.

According to Chapter 85-06-02 of the Administrative Code, the Board must now determine that it is willing to lease these coal tracts. If so, the Department will proceed with next steps in the coal leasing process including posting notice and supporting documentation on the Department's website and receiving public comment. Following that, the Department will negotiate and finalize the terms and conditions of the lease and present to the Board for final approval.

Motion: Make a determination that the application covers tracts the Board is willing to lease for coal.

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

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; awaiting D.C. Federal Court of Appeals briefing schedule
- Newfield (royalty deductions) – waiting for ND Supreme Court opinion; oral arguments - June 30
- 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; currently briefing
- Continental Interpleader (OHWM fed/state dispute) – “Acquired Federal Lands” issue briefing recently completed; awaiting ND Federal District Court decision
- Whitetail Wave (OHWM title dispute / takings claim) – Briefing complete; awaiting scheduling of ND Supreme Court oral arguments
- Wilkinson (OHWM title dispute / takings claim) – waiting for ND Supreme Court opinion; oral arguments - May 18

EXECUTIVE SESSION

Under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2, the Board close the meeting to the public and go into executive session to review confidential information and discuss negotiation strategy regarding:

- **Royalty Offers**

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		

The Board entered into executive session at 11:55 AM.

EXECUTIVE SESSION

Members Present:

Doug Burgum	Governor
Alvin A. Jaeger	Secretary of State
Drew Wrigley	Attorney General
Thomas Beadle	State Treasurer

Members Absent:

Kirsten Baesler	Superintendent of Public Instruction
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Department of Trust Lands Personnel present:

Joseph Heringer	Commissioner
Kate Schirado	Administrative Assistant
Catelin Newell	Administrative Staff Officer
Chris Suelzle	Minerals Division Director
James Wald	Legal Council
Adam Otteson	Revenue Compliance Division Director

Guests in Attendance:

Dave Garner	Office of the Attorney General
Ryan Norrell	Office of the Governor

The executive session adjourned at 11:55 AM and the Board returned to the open session and Teams meeting to rejoin the public. During the executive session, the Board discussed the royalty offers with its attorneys. No formal action was taken.

A D J O U R N

There being no further business, the meeting was adjourned at 11:57 AM.

Doug Burgum, Chairman
Board of University and School Lands

Joseph Heringer, Secretary
Board of University and School Lands