

**Minutes of the Meeting of the
Board of University and School Lands
January 28, 2016**

The January 28, 2016 meeting of the Board of University and School Lands was called to order in the Governor's Conference Room at 9:06 AM by Chairman Jack Dalrymple.

Members Present:

Jack Dalrymple	Governor
Alvin A. Jaeger	Secretary of State
Wayne Stenehjem	Attorney General
Kelly Schmidt	State Treasurer (via telephone)
Kirsten Baesler	Superintendent of Public Instruction

Department of Trust Lands Personnel present during open session:

Lance D. Gaebe	Commissioner
Jeff Engleson	Director, Investment Division
Susan Dollinger	Unclaimed Property Administrator
Levi Erdmann	Investment Analyst
Gerry Fisher	Director, Grants and Claims
Linda Fisher	Deputy Commissioner of Operations
Mike Humann	Director, Surface Division
Taylor Lee	Director, Revenue Compliance
Catelin Newell	Office Manager
Rick Owings	Assistant Energy Impact Director

Others in Attendance during open session:

Jennifer Verleger	North Dakota Office of the Attorney General
Mike Nowatski	Forum Communications
John Harju	Energy and Environmental Research Center
Wes Peck	Energy & Environmental Research Center
Adele Sigl	ND Department of Commerce
Sherry Leno	ND Department of Commerce
Lonnie Grabowska	ND Bureau of Criminal Investigation
Savannah Schmidt	ND Bureau of Criminal Investigation
Ginny Peterson	ND Bureau of Criminal Investigation
Janelle Moos	CAWS North Dakota
Lauren Donovan	Bismarck Tribune
Bonnie Storbakken	Governor's Legal Counsel
Lynn Wolff	Dakota Resource Council
Larry Heilmann	Dakota Resource Council
Shelly Peterson	ND Long Term Care Association
Scott A Korom	BARR Engineering
Winnie Lazenko	4 Her HT Program
Dave Migler	Pierce County
Duane Johnston	Pierce County
Dwane R Hawk	Pierce County
Levi Andrist	GA Group PC
Joel Gilbertson	GA Group PC

APPROVAL OF MINUTES

A motion to approve the minutes of the December 16, 2015 meeting was made by Secretary of State Al Jaeger and seconded by Attorney General Wayne Stenehjem and the motion carried on a voice vote.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

Spending Plan Analysis

Of the \$139.3 million appropriated in the 2015-2017 Biennium by the 2015 Legislature for grants, \$41,557,788 has been awarded. During Fiscal Year 2016 awards have included \$3.5 million to airports; \$3.7 million to emergency medical services; \$15 million to K-12 schools, \$7.8 million to law enforcement agencies, \$3 million to fire districts, \$2 million to local district health units, \$.5 million to a township, \$5 million to critical access hospitals and \$1 million to providers of services to individuals with developmental disabilities.

The Oil and Gas Impact Fund has received \$17,275,293.73 from Gross Production Tax collections from July 2015 to December 2015. As of January 20, 2016, \$17,238,367.26 has been reimbursed to grantees.

At its December 2015 meeting the Board requested legal advice regarding the priority of allocations of Oil and Gas Impact Grant Funds (OGIGF) made by the 2015 Legislature in HB 1176, SB 2199, SB 2284 and SB 2015. Lower than forecast distributions of Gross Production Tax (GPT) into the OGIGF necessitated this review. To date, the OGIGF has received 72% of expected funding and EIOO projections indicate that the OGIGF may reach only 50% of the \$140 million appropriated.

The Board reviewed a January 22, 2016 legal memo prepared by Assistant Attorney General Christopher Harvey.

The legal review indicated that in HB 1176 Section 5, subsection 4 one-half of funding must be provided to critical access hospitals in January of each fiscal year of the biennium. Given this language and that \$5 million has already been distributed in January 2016, an additional \$5 million will need to be distributed in January 2017 to critical access hospitals. Similar language exists in Section 5 subsection 10 for providers serving individuals with developmental disabilities, which requires an additional \$1 million be distributed in January of 2017 to providers.

The legal interpretation further found that language in SB 2199 regarding \$750,000 for Human Trafficking and SB 2284 and regarding the \$250,000 for Sexual Assault Examiner Programs need to be funded. These apportionments are part of the \$10 million designated for law enforcement within HB 1176, section 5, subsection 3.

Revised Spending Recommendation

The Director estimated that just that just over \$65 million would be collected during the biennium. The following recommendations of possible awards based upon funding availability and required and discretionary grant areas was presented:

B 1176, Section 5, Subsection	Entities	Legislative Designated Amounts	Awarded & Projected for FY16	Projected for FY17	Projected Total for 2015-2017 Biennium	Legal Advice
1	Airports	\$48,000,000	\$8,718,820		\$8,718,820	Not mandatory
2	K-12 Schools	\$30,000,000	\$15,000,193		\$15,000,193	Not mandatory
3	Law Enforcement	\$10,000,000	\$8,745,771	\$96,809	\$8,842,580	SB 2199 Human Trafficking \$750,000, SB 2284 Sexual Assault Examiner Programs \$250,000 Required
4	Critical Access Hospitals	\$10,000,000	\$5,000,000	\$5,000,000	\$10,000,000	1/2 required each January of the Biennium
5	Bowman & Divide Counties (equal)	\$8,000,000	\$0	\$4,000,000	\$4,000,000	Not mandatory
6	EMS	\$6,000,000	\$3,696,195		\$3,696,195	Not mandatory
7	Eligible Political Subs, 7 low producing counties	\$5,000,000	\$2,500,000		\$2,500,000	Not mandatory
8	Nursing Homes/Basic Care/Home Health & Hospice	\$4,000,000	\$2,100,000		\$2,100,000	Not mandatory
9	Fire Protection Districts	\$3,000,000	\$3,000,000		\$3,000,000	Not mandatory
10	Providers Serving Developmentally Disabled	\$2,000,000	\$1,000,000	\$1,000,000	\$2,000,000	1/2 required each January of the Biennium
11	Domestic Violence Sexual Assault Organizations`	\$2,000,000	\$2,000,000		\$2,000,000	Not mandatory
12	Local District Health Units	\$2,000,000	\$2,000,000		\$2,000,000	Not mandatory
13	City of Stanley	\$1,700,000	\$0	\$850,000	\$850,000	Not mandatory
14	City of Kenmare	\$500,000	\$0	\$250,000	\$250,000	Not mandatory
15	City of Berthold	\$200,000	\$0	\$100,000	\$100,000	Not mandatory
16	City of Burlington	\$100,000	\$0	\$50,000	\$50,000	Not mandatory
	Un-Designated Discretionary	\$6,800,000	\$500,000		\$500,000	Not mandatory

\$139,300,000 \$54,260,979 \$11,346,809 \$65,607,788

The Director suggested that any funds which accumulate in the fund over this amount be designated for airports and/or contingency use.

While the director suggested this revised grant plan, the Chairman indicated a preference to table action in anticipation of a revised State revenue forecast scheduled for the following week. No action was taken on the recommendation and action will be considered after OGIGF revenue forecast information is learned.

Domestic Violence Shelter Grant Recommendations

The 2015 Legislature apportioned \$2 million of OGIGF for grants to domestic violence sexual assault organizations located in oil-producing counties. The legislation dictates that applicants secure local matching funds of at least two dollars of nonstate funds for each dollar of grant funds.

In June 2015 the Board made appointments to the Domestic Violence Grants Advisory Committee to assist in formulating recommendations of grants. The committee includes:

Adele Sigl, Department of Commerce
 Bonnie Malo, Department of Commerce
 Sherry Leno, Department of Commerce
 Janelle Moos, CAWS of ND
 Mary Dasovick, Department of Health
 Mallor Sattler, Department of Health
 Lori Mickelson, Attorney General's Office

Grant applications were accepted through January 4, 2016. A total of three applications were received requesting \$2.1 million.

The Domestic Violence Grants Advisory Committee and the Energy Infrastructure and Impact Office in coordination with the Department of Commerce offered the following grant recommendations:

Name	City	Project	Long Description	Recommended Amount
DOMESTIC VIOLENCE CRISIS CENTER	MINOT	NEW BUILDING	SERVICES HAVE EXPANDED TO MEET THE EVER INCREASING NEEDS OF VICTIMS OF DOMESTIC VIOLENCE, SEXUAL ASSAULT, DATING VIOLENCE, STALKING AND HUMAN TRAFFICKING IN NORTH CENTRAL ND	\$500,000
FAMILY CRISIS SHELTER	WILLISTON	NEW BUILDING	SHELTER IS TOO SMALL TO MEET THE NEEDS OF STAFF AND CLIENTS, ADDED POPULATION DUE TO OIL ACTIVITY HAS CAUSED THE SHELTER TO BURST AT THE SEAMS	\$750,000
DOMESTIC VIOLENCE & RAPE CRISIS CENTER	DICKINSON	NEW BUILDING	INFLUX OF PEOPLE COMING TO THE AREA CAUSED BY OIL ACTIVITY HAS CREATED AN INCREASE IN NEEDS FOR SERVICES.	\$750,000
				\$2,000,000

In accordance with the Chairman's request to delay action until the State Revenue forecast, the Board took no action on the recommendations. It will consider options once the grant fund's revenue is estimated.

Sexual Assault Nurse Examiner Programs

In Senate Bill 2284, the 2015 Legislature designated \$250,000 for grants through the domestic violence and rape crisis programs to community-based or hospital based sexual assault nurse examiner programs. According to the legal review previously discussed, this \$250,000 must be awarded by the Board.

Grant applications were accepted in December 2015, with a total of 7 applications received requesting \$309,733. Grant requests were to enhance the quality and quantity of sexual assault nurse examiner services. The Board reviewed summaries of the applications.

A subcommittee of the Attorney General's Drug and Violent Crime Policy Board met January 13, 2016 to formulate recommendations. Based upon that committee's suggestions, Attorney General Stenehjem offered the following recommended awards for adoption by the Board:

Sexual Assault Nurse Examiner Grants

Applicant	City	Project	Amount Recommended
CENTRAL DAKOTA FORENSIC NURSE EXAMINERS	BISMARCK	TRAVEL, TRAINING, CONTRACTED SERVICES, EQUIPMENT, SUPPLIES	\$171,060
MERCER COUNTY	STANTON	EQUIPMENT & SUPPLIES	\$10,131
DAKOTA CHILDREN'S ADVOCACY CENTER	BISMARCK	CONTRACTED SERVICES, TRAINING & EQUIPMENT	\$27,419
JAMESTOWN REGIONAL MEDICAL CENTER	JAMESTOWN	TRAVEL & TRAINING	\$12,785
DOMESTIC VIOLENCE AND ABUSE CENTER, INC.	GRAFTON	TRAVEL & TRAINING	\$6,886
FAMILY CRISIS SHELTER	WILLISTON	TRAVEL & TRAINING, SUPPLIES	\$14,486
ALTRU HEALTH SYSTEM	GRAND FORKS	TRAVEL & TRAINING	\$5,000
			\$247,767

Motion: The Board awarded \$247,767 from the Oil and Gas Impact Grant Fund to the providers of sexual assault nurse examiner services to victims as identified in the seven award recommendations in the preceding list. With this action, the Board affirmed that \$247,767 of the \$250,000 designated for sexual assault nurse examiner programs by the 2015 Legislative Assembly has been met. This leaves a balance of \$2,233 for future awards.

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

Human Trafficking Victim Treatment and Support Services Grant Recommendations

The 2015 Legislature designated \$750,000 in Senate Bill 2199 for grants to organizations which provide prevention and treatment services related to human trafficking victims in hub cities located in oil-producing counties.

Grant applications were accepted December 4, 2015 through December 31, 2015, with a total of 5 applications received requesting \$1,112,934. The Board reviewed summaries of the applications.

A subcommittee of members the Drug and Violent Crime Policy Board and the Attorney General's Commission met January 14, 2016. The committee reviewed applicants' plans for the development and implementation of direct care, emergency or long term crisis services, residential care, training of law enforcement and victim service providers, support of advocacy services, and programs promoting outcomes for victims. The following list of recommended awards was developed by the committee and is offered for adoption by the Attorney General:

Human Trafficking Victim Treatment and Support Services Grant Recommendations

Applicant	City	Project	Amount Recommended
YOUTHWORKS-BISMARCK	BISMARCK	STAFFING, TRAVEL, TRAINING, EQUIPMENT LEASE, SUPPLIES, CONSULTING, VARIOUS ITEMS	\$314,786
LEGAL SERVICES OF NORTH DAKOTA	BISMARCK	STAFFING, TRAVEL, TRAINING, LITIGATION EXPENSES	\$79,398
MINOT COMMUNITY FOUNDATION	MINOT	STAFFING, TRAVEL, TRAINING, SUPPLIES, CONSULTING	\$109,900
DOMESTIC VIOLENCE CRISIS CENTER	MINOT	STAFFING, TRAVEL, TRAINING, SUPPLIES, VARIOUS ITEMS	\$71,892
FAMILY CRISIS SHELTER	WILLISTON	STAFFING, TRAVEL, TRAINING, SUPPLIES	\$79,448
			\$655,424

Motion: The Board awarded \$655,424 from the Oil and Gas Impact Grant Fund to the providers of human trafficking services to victims as identified in the five award recommendations in the preceding list. With this action, the Board affirms that \$655,424 of the designated \$750,000 for human trafficking programs by the 2015 Legislative Assembly has been met. The remaining balance for future grants is \$94,576.

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

Cancelation of 2012 and 2013 Grants

Cancellation notices were sent in January 2015 for grants made in Fiscal Year 2012 which still had unused award balances. EIO staff worked with the political subdivisions to use remaining funds. Listed below are FY 2012 grants recommended for cancelation.

Cancellation notices were sent January 2016 for grants made in FY 2013. In consultation with the political subdivisions, the EIO has received confirmation that cancelation is acceptable for the following FY 2013 grants.

The EIO recommended cancelation of the following grants and balances of EIO awards issued during the 2011-2013 biennium:

Political Subdivision	Year	Amount Awarded	Amount Paid	Balance	Project
CITY OF PLAZA	2012	\$1,149,967.00	\$1,119,404.07	\$30,562.93	ROBYN PARK HOUSING DEVELOPMENT
TIOGA TOWNSHIP	2012	\$50,000.00		\$50,000.00	67TH ST UPGRADE
CHATFIELD TOWNSHIP	2012	\$2,250.00	\$2,055.46	\$194.54	DUST CONTROL - ROAD BARRICADES
DALEN TOWNSHIP	2012	\$6,250.00		\$6,250.00	WILLIAMSON ROAD PROJECT
CITY OF MINOT	2012	\$88,000.00	\$87,951.00	\$49.00	FOAM TRAILER
CITY OF DICKINSON	2012	\$10,512.00	\$10,510.07	\$1.93	OILFIELD EMERGENCY TRAINING CLASSES
CITY OF MANDAN	2012	\$2,256.00	\$679.12	\$1,576.88	LARGE VEHICLE EXTRICATION CLASS
MARMARTH RURAL FIRE DISTRICT	2012	\$20,000.00	\$17,295.00	\$2,705.00	COMPLETE TYPE 4 ENGINE
CITY OF CROSBY	2013	\$125,000.00		\$125,000.00	CROSBY DAYCARE FACILITY
DUNN COUNTY	2013	\$40,309.00	\$40,305.53	\$3.47	EMERGENCY RESPONSE VEHICLES
CITY OF MARMARTH	2013	\$2,850.00	\$2,301.92	\$548.08	OFFICE COMPUTER
MCKENZIE COUNTY	2013	\$25,000.00		\$25,000.00	MCKENZIE COUNTY HIGHWAY AND STREET SIGNAGE
SIOUX TOWNSHIP	2013	\$80,000.00		\$80,000.00	ROADWAY DUST CONTROL
BILLINGS COUNTY	2013	\$51,814.00	\$51,810.00	\$4.00	EMERGENCY REQUEST - VEHICLE PURCHASE DUE TO BLOWN ENGINE
				\$321,895.83	

Motion: The Board canceled the 14 identified FY 2012 and FY 2013 grants for a total of \$321,895.83; with this action, the Board declared these funds available within the Oil and Gas Impact Grant Fund for future grants.

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

Reduction in Grant for City of Killdeer

In July 2015 during the law enforcement grant round, the City of Killdeer was provided grant #G160148 in the amount of \$272,996. The grant was approved for salary and fringe benefits for one officer; overtime for personnel; personal safety equipment; and housing for officers.

Killdeer requested that the grant be reduced by \$54,000, which is the portion of the award for housing assistance. The city indicated that it has purchased housing and was already providing a rent discount to its police officers.

Motion: The Board reduced the award amount for grant #G160148 for the City of Killdeer by \$54,000 to a grant amount of \$218,996. Subsequently the Board declared these funds as available within the oil and gas impact grant fund for future grants.

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

Cancellation of Flood-Impacted Political Subdivision Infrastructure Development Grants (FIPSIDG)

During the 2011 Special Legislative Session, in SB 2371 \$30 million was appropriated for grants to flood-impacted political subdivisions.

In 2012, the Board approved 141 grants totaling \$29,895,080. In August, 2015, the Board set a December 31, 2015 deadline for remaining FIPSIDG funds to be distributed. Notices were sent to political subdivisions with remaining balances.

The FIPSID grants proposed to be canceled:

Political Subdivision	Grant Number	Award Amount	Amount Paid	Balance	Project Description
BURLEIGH COUNTY	F120200	\$1,179,726.00	\$1,092,338.74	\$87,387.26	TAVIS ROAD GRADE RAISE & PUMPING STATION
CITY OF MINOT	F120804	\$750,000.00	\$578,446.29	\$171,553.71	HOME ACQUISITION
LAKE GEORGE TOWNSHIP	F120347	\$19,579.00		\$19,579.00	GRADE RAISE
LITTLE DEEP TOWNSHIP	F120345	\$7,380.00		\$7,380.00	GRADE RAISE
MCHENRY COUNTY	F120312	\$30,000.00		\$30,000.00	BRIDGE REPAIR
MCHENRY COUNTY	F120319	\$7,000.00	\$6,000.00	\$1,000.00	LAND FOR NEW CO SHOP
MCHENRY COUNTY	F120327	\$5,000.00		\$5,000.00	GRADE RAISE

Political Subdivision	Grant Number	Award Amount	Amount Paid	Balance	Project Description
MCHENRY COUNTY	F120328	\$5,000.00		\$5,000.00	BRIDGE REPAIR
MCHENRY COUNTY	F120330	\$9,000.00		\$9,000.00	GRADE RAISE
MCHENRY COUNTY	F120331	\$153,636.00		\$153,636.00	GRADE RAISE
MCHENRY COUNTY	F120336	\$2,500.00		\$2,500.00	GRADE RAISE
MINCO TOWNSHIP	F120122	\$2,000.00		\$2,000.00	CULVERT REPLACEMENT
RENVILLE COUNTY	F120602	\$257,263.00	\$252,146.01	\$5,116.99	REPAIR COUNTY OWNED FACILITIES MOUSE RIVER PARK
RENVILLE COUNTY	F120604	\$476,500.00		\$476,500.00	GRADE RAISE
VOLTAIRE TOWNSHIP	F120354	\$10,000.00		\$10,000.00	GRADE RAISE
WYNDMERE TOWNSHIP	F120716	\$898.00		\$898.00	CULVERT INSTALLATION
Total Recommended for Cancellation				\$986,550.96	

The political subdivisions have been contacted and are in agreement with the cancelation of these grants. The EIO recommended the listed grants be canceled.

Motion: The Board canceled the 16 identified Flood-Impacted Political Subdivision Infrastructure Development Grants with an unreimbursed total balance of \$986,550.96.

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

SURFACE MANAGEMENT

EERC Deep Bore Research Project Request for Surface Use Section 36, Township 154 N, Range 73 W, in Pierce County

In September 2015, the Board learned of a potential request by the Energy and Environmental Research Center (EERC) for the use of a tract of Pierce County trust land proposed for a US Department of Energy funded geologic study. As a result, the Board directed that it be involved in all reviews of the project and that no action be taken without its consultation.

John Harju, the EERC's Associate Director for Strategic Partnerships, met with the Board to discuss the DOE's recent announcement of the approval of a project to conduct a deep bore test site on Board managed school trust land in the east half of Section 36, Township 154 N, Range 73 W, in Pierce County.

The Board did not act on the information or the anticipated request for use of the land. It informally registered concern with the proposed project and the Board directed the EERC representatives to seek local support and approval, and to investigate all regulatory permits and approvals necessary before a land use easement would be considered.

INVESTMENT MANAGEMENT

Asset Allocation

The Board reviewed the status of the asset allocation of the permanent trusts as of December 31, 2015.

Account/Asset Class	Long-Term Asset Allocation	Interim Target Allocation	Interim % +/- Weight	12/31 Actual Allocation \$	12/31 Actual Allocation %
Large Cap US Equity	13.5%	14.0%	3.7%	\$ 481,547,673	13.8%
Small Cap US Equity	3.5%	3.7%	5.7%	\$ 119,950,794	3.4%
International Equity	12.0%	12.4%	3.3%	\$ 442,863,502	12.7%
Emerging Market Equity	3.0%	3.2%	6.7%	\$ 106,676,916	3.1%
Total Equities	32.0%	33.3%	4.1%	\$ 1,151,038,886	33.0%
Domestic Investment Grade	14.2%	15.8%	11.3%	\$ 545,334,298	15.6%
High Yield FI	3.0%	3.2%	6.7%	\$ 108,188,051	3.1%
International/Global FI	5.8%	6.3%	8.6%	\$ 217,766,519	6.2%
Total Fixed Income	23.0%	25.3%	10.0%	\$ 871,288,869	25.0%
Total Absolute Return	20.0%	21.0%	5.0%	\$ 729,077,026	20.9%
Commodities	3.0%	3.1%	3.3%	\$ 113,216,996	3.2%
MLPs	3.0%	3.1%	3.3%	\$ 111,936,018	3.2%
TIPS	2.0%	2.1%	5.0%	\$ 76,385,266	2.2%
Natural Resource Equities	2.0%	2.1%	5.0%	\$ 63,396,529	1.8%
Total Inflation Strategies	10.0%	10.4%	4.0%	\$ 364,934,810	10.5%
Core Real Estate	8.0%	8.0%	0.0%	\$ 313,979,375	9.0%
Core Plus Real Estate	7.0%	2.0%		\$ 57,473,808	1.6%
Total Real Estate	15.0%	10.0%	-33.3%	\$ 371,453,183	10.7%
Total Asset	100.0%	100.0%		\$ 3,487,792,774	100.0%

Funding Status of Real Estate

At present, just less than 10% of the permanent trusts' 15% allocation to real estate has been funded. Based upon communications with managers, the estimated remaining commitment time-frames will be:

- Jamestown \$17.8 million end of January, 2016
- Prologis \$75.0 million beginning 2nd qtr. 2016 (100%)
- JP Morgan \$113.0 million 2nd qtr. 2017

Northern Trust Custody and Securities Lending Agreements

The Department has worked with RVK to review the custody and securities lending arrangements with Northern Trust.

As a result of this review, updated contracts and new fees schedules were negotiated and signed for both custody and securities lending. The new agreements should result in reduced custody fees and increased revenue from the securities lending program.

Summary of Investment Fees Paid in FY 2015

A report of investment fees and expenses paid during the fiscal year ended June 30, 2015 was presented to the Board and is available at the Department. The pooled investments of the permanent trusts paid \$12,153,882 during the fiscal year, the equivalent of 0.355% of the average assets during the year.

During this time the Coal Development Trust Fund paid \$55,465 in investment management fees and \$11,965 in custody fees. This Fund's expenses were 0.25% of the average value of assets.

Securities Lending Report

A report describing the performance and status of the Board's securities lending program, as facilitated by Northern Trust, for the fiscal year ended June 30, 2015, was presented to the Board.

The Board's investment policy statement specifies that any securities lending program in which the Board engages should utilize a high-quality and conservative collateral re-investment approach that safeguards the return of principal and maintains adequate daily liquidity to support trade settlement activity and portfolio restructuring activities.

During fiscal year 2015, the Land Board's securities lending program achieved these goals.

Review of Draft Performance Audit Reports

Unclaimed Property Division
Energy Infrastructure and Impact Office

As directed by the Legislative Audit and Fiscal Review Committee, the State Auditor's Office has been conducting a performance examination of the Department. The identified audit objectives include:

- the effectiveness of Unclaimed Property administration,
- the effectiveness of Energy Infrastructure and Impact Office grants administration, and
- the effectiveness and efficiency of the Department of Trust Lands in obtaining, accounting for, and use of resources.

Since the audit commenced in January 2015, nearly all Department personnel have been interviewed, surveyed or tapped for information; most processes and practices have been examined; thousands of pages of documents and electronic files have been reviewed, and the auditors have had unfettered access to operating systems and databases.

On January 15, 2016 the State Auditor's Performance Audit Division presented draft reports of its audit findings for Unclaimed Property and the Energy Infrastructure and Impact Offices. Department responses to the findings are to be returned to the auditor on February 16, 2016.

The draft report and the Department proposed responses are considered a part of the draft report and a confidential record according to N.D.C.C. § 54-10-26.

Motion: As the State Auditor's Office performance audit report regarding the Department is deemed confidential while in draft form according to N.D.C.C. § 54-10-26, the Board will enter executive session, permitted under N.D.C.C. § 44-04-19.2(1), to review and discuss the confidential draft audit report.

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

At 10:10 AM the Board entered executive session for review the State Auditor's Office audit report and Department responses to it, which are deemed confidential while in draft form.

EXECUTIVE SESSION

Members Present:

Jack Dalrymple	Governor
Alvin A. Jaeger	Secretary of State
Kelly Schmidt	State Treasurer (via telephone)
Kirsten Baesler	Superintendent of Public Instruction
Wayne Stenehjem	Attorney General

Department of Trust Lands Personnel Present:

Lance D. Gaebe	Commissioner
Jeff Engleson	Director, Investment Division
Susan Dollinger	Unclaimed Property Administrator
Levi Erdmann	Investment Analyst
Gerry Fisher	Director, Grants and Claims
Linda Fisher	Deputy Commissioner of Operations
Taylor Lee	Director, Revenue Compliance
Catelin Newell	Office Manager
Rick Owings	Assistant Energy Impact Director

Others in Attendance:

Chris Harvey	Office of the Attorney General
Bonnie Storbakken	Governor's Legal Counsel

No action was taken during the Executive Session which was adjourned at 11:16 AM and the Board returned to open session and the public was invited to return to the meeting

R E P O R T S

February Oil and Gas Lease Offerings with the Live Auction and EnergyNet

The Board reviewed the list of oil and gas tract leases that will be offered during quarterly oil and gas lease auction on February 2, 2016; as well as the list of 22 leases will be offered for online bidding starting on February 4, 2016.

The online auction is part of a review to examine the benefit and feasibility of converting all oil and gas lease auctions to this method. Previous online auctions have proven successful, but the Department arranged an additional set of comparison auctions for verification. The online will conclude on February 11, 2016.

Summary of Assets for Period Ended October 31, 2015

The Summary of Assets report was reviewed by the Board.

Report of Easements Issued by Land Commissioner (12-14-15 through 01-12-16)

Granted to:	ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT
For the Purpose of:	Easement: Drop Line-Gas Gathering Pipeline
Legal Description:	WIL-154-99-16-NW4

Granted to:	ONEOK BAKKEN PIPELINE LLC, SIDNEY-MT
For the Purpose of:	Easement: Gas Gathering Pipeline
Legal Description:	MCK-148-98-16-NE4

- Granted to:** **MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND**
 For the Purpose of: Easement: Drop Line-Buried Electric Distribution Line
 Legal Description: MCK-149-95-36-LOTS 3, 4
- Granted to:** **WHITE ROCK OIL&GAS LLC, DALLAS-TX**
 For the Purpose of: Permit: Access Road
 Legal Description: BIL-142-101-36-ALL
- Granted to:** **PARADIGM MIDSTREAM SERVICES ND LLC, IRVING-TX**
 For the Purpose of: Easement: Drop Line-Oil Gathering Pipeline
 Legal Description: MCK-153-95-16-NW4
- Granted to:** **MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND**
 For the Purpose of: Easement: Drop Line-Buried Electric Distribution Line
 Legal Description: DUN-147-96-36-NW4
- Granted to:** **MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND**
 For the Purpose of: Easement: Drop Line-Buried Electric Distribution Line
 Legal Description: MCK-153-97-16-NW4
- Granted to:** **MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND**
 For the Purpose of: Easement-Amend: Electric Transmission Line
 Legal Description: MCK-153-97-16-NW4
- Granted to:** **TESORO HIGH PLAINS PIPELINE CO LLC, SAN ANTONIO-TX**
 For the Purpose of: Easement-Amend: Pump Station
 Legal Description: MCK-147-104-36-SE4
- Granted to:** **HUNT OIL COMPANY, DALLAS-TX**
 For the Purpose of: Easement-Amend: Drop Line-Pipeline
 Legal Description: DIV-160-101-36-SE4

The following letters of permission were issued to groups wishing to use school trust lands under the Board's policy for access to trust lands by organizations. Fees may be charged for this use.

- Granted to:** **PURITY OILFIELD SERVICES LLC, BISMARCK-ND**
 For the Purpose of: Letter of Permission: Access to School Land for the purpose of
 laying temporary surface frac water pipeline
 Legal Description: MCK-153-97-36-SE4
- Granted to:** **MBI ENERGY SERVICES, KILLDEER-ND**
 For the Purpose of: Letter of Permission: Access to School Land for the purpose of
 laying temporary surface frac water pipeline
 Legal Description: MCK-149-98-16-NE2

A D J O U R N

There being no further business, the meeting was adjourned at 11:20 AM.

Jack Dalrymple, Chairman
 Board of University and School Lands

Lance D. Gaebe, Secretary
 Board of University and School Lands