

**Minutes of the Meeting of the  
Board of University and School Lands  
June 28, 2018**

The June 28, 2018 meeting of the Board of University and School Lands was called to order at 9:02 AM in the Governor's Conference 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                |
| Drew Combs       | Minerals Division Manager   |
| Jeff Engleson    | Investment Division Manager |
| Levi Erdmann     | Investment Analyst          |
| Kristie McCusker | Legal Assistant             |
| Rick Owings      | Administrative Officer      |

**Guests in Attendance:**

|                       |                                   |
|-----------------------|-----------------------------------|
| Brent Sanford         | Lt. Governor                      |
| Leslie Bakken Oliver  | Governor's Legal Counsel          |
| Josh Kevan            | RVK                               |
| Geoff Simon           | Western Dakota Energy Association |
| Drew Guyette          | Angelo Gordon and Company         |
| William Cullinan      | Angelo Gordon and Company         |
| Michelle Russell-Dowe | Schroders                         |
| Cathie Mazza          | Schroders                         |
| Mark Hanson           | Nilles Law Firm                   |
| Peter Hvidston        | Nilles Law Firm                   |
| Joel Gilbertson       | GA Group PC                       |
| Levi Andrist          | GA Group PC                       |
| Gary Hagen            | Self                              |

**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 May 31, 2018 meeting was made by Attorney General Stenehjem and seconded by State Treasurer Kelly Schmidt and the motion carried unanimously on a voice vote.

**O P E R A T I O N S**

**Delegation of Authority to Land Commissioner**

The Board of University and School Lands (the "Board") has a range of responsibilities and broad authority under Title 15 of the North Dakota Century Code titled "Board of University and School Lands." One of those responsibilities is to appoint a Commissioner of University and School Lands. "All of the official acts of the commissioner are subject to the approval and supervision of the Board." N.D.C.C. § 15-02-01. Additionally, the Board has the authority under N.D.C.C. § 15-01-02 to exercise control over public lands and permanent funds managed by the commissioner.

Pursuant to N.D.C.C. § 15-02-05, the Commissioner of the Board of University and School Lands serves as the general agent of the Board in the performance of its duties. For purposes of efficiency and expediency, the Board may delegate to the Commissioner, as its agent, certain defined duties, including the authority to settle disputes involving monies owed to the Board. N.D. Admin. Code § 85-06-06-10

The Commissioner seeks the authority to resolve disputes involving monetary amounts due and owing to the Board in amounts no greater than \$25,000 without Board approval, as long as such dispute is not subject to ongoing litigation.

**Motion: The Board delegates to the Commissioner the authority to resolve any matter involving monetary amounts in dispute of \$25,000 or less without the requirement of seeking board approval. This authority shall not include the right to initiate or settle litigation in the courts.**

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

## I N V E S T M E N T   M A N A G E M E N T   D I V I S I O N

### **RVK Contract Renewal**

On May 31, 2018 the Board directed the Commissioner to enter into negotiations with RVK to continue to provide comprehensive investment consulting services to the Board for an additional two years beyond the current contract which RVK expires August 31, 2018.

The contract renewal with RVK will cover all of the services provided to the Board over the past three years including:

- Advice in setting policies, goals and objectives;
- Quarterly investment performance monitoring;
- Manager searches;
- Ongoing due-diligence, and;
- Providing client education.

The annual fee for the current agreement with RVK is \$149,350 per year. Discussions with RVK resulted in the Commissioner negotiating a fee increase of 3% for each year of the new agreement. After reviewing the scope of services of other state land trust consultant agreements, the Commissioner is satisfied that the fee negotiated is very reasonable for the services provided.

**Motion: The Board authorize 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   |     |        |
| Attorney General Stenehjem | X      |        | X   |     |        |
| Governor Burgum            |        |        | X   |     |        |

### Recommendation to Approve Direct Lending Manager – Angelo, Gordon & Company

On March 29, 2018 the Board adopted a new structure for the permanent trusts' fixed income portfolio and authorized the Commissioner to begin searches for investment firms to manage the new direct lending and structured credit allocations approved by the Board.

Direct lending involves hiring an investment firm that specializes in providing senior, secured loans directly to companies to meet their ongoing business needs. Direct lending involves making loans to healthy companies with between \$10 million and \$1 billion in annual revenues, an area of financing that has been underserved since the financial crises. Direct lending generally provides higher yields than traditional fixed income securities, while maintaining strong asset protection. Direct lending also provides low volatility and limited correlations to liquid fixed income markets. Middle market direct lending, the focus of the search, is a large active market that is attractively priced and capital structure sensitive; it currently has a lower risk profile than high yield securities, with better covenants, lower default rates, and higher recovery rates.

In order to gain the benefits of direct lending an investor must be willing to take illiquidity risk. Direct lending funds generally have fund terms of 6-8 years, during which principal is locked-up in the fund. Although the income generated by direct lending funds is paid out to investors on a regular basis, the principal remains in the fund until after the initial investment period ends (typically 3-4 years). Once the investment period ends, principal is returned to owners as loans are paid off and the life of the fund runs its course.

Direct lending investments generally take the form of funds that have distinct fundraising, investment, and harvest periods. Since the funds are not open-ended, the search is limited to funds that are currently raising capital. RVK began the direct lending manager search by compiling a list of all managers that are currently raising funds and have a primary focus on US middle-market loans and loans that are senior in the capital structure. The initial list included 12 funds; one European fund was included in case staff wanted to split the direct lending portfolio between domestic and Europe.

After reviewing product details and holding discussions with RVK, the list of 12 managers was reduced down to six for various reasons, including quality focus, leverage, track record, etc. During mid-May, RVK and staff interviewed six different direct lending managers via phone; after follow-up discussions with RVK, three managers, Angelo Gordon, Ares (SIB manager), and TCW were invited to interview with RVK, the Commissioner, and staff.

Interviews were held on June 12, 2018 in Bismarck and included Commissioner Smith, Investment Director Jeff Engleson, Investment Analyst Levi Erdmann, and Marcia Beard and Amy Hsiang from RVK. In addition, Treasurer Schmidt sat in on one interview and listened to the discussion that interviewers had as they determined which firm to recommend. The recommendation you are receiving today represents a unanimous decision of those who fully participated in the interview process.

RVK's Josh Kevan is here today to introduce Angelo Gordon, the firm being recommended to manage the new direct lending mandate for the permanent trusts.

### Angelo Gordon – Direct Lending Fund III

Drew Guyette, Chief Credit Officer and William Cullinan, Client Service

Angelo, Gordon & Co. is a privately-held registered investment advisor dedicated to alternative investing. The firm was founded in 1988 and currently manages approximately \$28 billion. Angelo Gordon seeks to generate absolute returns with low volatility by exploiting inefficiencies in selected markets and capitalizing on situations that are not in the mainstream of investment opportunities. The primary focus of the firm is credit and real estate strategies. Angelo Gordon has over 400 employees and is based in New York City; the direct lending team is based out of Chicago.

The direct lending team, which is headed by Trevor Clark, joined Angelo Gordon in 2014 from Madison Capital. Trevor was a key player in starting Madison Capital's direct lending program in 2001. The depth and length of experience of the direct lending team is a key factor in this recommendation, as is Angelo Gordon's continued focus on lower-middle market direct lending. When it comes to direct lending, Angelo Gordon does one thing and they do it well; they don't try to be all things to all borrowers. That focus leads to long-term relationships between the firm and its clients, which results in future financing opportunities as clients grow and prosper.

Although not the primary focus of hiring any manager, fees are always an important part of the return equation. The fee proposed by Angelo Gordon includes a discount for clients that meet the first close of the fund, which is July 17, 2018. The exact amount of the fee discount will not be known until after all initial commitments to the fund are made; however, at the present time it is expected that the base fee for this investment will be between 65 and 70 basis points. Angelo Gordon is also eligible for an incentive fee of 15%, subject to a preferred return of 7%. Although not the deciding factor, the fee proposed by Angelo Gordon was the lowest of the three managers interviewed.

**Motion: That the Board authorize the Commissioner to enter an agreement with Angelo Gordon to invest in the AG Direct Lending Fund III, L.P., subject to final review and approval of all legal documents by the Office of 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   |     |        |

### Recommendation to Hire Structured Credit Manager – Schroders

On March 29, 2018 the Board adopted a new structure for the permanent trusts' fixed income portfolio and authorized the Commissioner to begin searches for investment firms to manage the new direct lending and structured credit allocations approved by the Board.

Structured credit is an area within the fixed income universe that RVK and staff believe has the potential to offer attractive risk/return benefits to the trusts' overall fixed income portfolio at this time. Structured credit refers to credit or debt obligations that are pooled and converted into packages (or tranches) of credit related securities. Types of structured credit include residential mortgage-backed securities (RMBS), Agency mortgage-backed securities (MBS), commercial mortgage backed securities (CMBS) and asset backed securities (ABS).

Structured credit managers invest across an array of different structured products to offer investors a diversified portfolio of low or uncorrelated risk. Except for agency MBS, all other forms of structured credit products involve credit risk; illiquidity risk can also be a factor, depending on the

product and market environment. However, adding structured credit to the trusts' fixed income portfolio will provide exposure to attractive yielding fixed income sub-sectors, and provide diversification benefits to reduce the volatility of the overall fixed income portfolio.

RVK began the process by using eVestment's structured credit universe; a broad and diverse universe. RVK screened the database to include only managers of quality, liquid products with over one billion under investment that had exposure to a variety of structured credit sectors. Many structured credit products are opportunistic in nature or focused on only one or two aspect of the structured credit universe.

All of the products reviewed had an average credit quality of A or better except Voya whose product has an average quality of BB, just below investment grade. Voya was included in the search due to its long history in this sector and ability to customize a portfolio as needed. The initial screening for quality, liquidity, and diversification identified six fund managers to be further reviewed.

After reviewing product details and holding discussions with RVK, four products were deemed suitable for the next phase of review. The remaining four managers were interviewed via phone in early-May. These interviews identified two fund manager finalists, Schroders and Voya, to be interviewed by RVK and staff.

Interviews were held on June 13, 2018 in Bismarck and included Commissioner Smith, Investment Director Jeff Engleson, Investment Analyst Levi Erdmann, Marcia Beard and Amy Hsiang from RVK, and Treasurer Schmidt. The recommendation you are receiving today represents a unanimous decision of those who participated in the interview process.

RVK's Josh Kevan is here today to introduce Schoders Investment Management, the firm being recommended to manage the new structured credit mandate for the permanent trusts.

**Schroders Investment Management** Michelle Russell-Dowe, Head of Securitized Credit and Cathie Mazza, Institutional Director

Schroders is a public traded company based in the UK that has existed for over 200 years; the Schroder family and related trusts control over 47% of existing voting shares. The firm has more than \$600 billion of assets under management, 700 investment professionals worldwide and more than 4,600 employees in 29 countries. Although based out of the London, the Department works directly with Schroders' New York office.

Schroders' structured credit team is led by Michelle Russell-Dowe. Michelle has 24 years of experience with structured credit; she and her seasoned team of investment professionals moved from Brookfield to Schroders in 2016. Only one member of the team has less than 10 years of industry experience. In an asset class that was hit hard by the financial crisis, that experience, and what fund managers learned from their mistakes is crucial. The structured credit team gets the benefits of Schroders' back office and strong and diverse global capabilities, but the corporate office does not tell them how to run the business.

Schroders' understands that structured credit is a diverse and large asset class; the fundamentals of the various subsectors are not all synchronized. This provides investors the opportunity to perform well during various points in the cycle. Schroders has built many proprietary databases, as well as forecasting and modeling tools that allow them to understand how each security may react to various economic stresses. These tools allow Schroders to tactically address changing economic circumstances. Schroders works closely with clients to understand investment wants and needs, and then builds a portfolio for the client that meets those wants and needs.

Schroders offered two different strategies to choose from, one that seeks to add 100-150 basis points over the benchmark, and one that offers 150-300 basis points over the benchmark. The fee

is based on the desired “enhancement” over the benchmark. The Commissioner, RVK and staff will be working with Schroders over the next few weeks to finalize the desired benchmark and “enhancement” goals. For the amount of money being invested (\$95 million), the fee will be 35 basis points for the moderate enhancement strategy and 40 basis points for the 150-300 basis point enhancement strategy. Proposed fees are either less than or equal to the fee schedule provided by Voya.

**Motion: The Board authorize the Commissioner to enter into an investment management agreement with Schroders Investment Management to invest a separately managed private credit portfolio for the permanent trusts, subject to final review and approval of the contract by the Office of the Attorney General.**

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

## M I N E R A L S

### **Merricourt Wind Project (Update from May 31, 2018)**

At the May 31, 2018 meeting of the Board of University and School Lands (the “Board”), the Board was presented with a request by EDF Renewable Development, Inc. (EDF) to subordinate certain minerals in connection with the Merricourt Wind Power Project (the “Project”) in McIntosh and Dickey Counties. (Exhibit 1) The Project includes 347.34 mineral acres and no surface acres managed by the Department of Trust Lands (the “Department”).

During the May 31 meeting, the Board requested additional information about the Project. The Board asked the following questions related to the Project:

1. At what stage is EDF in the process?
2. What is there plan following startup?
3. What are the towers located relative to the Department managed minerals?

EDF’s ten year plan (Exhibit 2), as filed on March 30, 2017 with the ND Public Service Commission (PSC), gives the status of the Project and an overview of future expectations. Studying this document and reviewing the other filings, such as wildlife studies and surveys, will reveal that EDF has completed all requirements and was granted a Certificate of Site Compatibility by the PSC in 2011 and a subsequent amendment in 2015. The Project’s next phase is construction of the turbines and associated support units.

As per EDF’s ten year plan, they report: “In general, Merricourt will generate and deliver renewable energy into the MISO system to help meet North Dakota's objectives and MISO's needs. MISO's regional transmission planning process, for example, continues to show a need for significant additional nameplate capacity in the region over the ensuing ten to fifteen year period even under the most conservative projections. Wind generation from Merricourt is also well positioned to meet future standards, regulations or objectives set by state or federal law with respect to carbon emissions or renewable energy generation. More specifically, Otter Tail Power Company has identified Merricourt, via the Asset Purchase Agreement, as an appropriate resource to meet

customer needs identified in resource plans it has submitted in Minnesota, North Dakota, and South Dakota.”

The map depicted in Exhibit 3 is the latest layout of the projects towers. Highlighted in yellow are tracts that the Board manages some of the minerals. 5 turbines are located above the Board minerals, as well as a temporary Met tower.

Exhibit 1: May 31, 2018 Board Memo

Exhibit 2: EDF Ten Year Plan: 2017 Through 2027

Exhibit 3: Merricourt Wind Power Project Maps

Exhibits are available upon request from the Department.

**Recommendation: To continue discussions with Merricourt as the Land Board is supportive of the project, but some of the terms of the contract are not acceptable.**

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

The Commissioner recommends the Board consider entering executive session for consultation with legal counsel regarding pending and potential litigation.

#### EXECUTIVE SESSION

**Motion: 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 for purposes to discuss Paul Sorum et al. v. The State of North Dakota, et al.**

| 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   |     |        |

At 10:32 AM the Board entered executive session for the purposes outlined in its adopted motion.

#### EXECUTIVE SESSION

**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              |
| Drew Combs | Minerals Division Manager |

Kristie McCusker  
Rick Owings

Legal Assistant  
Administrative Officer

**Guests in Attendance:**

Brent Sanford  
Leslie Bakken Oliver  
Mark Hanson  
Peter Hvidston

Lt. Governor  
Governor’s Legal Counsel  
Nilles Law Firm  
Nilles Law Firm

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The executive session adjourned at 11:14 AM and the Board returned to open session and the public was invited to return to the meeting. During the executive session, the Board was provided information regarding the Paul Sorum et al. v. The State of North Dakota, et al.

**R E P O R T S**

**The Financial Statement (Unaudited) for Period Ended March 31, 2018 was provided to the Board**

**Report of Easements Issued by Land Commissioner from 5/15/18 to 6/15/18**

**Granted to:** WESTERN AREA WATER SUPPLY AUTH, WILLISTON-ND  
For the Purpose of: Easement-Amend: Potable Water Pipeline  
Right-of-Way Number: RW0008172  
Date Issued: 6/12/2018  
Application Fee: \$100.00  
Right-of-way Income: \$358.36  
Damage Payment to Lessee: N/A  
Trust: A  
Length (Rods): 16.0  
Area (Acres): 0.31  
Legal Description: WIL-156-100-16-NE4

**Granted to:** LIME ROCK RESOURCES III-A LP, HOUSTON-TX  
For the Purpose of: Easement-Amend: Drop Line-Pipeline  
Right-of-Way Number: RW0008201  
Date Issued: 5/16/2018  
Application Fee: \$100.00  
Right-of-way Income: \$1,120.00  
Damage Payment to Lessee: N/A  
Trust: A  
Length (Rods): 13.49  
Area (Acres): 0.17  
Legal Description: BRK-160-90-16-NW4

**Granted to:** DUNN COUNTY, MANNING-ND  
For the Purpose of: Easement: Road Right-of-Way  
Right-of-Way Number: RW0008222  
Date Issued: 6/10/2018  
Application Fee: \$100.00  
Right-of-way Income: \$4,330.00



Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 346.24  
 Area (Acres): 4.33  
 Legal Description: DUN-146-94-16-NE4, NW4

**Granted to:** **NORTH DAKOTA TELEPHONE CO, DEVILS LAKE-ND**  
 For the Purpose of: Easement: Communication Cable - Buried  
 Right-of-Way Number: RW0008225  
 Date Issued: 5/27/2018  
 Application Fee: \$100.00  
 Right-of-way Income: N/A  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 446.29  
 Area (Acres): 3.38  
 Legal Description: EDD-150-63-16-N2SE4, SW4SE4, LOTS 1,2, S2NE4,  
 NW4NE4  
 EDD-150-63-28-E2SE4, N2NE4

**Granted to:** **WESTERN AREA WTR SUPPLY AUTHORITY, WILLISTON-ND**  
 For the Purpose of: Easement: Potable Water Pipeline  
 Right-of-Way Number: RW0008235  
 Date Issued: 6/12/2018  
 Application Fee: \$100.00  
 Right-of-way Income: N/A  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 135.60  
 Area (Acres): 1.70  
 Legal Description: MOU-154-91-16-SW4

**Granted to:** **WESTERN AREA WTR SUPPLY AUTHORITY, WILLISTON-ND**  
 For the Purpose of: Easement-Amend: Potable Water Pipeline  
 Right-of-Way Number: RW0008249  
 Date Issued: 6/10/2018  
 Application Fee: \$100.00  
 Right-of-way Income: \$2,000.00  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 0.0  
 Area (Acres): 0.0  
 Legal Description: WIL-154-99-16-SE4, SW4

**Granted to:** **ANDEAVOR FIELD SERVICES LLC, SAN ANTONIO-TX**  
 For the Purpose of: Easement: Salt Water Disposal Well - Extension  
 Right-of-Way Number: RW0008251  
 Date Issued: 5/30/2018  
 Application Fee: \$100.00  
 Right-of-way Income: N/A  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 0.0  
 Area (Acres): 0.0  
 Legal Description: BIL-140-100-16-NW4

**Granted to:** **MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND**  
 For the Purpose of: Easement: Drop Line-Buried Electric Distribution Line  
 Right-of-Way Number: RW0008258  
 Date Issued: 6/10/2018  
 Application Fee: \$100.00  
 Right-of-way Income: \$826.00  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 58.99  
 Area (Acres): 0.74  
 Legal Description: MCK-150-98-36-SW4

**Granted to:** **RESERVATION TELEPHONE COOPERATIVE, PARSHALL-ND**  
 For the Purpose of: Easement: Communication Cable - Buried  
 Right-of-Way Number: RW0008281  
 Date Issued: 6/10/2018  
 Application Fee: \$100.00  
 Right-of-way Income: N/A  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 243.90  
 Area (Acres): 3.05  
 Legal Description: MCK-149-103-36-SE4, SW4

**Granted to:** **ND DEPT OF TRANSPORTATION, BISMARCK-ND**  
 For the Purpose of: Permit: Aggregate Prospecting  
 Right-of-Way Number: RW0008282  
 Date Issued: 5/21/2018  
 Application Fee: \$100.00  
 Right-of-way Income: N/A  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 2.0  
 Area (Acres): 2.0  
 Legal Description: MCL-144-81-16-NW4, SW4

**Granted to:** **PETRO-HUNT LLC, BISMARCK-ND**  
 For the Purpose of: Easement: Subsurface Well Bore  
 Right-of-Way Number: RW0008285  
 Date Issued: 5/27/2018  
 Application Fee: \$100.00  
 Right-of-way Income: \$4,000.00  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 0.0  
 Area (Acres): 0.0  
 Legal Description: MCK-154-95-36-SE4

**Granted to:** **OASIS PETROLEUM NORTH AMERICA LLC, HOUSTON-TX**  
 For the Purpose of: On-lease Act. Amend: Horizontal Oil Well

Right-of-Way Number: RW0008289  
 Date Issued: 6/12/2018  
 Application Fee: N/A  
 Right-of-way Income: \$11,795.00  
 Damage Payment to Lessee: \$320.28  
 Trust: A  
 Length (Rods): 0.0  
 Area (Acres): 3.37  
 Legal Description: WIL-153-100-36-NE4

**Granted to:** WESTERN AREA WTR SUPPLY AUTHORITY, WILLISTON-ND  
 For the Purpose of: Easement: Potable Water Pipeline  
 Right-of-Way Number: RW0008290  
 Date Issued: 6/10/2018  
 Application Fee: \$100.00  
 Right-of-way Income: N/A  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 167.35  
 Area (Acres): 2.09  
 Legal Description: MOU-154-94-16-SW4

**Granted to:** BRIDGER PIPELINE LLC, CASPER-WY  
 For the Purpose of: Easement: Oil Gathering Pipeline  
 Right-of-Way Number: RW0008292  
 Date Issued: 6/10/2018  
 Application Fee: \$100.00  
 Right-of-way Income: \$114,705.50  
 Damage Payment to Lessee: \$327.73  
 Trust: A  
 Length (Rods): 327.73  
 Area (Acres): 4.09  
 Legal Description: MCK-150-97-36-SE4, SW4

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:** SELECT ENERGY SERVICES LLC, WILLISTON-ND  
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line  
 Right-of-Way Number: RW0008274  
 Date Issued: 5/21/2018  
 Application Fee: \$100.00  
 Right-of-way Income: \$1,652.00  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 100.12  
 Area (Acres): 0.0  
 Legal Description: MCK-152-98-16-NE4, NW4

**Granted to:** ANDEAVOR FIELD SERVICES LLC, SAN ANTONIO-TX  
 For the Purpose of: Assignment: Salt Water Disposal Well-Assignment  
 Right-of-Way Number: RW0008278  
 Date Issued: 5/30/2018  
 Application Fee: \$100.00  
 Right-of-way Income: N/A

Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 0.0  
 Area (Acres): 0.0  
 Legal Description: BIL-140-100-16-NW4

**Granted to: ND GEOLOGICAL SURVEY, BISMARCK-ND**  
 For the Purpose of: Letter of Permission: Access to School Land  
 Right-of-Way Number: RW0008283  
 Date Issued: 6/10/2018  
 Application Fee: N/A  
 Right-of-way Income: N/A  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 0.0  
 Area (Acres): 0.0  
 Legal Description: WAR-155-84-1-SW4NW4 LYING N & E OF RIVER CENTERLINE

**Granted to: WEST DAKOTA WATER LLC, WILLISTON-ND**  
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line  
 Right-of-Way Number: RW0008287  
 Date Issued: 5/21/2018  
 Application Fee: \$100.00  
 Right-of-way Income: \$4,000.00  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 242.43  
 Area (Acres): 0.0  
 Legal Description: MCK-150-97-36-SE4, SW4

**Granted to: DEEP CREEK ADVENTURES, WATFORD CITY-ND**  
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line  
 Right-of-Way Number: RW0008296  
 Date Issued: 6/4/2018  
 Application Fee: \$200.00  
 Right-of-way Income: \$5,280.00  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 319.98  
 Area (Acres): 0.0  
 Legal Description: MCK-149-96-36-NE4, NW4, SE4, SW4

**Granted to: LEWIS OIL COMPANY LLC, BISMARCK-ND**  
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line  
 Right-of-Way Number: RW0008298  
 Date Issued: 6/7/2018  
 Application Fee: \$100.00  
 Right-of-way Income: \$2,640.00  
 Damage Payment to Lessee: N/A  
 Trust: A  
 Length (Rods): 160.0  
 Area (Acres): 0.0  
 Legal Description: MOU-151-92-36-W2NE4SW4, NW4SW4, S2SW4

**Granted to:** WESTERN AREA WATER SUPPLY AUTHORITY, WILLISTON-ND  
**For the Purpose of:** Easement: Easement Release  
**Right-of-Way Number:** RW0008299  
**Date Issued:** 6/10/2018  
**Application Fee:** N/A  
**Right-of-way Income:** N/A  
**Damage Payment to Lessee:** N/A  
**Trust:** A  
**Length (Rods):** 0.0  
**Area (Acres):** 0.0  
**Legal Description:** MOU-154-94-16-SW4

## Investment Updates

### ASSET ALLOCATION

The status of the permanent trusts' asset allocation as of May 31, 2018:

| Account/Asset Class               | Long-Term Asset Allocation | 5/31/18 Actual Allocation \$ | 5/31/18 Actual Allocation % |
|-----------------------------------|----------------------------|------------------------------|-----------------------------|
| Large Cap US Equity               | 13.2%                      | \$ 610,831,889               | 13.5%                       |
| Mid/Small Cap US Equity           | 3.8%                       | \$ 175,553,532               | 3.9%                        |
| International Equity              | 13.3%                      | \$ 578,703,596               | 12.8%                       |
| Emerging Market Equity            | 3.7%                       | \$ 162,209,856               | 3.6%                        |
| <b>Total Equities</b>             | <b>34.0%</b>               | <b>\$ 1,527,298,873</b>      | <b>33.8%</b>                |
| Domestic Investment Grade         | 13.0%                      | \$ 579,937,360               | 12.8%                       |
| High Yield FI                     | 2.7%                       | \$ 112,835,726               | 2.5%                        |
| International/Global FI           | 5.3%                       | \$ 254,788,499               | 5.6%                        |
| <b>Total Fixed Income</b>         | <b>21.0%</b>               | <b>\$ 947,561,585</b>        | <b>21.0%</b>                |
| <b>Total Absolute Return</b>      | <b>20.0%</b>               | <b>\$ 903,731,014</b>        | <b>20.0%</b>                |
| Commodities                       | 3.0%                       | \$ 139,033,777               | 3.1%                        |
| MLPs                              | 3.0%                       | \$ 149,403,099               | 3.3%                        |
| TIPS                              | 2.0%                       | \$ 89,046,182                | 2.0%                        |
| Natural Resource Equities         | 2.0%                       | \$ 94,082,282                | 2.1%                        |
| <b>Total Inflation Strategies</b> | <b>10.0%</b>               | <b>\$ 471,565,340</b>        | <b>10.4%</b>                |
| Core Real Estate                  | 8.0%                       | \$ 369,028,361               | 8.2%                        |
| Core Plus Real Estate             | 7.0%                       | \$ 298,685,375               | 6.6%                        |
| <b>Total Real Estate</b>          | <b>15.0%</b>               | <b>\$ 667,713,736</b>        | <b>14.8%</b>                |
| <b>Total Asset</b>                | <b>100.0%</b>              | <b>\$ 4,517,870,548</b>      | <b>100.0%</b>               |

#### PIMCO All Assets All Authority Fund

Absolute Return Strategy (\$297.3 million, 6.5% of PTF Pool)

Research Affiliates and PIMCO recently announced planned organizational changes at Research Affiliates, the firm that sub-advises for the PIMCO All Assets All Authority strategy in which the permanent trusts invest. Those changes include the following:

- Promotion of President and Chief Operating Officer Kay Shepard to Chief Executive Officer, replacing Rob Arnott.
- Addition of four members to the Research Affiliates Board of Directors alongside Rob Arnott, who will remain Chairman of the Board; Mr. Arnott was the previously the sole member of the Board of Directors.
- Formation of a management Committee that reports to CEO Shepard.

Mr. Arnott, who is 63, will retain all of his existing portfolio management responsibilities and will continue to be involved in research activities at the firm. Research Affiliates states that he has no

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plans to retire and that the announced changes and promotion of Ms. Shepard to CEO reflect the over-sight of operations, business development and other management functions that Ms. Shepard has already been fulfilling.

RVK believes there is no cause to take immediate action as a result of these changes; the Commissioner and staff agree. In fact, the changes should reduce key person risk, strengthen governance at the firm and help set up the firm for Mr. Arnott's ultimate retirement sometime in the future.

RVK and the Commissioner will continue to monitor the situation at Research Affiliates and will come back to the Board with any concerns that arise going forward. See the attached memo from RVK relating to the transition at Research Affiliates.

**Upcoming Investment Manager Meetings**

The following meetings with investment managers are planned to discuss strategy, compliance, and performance. They will be held in the Department's conference room.

**July 18, 2018, 9:00 AM**      **UBS – Trumbull Property Fund**  
Core Real Estate      (\$176.6 million, 3.9% of PTF Pool)  
*David Lawson*

Board members are welcome to attend any manager meetings. Please make sure to inform the Commissioner's office if you plan to attend so that enough materials are available.

**A D J O U R N**

There being no further business, the meeting was adjourned at 11:17 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