

**Minutes of the Meeting of the
Board of University and School Lands
August 30, 2018**

The August 30, 2018 meeting of the Board of University and School Lands was called to order at 8:02 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	Investments Director
Mike Humann	Surface Division Manager
Kristie McCusker	Legal Assistant
Catelin Newell	Office Manager
Kate Schirado	Administrative Assistant
Gerard Schwan	Grants and Claims Manager

Guests in Attendance:

Brent Sanford	Lt. Governor
Angie Scherbenske	OMB – SPO
Amy Cannon	OMB – SPO
Brady Pelton	North Dakota Petroleum Council (NDPC)
Ron Ness	NDPC
Leslie Bakken Oliver	Governor's Legal Counsel
Reice Haase	Governor's Policy Advisor
Peter Crosswell	Major Oak Consulting
Harry Marsteller	Major Oak Consulting
Dave Garner	Attorney General's Office
John Menard	Financial Recovery Services (FRT)
Marcia Beard	RVK
Amy Dalrymple	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, 2018 meeting was made by Attorney General Wayne Stenehjem and seconded by Secretary of State Al Jaeger and the motion carried unanimously on a voice vote.

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

Retirement of Grants

Specific grants awarded during the 2015, 2016, 2017 and 2018 Fiscal Years were completed under budget or are no longer in need of funding. The recommended grants to retire are:

Grant Retirement					
Grant	Political Sub	Awarded	Paid	Balance	Reason
G150078	SIoux YELLOWSTONE FIRE DISTRICT	\$27,500.00	\$26,031.33	\$1,468.67	Completed
G150129	MINOT INTERNATIONAL AIRPORT	\$22,744.00	\$0.00	\$22,744.00	Not Needed
G150139	MOHALL AIRPORT AUTHORITY	\$9,000.00	\$0.00	\$9,000.00	Not Needed
G150216	BATTLEVIEW TOWNSHIP	\$12,000.00	\$11,802.62	\$197.38	Completed
G150221	BOTTINEAU COUNTY	\$36,000.00	\$31,699.33	\$4,300.67	Completed
G160106	CITY OF WILLISTON	\$596,935.00	\$596,934.91	\$0.09	Completed
G160109	DUNN COUNTY	\$325,566.00	\$324,473.93	\$1,092.07	Completed
G160110	GOLDEN VALLEY COUNTY	\$73,350.00	\$72,102.94	\$1,247.06	Completed
G160111	BURKE COUNTY	\$71,428.00	\$42,113.25	\$29,314.75	Completed
G160122	WILLIAMS COUNTY	\$646,460.00	\$294,171.23	\$352,288.77	Completed
G160123	SHERIDAN COUNTY	\$1,400.00	\$1,053.98	\$346.02	Completed
G160124	ADAMS COUNTY	\$154,044.00	\$152,866.62	\$1,177.38	Completed
G160144	CITY OF WATFORD CITY	\$443,057.00	\$259,232.40	\$183,824.60	Completed
G160152	CITY OF TIOGA	\$257,592.00	\$257,186.69	\$405.31	Completed
G160154	CITY OF KENMARE	\$112,055.00	\$73,741.94	\$38,313.06	Completed
G160157	WILLIAMS COUNTY	\$200,000.00	\$104,453.60	\$95,546.40	Completed
G160158	CITY OF MINOT	\$200,000.00	\$179,959.53	\$20,040.47	Completed
G170030	PORTAL RURAL AMBULANCE DISTRICT	\$10,000.00	\$8,692.25	\$1,307.75	Completed
G170033	CITY OF WILLISTON	\$164,250.00	\$147,643.82	\$16,606.18	Completed
G170042	MERCER COUNTY RURAL AMBULANCE	\$36,000.00	\$35,978.91	\$21.09	Completed
G180019	EARL PSD #18	\$11,135.00	\$0.00	\$11,135.00	Refused Grant
				\$790,376.72	

With the retirement of these grants, the contingency fund will have a new balance of \$3,073,447 for future distribution.

Retiring grants with remaining balances are anticipated to continue through calendar year 2020.

Motion: **The Board approves the actions of:**

1. **The retirement of 21 grants identified above for a total of \$790,376.72.**
2. **These funds will be allocated to the contingency grant fund.**

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

Contingency Grant Committee

In June 2017, the Board approved the establishment of a contingency grant to utilize undistributed funds from the 2013-2015 and 2015-2017 biennia. Section 10 of Senate Bill 2013 allowed the use of unexpended funds to provide for grants and administrative costs during the 2017-2019 biennium:

SECTION 10. EXEMPTION - OIL AND GAS IMPACT GRANT FUND. The amount appropriated from the oil and gas impact grant fund for the energy infrastructure and impact office line item in section 1 of chapter 13 of the 2015 Session Laws and for oil and gas impact grants in section 5 of chapter 463 of the 2015 Session Laws is not subject to section 54-44.1-11. Any money deposited in the fund for taxable events occurring through June 30, 2017, and any unexpended funds from the appropriation are available for grants and administrative costs associated with the fund during the biennium beginning July 1, 2017, and ending June 30, 2019. (Emphasis added).

The Board approved the motion to establish a contingency grant in October 2017.

The Energy Infrastructure and Impact Office Contingency Grant Advisory Committee (Committee), is comprised of:

- Dan Kalil (Township Chair)
- Jay Elkin (County Commissioner)
- Justin Voll (Mayor)
- Marcia Lamb (County Auditor)
- Mark Spooner (Township Chair)
- John Bruce (School Superintendent)
- David Wegner (School Superintendent)
- Gary Weisenberger (Mayor)
- Reinhard Hauck (County Commissioner)

Recently, Mr. John Bruce, Superintendent of Burke Central PSD, accepted employment in Alaska. Allen Ryberg, County Commissioner for Burke County, has offered to serve on the Committee as his replacement.

Motion: The Board approves the replacement of Mr. John Bruce with Mr. Allen Ryberg on the Contingency Grant Advisory Committee.

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		

Initiation of Consideration of Grants to Airports

Within Senate Bill 2013 as enacted by the 2017 Legislative Assembly, a new Energy Impact Grant Fund was created to supplement the Oil and Gas Impact Grant Fund for the 2017-2019 biennium. Sections 13 and 14 of SB 2013 authorize expenditure of grant funds for airports from the two separate grant funds:

SECTION 13. OIL AND GAS IMPACT GRANT FUND - AIRPORT GRANTS. The grants line item and the total special funds line item in section 1 of this Act include the sum of \$25,000,000 from the oil and gas impact grant fund for grants to airports, for the biennium beginning July 1, 2017, and ending June 30, 2019. Of the \$25,000,000, the board of university and school lands shall award a grant of \$20,000,000 to the Williston airport and a grant of \$5,000,000 to the Dickinson airport. A grant may be awarded to the Williston airport only when any related federal funding is committed and available to be spent on the new airport construction project. Grants awarded but not yet paid under this section are not subject to section 54-44.1-11.

SECTION 14. ENERGY IMPACT FUND - WILLISTON AIRPORT GRANT. The grants line item and the total special funds line item in section 1 of this Act include the sum of \$15,000,000 from the energy impact fund for a grant to the Williston airport, for the biennium beginning July 1, 2017, and ending June 30, 2019. A grant may be awarded to the Williston airport only when any related federal funding is committed and available to be spent on the new airport construction project. Grants awarded but not yet paid under this section are not subject to section 54-44.1-11.

In October 2017, the Board authorized possible grants to Williston and Dickinson airports of up to \$20 million during fiscal year 2018. In December 2017, the Board awarded seventeen grants to Dickinson and Williston airports in the amount of \$19,902,065 based upon the State Aeronautics Commission recommendations.

The EIO Director recommends initiating a grant announcement for the remaining \$20,097,935 and to accept applications through October 5, 2018 for the Williston and Dickinson airports where:

1. \$3,597,935 designated for the Dickinson Airport out of the Oil and Gas Impact Fund; and
2. \$16,500,000 designated for the Williston Airport, which includes:
 - a. \$14,356,826 from the Oil and Gas Impact Fund; and
 - b. \$2,143,174 from the Energy Impact Fund.

2017-2019 Biennium Breakdown					
Grant Round	# Applications	Amount of Projects	Amount Requested	# Awards	Amount Awarded
O&G Williston Airport - 2018	10	\$8,758,442	\$7,860,548	6	\$5,643,174
O&G Dickinson Airport - 2018	6	\$3,965,326	\$1,402,065	6	\$1,402,065
EI Williston Airport - 2018	5	\$71,279,603	\$12,856,826	5	\$12,856,826
Contingency Grant - 1st Round	18	\$10,576,411	\$7,378,821	3	\$47,681
Totals	39	\$94,579,782	\$29,498,260	20	\$19,949,746.00
					Minus Adjustments \$0.00
					Net Awards \$19,949,746.00

As of: August 23, 2018

Available O&G today for granting \$25,000,000 Available EI today for granting \$13,000,000 Available EI today for granting \$38,000,000	<table border="1" style="border-collapse: collapse;"> <thead> <tr> <th colspan="2">Remaining Allocations</th> </tr> </thead> <tbody> <tr> <td>O&G Williston Airport</td> <td style="text-align: right;">\$14,356,826</td> </tr> <tr> <td>O&G Dickinson Airport</td> <td style="text-align: right;">\$3,597,935</td> </tr> <tr> <td>EI Williston Airport</td> <td style="text-align: right;">\$2,143,174</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">\$20,097,935</td> </tr> <tr> <td>Contingency Grant</td> <td style="text-align: right;">\$3,073,447</td> </tr> </tbody> </table>	Remaining Allocations		O&G Williston Airport	\$14,356,826	O&G Dickinson Airport	\$3,597,935	EI Williston Airport	\$2,143,174		\$20,097,935	Contingency Grant	\$3,073,447
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Remaining O&G collections \$0 Remaining EI collections \$2,000,000	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;"> <table border="1" style="border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">\$3,073,447</td> </tr> </table> </td> </tr> </table>		<table border="1" style="border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">\$3,073,447</td> </tr> </table>		\$3,073,447
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The Board would consider grant recommendations from the Aeronautics Commission no earlier than the December 2018 meeting. Award considerations will be based on whether combined federal and local funds are available and committed for construction, as well as revenues for funding are available by October 2018.

Motion: **The Board approves:**

1. Advertising the grant rounds for the Williston and Dickinson Airports, appropriated by SB 2013 of the 65th Legislative Assembly.
2. The Aeronautics Commission accepting applications through October 5, 2018.
3. Considering awarding up to \$20,097,935 in grant funds based upon recommendations made by the Aeronautics Commission and the EIO Director.

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		

S U R F A C E

Surface policy status and reorganization

Since January 2018, the Department of Trust Lands (Department) has been reviewing the policies of each of its Divisions. As a result of this review, the Department has determined that some Department policies will be incorporated into administrative rules subject to Board approval, some will remain a Board policy, some will become Department policies and some will be repealed. The following is a brief explanation of the various categories of rules/policies.

Administrative rules are adopted by the Board pursuant to N.D.C.C. ch. 28-32, Administrative Agencies Practice Act, and have the force and effect of law.

Board policies instruct the Department on carrying out Department duties and functions. Any changes to these policies will be reviewed by the Board and are not subject to legislative approval.

Department policies are adopted by the Commissioner to clarify operations within the Department and each of its Divisions.

The chart below lists the policies of the Department's Surface Division that were previously approved by the Board and which are scheduled for repeal as of September 28, 2018. The chart indicates whether, based on the Department's review, those policies were incorporated into administrative rules or department policy, or whether the Department recommends they be repealed.

EXISTING POLICIES	ADMIN RULE	DEPARTMENT POLICY	REPEAL NO LONGER APPLY
Agricultural Lease Cancellation	X	X	
Approval of Agricultural Leases	X	X	
Assignments	X		
Construction Aggregate Rules	X	X	
Failure to Pay at Auction	X		
Fees		X	
Indian Cultural Education Trust		X	
Minimum Rent Calculations and Lease Terms of Dropped Leases at Spring Auctions		X	
Non-Commercial Roads	X	X	
Non-Vehicular Public Access	X		
Noxious and Invasive Weed Control	X	X	
Organized Events On State Lands (Board)	X		
Payment Schedule (fair compensation)		X	
Prairie Dog Control Cost Share (Board Policy)	X	X	
Railroad Rights-of-Way Ownership		X	
Ramsey County Cropland And Hayland Flood Mitigation		X	
Rental Payments	X		
Surface Damage Payments For Agricultural Lessees		X	
Surface Easements & Permits Issuance	X	X	
Land Management Agreement			X
Commissioner Authority to Accept or Reject Bids			X

The following are Board approved policies which will be reviewed at a later date:

- Fair Market Value Method for Establishing Minimum Bids on Trust Lands,
- Land Retention and Sales Policy
- Sales of State Land for Landfills
- 15-09 Sales Policy
- Criteria for Retaining Foreclosed Property
- Acquired Properties Management.

Motion: **The Board repeals the policies and delegates to the Commissioner the authority to adopt and amend, as necessary, the Department Policies noted above.**

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		

O P E R A T I O N S

Administrative Rules Update

In House Bill 1300, the 65th Legislative Assembly directed the Board no longer be exempt from the Administrative Agencies Practice Act. With passage of this legislation, the Department began preparing rules to be considered by the Board, reviewed by the Office of Attorney General, and heard by the Legislative Rules Committee. The intent was to adopt these rules with an effective date of October 1, 2018.

The Department considered existing rules, together with policies and procedures, to incorporate necessary wording from those into rules which comply with the Administrative Agencies Practices Act. North Dakota Century Code § 28-32-07 states: "Any rule change, including a creation, amendment, or repeal, made to implement a statutory change must be adopted and filed with the legislative council within nine months of the effective date of the statutory change."

Rules concerning General Administration, Energy Infrastructure and Impact Grants, Unclaimed Property, Surface Land Management, and Loan Programs were drafted and proceeded through the initial steps as required by Legislative Council (including posted to the Department's website and the State Secretary's website, publication of a notice of intent completed in all 53 county seat newspapers, and copies of these rules were sent to sponsoring legislators.) A public hearing on these rules was conducted on April 18, 2018 with no one from the public attending the hearing, thus the hearing officer (Hope Hogan) opened and closed the hearing. A recording of the hearing was posted on the Department's website. The Attorney General's Office reviewed the Administrative Rules and no comments or suggestions on the content of the rules was made. However, due to the lack of publication on Legislative Council's website, it is necessary to conduct another public hearing.

The Department concluded it is most efficient to withdraw the previously submitted General Administration, Energy Infrastructure and Impact Grants, Unclaimed Property, Surface Land Management, and Loan Programs rules from the process and submit these rules with the rules for the entire Department, including Minerals.

The Department has completed an initial draft of the rules for all Divisions. As they are currently drafted, it is anticipated the rules will create unintended consequences such as: (1) the potential for significant delays for the agricultural and energy sector, and; (2) significant budget implications for the Department. The potential delay and added expenses will have a direct economic impact to the Department, the agricultural industry, and the energy sector.

In the upcoming month, the Commissioner is seeking additional guidance on the drafted rules to minimize the effects of the anticipated unintended consequences.

Board of University and School Lands Capital Repairs

The Department of Trust Lands (Department) has been working over the past eight months to develop a long-term facility management plan that aims to reduce the Department's operating costs, while strategically addressing aging infrastructure and improving the indoor environment. The goal of the Department is to find efficient, effective and economical solutions that address many of the challenges facing the facility.

In May 2018, the Department partnered with Unesco to develop a Preliminary Facility Analysis report that identified several opportunities for enhancements to the building. Unesco found the facility's energy usage based on data provided by Department staff to be \$1.86 per square foot. The analysis completed an asset condition summary, which identified systems within the Department that are beyond their life expectancy and are in need of repair:

- Condensing Units, Residential Furnaces, Electric Controls, Fire Alarm System

The Analysis noted the Department possesses significant potential for energy and operations savings improvements and is in need of some non-saving upgrades and enhancements.

Energy Management System – Electrical Controls Recommissioning

It is recommended to recommission the existing electronic controls used on room-level and central heating, ventilating and air conditioning (HVAC) equipment. Energy management strategies will be recommissioned for each system, including programmed optimal start/stop of HVAC systems, improved sequencing of heating, cooling, building day/night setback control, recalibrate thermostats to optimize occupied and unoccupied space temperature set-points etc.

Lighting Retrofit & Replacement

Most of the lighting systems in the facility are fluorescent fixtures utilizing electronic ballasts and standard 32-watt T-8 lamps. There are many 3-4 lamp, fluorescent fixtures throughout the building. Many of the areas within the facility are over lit, resulting in wasted energy. There is an opportunity to both improve the quality of lighting as well as significantly reduce the energy and maintenance costs associated with the lighting systems. The Department is seeking to install a new high-performance lighting system and reengineer light levels to recommended levels, to provide the appropriate light levels for each space, in the most energy efficient manner.

Seal Building Envelope to Minimize Air Leaks

There are building envelope issues that need to be addressed, including deteriorated caulking and sealing around windows, missing or ineffective weather-stripping around exterior doors, and gaps or openings at well/roof junctions, which allows cold air to infiltrate into the building.

Plumbing Efficiency Improvements

Many of the existing restroom toilets, urinals and sinks in the facilities are older and are of high water consumption design. Many of the existing urinal flushometer valves have exceeded their useful life.

In addition to the Analysis, the Department has identified several building improvement projects that necessitate attention. The roof needs to be replaced as records indicate this has not been done since 1993. In 1997, the new roof addition was completed. According to records, the ten-year warranty expired in 2003 and 2007. The average lifespan of membrane roof systems is 18-25 years; thus, the Department's roof systems are at the end of their useful life cycle. Over the years, dirt and debris has accumulated where the barreled roof adjoins the new addition. Vegetation has begun to grow and will cause roof failure. Additional repairs are needed throughout the building, such as; replacement of glass wall in Commissioners office due to wall failure, rock and landscaping to protect employees whose office face State Street, repair of cracked sidewalk, refurbishing of outdoor railing.

The Department is also in need of painting the internal and external railings and caulking. The Department does not have record of the last time the internal and external railings were painted and caulking was redone. This would indicate it has not been attended to since at least 1997, when the Department purchased the building.

Estimated costs for immediate repairs is \$152,895, breakout of expenses is as follows:

- Boulders to be placed at Department on Divide Exhibit A \$5,100
- Painting of internal and external railings & Caulking Exhibit B \$19,795
- Roof Replacement Exhibit C \$128,000

Per N.D.C.C. § 15-03-16. Continuing appropriation for investments. There is appropriated annually the amounts necessary to pay costs related to investments controlled by the board of university and school lands, including investment management fees, trustee fees, consulting fees, custodial fees, and the cost of capitalized building repairs and renovations as approved by the board. Each payment must be made from the trust fund for which the investment is made.

Motion: The Board approves utilizing continuing appropriation, per N.D.C.C. § 15-03-16, in the amount not to exceed \$152,895, to support the costs for repairs of the landscape, paint and caulking, and roof replacement.

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

Strategic Investment and Improvements Fund - Assigned Fund Balance

Mineral revenues from sovereign lands are deposited into the Strategic Investment and Improvements Fund (SIIF). In July 2017, the Board classified \$229,325,049 of this fund as an "Assigned Fund Balance" as a potential liability that should not be transferred out of the fund until title claims to riverbed leases are resolved. The amount was derived based upon the bonus and royalties collected from the leasing and production of sovereign lands' oil and gas interests and in consideration of associated litigation in these areas.

Since the Supreme Court affirmed State ownership of land and minerals within the high water marks of navigable waters in *Reep v. State* (decided in 2013), the Department has worked to collect royalties on Board issued sovereign land leases. Some operators have paid royalties based upon the State's delineation; others have paid royalties into escrow.

The Board's oil and gas lease do not warrant title to the interest leased but states that bonus and rent, or any portion thereof, will be refunded if it is later determined the Board does not have a lawful right to lease the mineral interests. In 2015, the Board adopted a formal resolution affirming that it would repay royalties received on production if it were determined to have been collected on an interest the Board did not have a lawful right to lease.

Basis for the Assigned Fund Balance

The adoption by the 2017 Legislature of Senate Bill 2134, established a definition of sovereign minerals for certain stretches of the Missouri River. The bill directs the State Industrial Commission to review these stretches of the river to determine the location of the ordinary high watermark pursuant to certain criteria established by the Legislature. The bill further directs the adjustment of State leased mineral interests and authorizes refunds of mineral proceeds accordingly.

Current revenue projections indicate that there will be sufficient funds within the SIIF to meet obligations and transfers implemented by the 2017 Legislature, including the total amount estimated for refunds under SB 2134. The method the Board had used to lease mineral acres on behalf of the State may differ from the survey being completed by the Industrial Commission. Since the Industrial Commission has not yet adopted the survey, the Department recommends that the Board affirms the existing Assigned Fund Balance. This should be done for both financial statement purposes, to accurately reflect known potential obligations; and to stipulate that these funds should not be transferred from the SIIF but instead should be reserved until adjustments related to sovereign lands are resolved.

Motion: For purposes of its financial reporting and to reflect the actions within Senate Bill 2134 as adopted by the 2017 Legislature, the Board affirms that the “Assigned Fund Balance” of the Strategic Investment and Improvements fund is \$229,325,049. These funds are reserved to make adjustments related sovereign lands mineral ownership.

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		

Verint Business Consulting (Major Oak)

Verint, also known as Major Oak Consulting, is a customer engagement company that helps clients achieve performance excellence, optimize their customer’s experience, increase employee engagement and realize ROI with innovative management consulting services. Verint has worked with multiple organizations in the state for Business Process Modeling, System Strategy and Continuous Improvement initiatives. Previous clients include Workforce Safety and Insurance (WSI), Department of Transportation (DOT) and Secretary of State (SOS).

The North Dakota Department of Trust Lands has multiple customized systems and manual processes to handle its Land Management and Financial Management/Accounting functions. State core systems were developed in the late 1980s and early 1990s, using tools that lack desired functionality and are no longer being supported by their producers. In October of 2016, Verint completed a consulting engagement with NDDTL to define current and future state processes, identify improvement opportunities, define core business requirements and outline a future system strategy. The previous activities were completed in order to prepare for the transition to a future system and develop an RFP for an appropriate systems provider.

NDDTL created a Request for Proposal (RFP) for their Land Management and Financial Management/Accounting functions, however, the number of responses were limited, and those proposals did not meet the State’s requirements. Accordingly, the State has not yet issued an award. NDDTL was looking for assistance in creating additional artifacts and defining a go-forward strategy for the Land Management and Financial Management/Accounting system-related RFPs. In order to prepare for the future system transition and develop an RFP for an appropriate systems provider, the State engaged Verint for the following services:

1. Define an integrated process map with both Land Management and Financial Management/Accounting functions.
2. Refine, clarify and prioritize core system requirements.
3. Complete a refresh of peer and vendor research.
4. Define an RFP go-forward process.

The presentation provided to the Board is a high-level final report on the final recommendations and next steps resulting from the previous engagement. This presentation is available upon request from the Department.

The Department, through the Information Technology Executive Steering Committee, has contracted with Verint for continued services for the Financial Management/Accounting solution to:

1. Prepare an RFP.
2. Assist with vendor questions and prepare RFP amendments.
3. Assist with Proposal Evaluations and Vendor Selection.

It is anticipated a Financial Management RFP will be released in October 2018 with vendor selection occurring in early 2019. Currently, the Department's goal is to begin implementation by the end of the biennium.

Board of University and School Lands Case Summary as of July 25, 2018

The following provides an update of those cases with recent activity. Detailed case specific memorandums will be presented to the Board upon changes in case status or as new events requiring Board consideration occur.

REVENUE COMPLIANCE

Case: **Continental Resources, Inc. v. North Dakota Board of University & School Lands and North Dakota Department of Trust Lands, Civ. No. 27-2017-CV-00661**

Date Filed: December 20, 2017
Court: District Court/McKenzie County
Attorneys: David Garner
Opposing Counsel: Mark S. Barron/Baker & Hostetler LLP
Judge: Robin Schmidt

Issues: Continental is seeking a Declaratory Judgment that it is currently paying royalties properly under the Board's lease. Specifically, Continental is asking the Court to order that Continental is allowed to deduct certain costs from royalty payments and that it does not owe the Defendants any additional royalty payments based on previous deductions.

Current Status: A Complaint and Answer with Counterclaims have been filed. Continental filed an Answer to Counterclaims. Answers to Continental Resources, Inc.'s First Set of Written Discovery and Defendants Interrogatories, Requests for Production of Documents, and Requests for Admissions to Continental were served July 30, 2018. Continental's responses to the discovery are due on September 12, 2018.

December 20, 2017	Plaintiff filed the Summons and Complaint
December 21, 2017	Motion for Admission Pro Hac Vice of Rosario C. Doriott Dominguez
December 22, 2017	Order for Pro Hac Vice Admission - Rosario C. Doriott Dominguez
January 2, 2019	Notice of Appearance - Mark S. Barron
February 2, 2018	Defendants filed Answer and Counterclaims
February 20, 2018	Continental's Unopposed Motion for Extension of Time to Respond to Counterclaims

February 21, 2018	Order Granting Continental's Unopposed Motion for Extension of Time to Respond to Counterclaims
March 9, 2018	Certificate of Service of Continental's Answer to Defendants' Counterclaims
March 14, 2018	Continental's Answer to Defendants' Counterclaims
March 26, 2019	Notice of Hearing - Scheduling Conference
April 25, 2018	Scheduling Conference
May 29, 2018	Joint Status Report
February 1, 2019	Court Trial

Case: **Newfield Exploration Company, Newfield Production Company, and Newfield RMI LLC v. State of North Dakota, ex rel. the North Dakota Board of University and School Lands and the Office of the Commissioner of University and School Lands, a/k/a the North Dakota Department of Trust Lands, Civ. No. 27-2018-CV-00143**

Date Filed: **March 7, 2018**

Court: **District Court/McKenzie County**

Attorneys: **David Garner**

Opposing

Counsel: **Lawrence Bender and Spencer Ptacek/Fredrikson & Byron, P.A.**

Judge: **Robin Schmidt**

Issues: Plaintiff is seeking a Declaratory Judgment that it is currently paying gas royalties properly under the Board's lease. Specifically, Plaintiff is asking the Court to order that gas royalty payments made by the Plaintiff be based on the gross amount received by the Plaintiff from an unaffiliated third-party purchaser, not upon the gross amount paid to a third party by a downstream purchaser, and that Plaintiff does not owe the Defendants any additional gas royalty payments based on previous payments.

Current

Status: A Complaint and Answer with Counterclaims have been filed. Newfield filed an Answer to Counterclaims. A Scheduling conference was held July 27, 2018 and a trial was scheduled for September 10 & 11, 2019 at the McKenzie County Courthouse. Newfield filed a Motion for Summary Judgment and supporting documents on August 13, 2018. Defendants' response is due September 12, 2018.

March 9, 2018	Plaintiff's filed Summons, Complaint, & Exhibits
March 9, 2018	Notice of Assignment & Case Number
March 13, 2018	Notice of Appearance – David Garner
April 11, 2018	Answer and Counterclaims
May 2, 2018	Answer to Counterclaims
June 12, 2018	Notice of Scheduling Conference
July 19, 2018	Amended Notice of Telephonic Scheduling Conference
July 27, 2019	Scheduling Conference
August 1, 2018	Notice of Court Trial – September 10-11, 2019
August 13, 2018	Plaintiff's Notice of Motion for Summary Judgment, Motion for Summary Judgment, Brief in Support of Motion for Summary Judgment, Affidavit of Jay Williams
September 10-11, 2019	Court Trial

M I N E R A L S

Case: Whiting Oil and Gas Corporation v. Arlen A. Dean, et. al., Civ. No. 27-2016-CV-00040
Date Filed: January 25, 2016
Court: McKenzie County District Court
Judge: Robin Schmidt
Attorney: Hope Hogan/Jennifer Verleger
Opposing Counsel: Paul Forster, Shane Hanson (Whiting Oil and Gas Corp.), Kevin Chapman (multiple defendants)

Issues: Whiting Oil and Gas Corporation (“Whiting”) operates the Kuykendall 34-31-1H well located in McKenzie County near the Montana border. The Yellowstone River flows through the Kuykendall well spacing unit. Over time, the river has shifted westward. There are also islands within the Kuykendall spacing unit. On January 25, 2016, Whiting filed this interpleader action to resolve alleged title questions that have arisen due to the movement of the Yellowstone River. Because of these title questions, Whiting is withholding royalty payments. In its lawsuit, Whiting essentially asks the court to require all those asserting title to the minerals in the spacing unit to set forth and prove their claims, and once the court rules on those claims, Whiting will know who to pay.

The Board claims a mineral interest under the Yellowstone River, including the islands, and the Board also claims a 5% mineral interest in some of the riparian tracts in this spacing unit.

The Board and the State Engineer filed a joint response to the Complaint and several cross claims that have been made against the State.

Current Status:

Due to property flooding from high flows on the Yellowstone River, the State Engineer had been unable to conduct field work until the past couple weeks. A telephonic scheduling conference was held on August 16, 2018 and the parties agreed to suspend the scheduling order, cancel the trial dates, and have a follow up scheduling conference on January 3, 2019, to review the status of the case. The State Engineer will proceed with its field work. The discovery that was served was put on indefinite hold.

January 25, 2016	Plaintiff’s filed Summons and Complaint.
January 26, 2016	Notice of Assignment and Case Number
January 26, 2016	Randall Johnson's Answer to Complaint
January 26, 2016	Admissions of Service -Summons and Complaint for various defendants.
January 26, 2016	Return Receipt Cards – for various defendants.
January 28, 2016	Notice of Filing and Description of Lands; Affidavit in Support of Service by Publication
January 28, 2016	Defendants Arlen Dean, Debbie Whittemore, Richard Dean and Miles Dean's Answer and Counterclaim and Crossclaims
February 1, 2016	Joint Answer of the ND Board of University and School Lands and the North Dakota State Engineer
February 1, 2016	Demand for Change of Judge
February 1, 2016	Answer - Counterclaim, and Crossclaim of Defendant Murex Petroleum Corporation

February 1, 2016	Answer - Counterclaim, and Crossclaim of Defendant Northern Oil and Gas, Inc.
February 2, 2016	Notice of Appearance
February 2, 2016	Notice of Assignment and Case Number
February 8, 2016	Order Reassigning Judge
February 10, 2016	Notice of Appearance
February 18, 2016	Response to Counterclaim of Northern Oil and Gas, Inc.; Response to Counterclaim of Murex Petroleum Corporation; Response to Counterclaim of Arlen Dean, Debbie Whittemore, Richard Dean, and Miles Dean
February 22, 2016	Letter to Honorable Robin A. Schmidt on Behalf of Dorothy Peete
February 22, 2016	Exhibit A-Defendant Dorothy Peete's Mineral Deed
February 22, 2016	Admission of Service - Mary Carol Melland
February 22, 2016	Admission of Service - RTM Minerals, LLC
February 22, 2016	Return Receipt Card - Tanjia Melland 502 5th St SE
February 22, 2016	Admission of Service - Martin E. Long
February 22, 2016	Admission of Service - Summit Royalty Company
February 22, 2016	Return Receipt Card - Summit Royalty Company
February 22, 2016	Affidavit of Service by Mail on Unrepresented Parties
February 23, 2016	Affidavit of Publication
February 24, 2016	Answer and Crossclaim
February 26, 2016	Defendant Kuykendall Trust Answer and Counterclaim and Crossclaim
February 26, 2016	Defendant Melland, Et. Al. Answer and Counterclaim and Crossclaims
February 29, 2016	Answer to Complaint - Scott B. Muir
February 29, 2016	Answer and Cross Claim of Defendant Nathan L Andersohn; Exhibit A-Mineral Deed of Defendant Nathan L Andersohn
March 2, 2016	Defendants Arlen Dean, Debbie Whittemore, Richard Dean and Miles Dean's Answer to Crossclaim of Nathan L. Andersohn
March 8, 2016	Answer of Defendant Northern Oil and Gas, Inc. to Crossclaim of Defendant Nathan L. Andersohn
March 8, 2016	Answer of Defendant Murex Petroleum Corporation to Crossclaim of Defendant Nathan L. Andersohn
March 10, 2016	Admission of Service - Summons & Complaint - Jan Hagen
March 10, 2016	Admission of Service - Summons & Complaint - Jorjiann Benn
March 10, 2016	Joint Answer of the ND Board of University and School Lands and the North Dakota State Engineer to the Crossclaim of Defendant Nathan L. Andersohn; Joint Answer of the ND Board of University and School Lands and The North Dakota State Engineer to the Crossclaim of Derendant Kuykendall Family Mineral Trust; Joint Answer of the ND Board of University and School Lands and the North Dakota State Engineer to the Crossclaim of Defendant Martin E. Long; Joint Answer of the ND Board of University and school Lands and the North Dakota State Engineer to the Crossclaim of Defendant Mellands, Et. Al; Joint Answer of the ND Board of University and School Lands and the North Dakota State Engineer to the Crossclaim of Defendant Murex Petroleum Corporation; Joint Answer of the ND Board of University and School Lands and the North Dakota State Engineer to the Crossclaim of Defendant Northern Oil and Gas, Inc.
March 16, 2016	Answer of Defendant Northern Oil and Gas, Inc. to Crossclaim of Defendant Martin E. Long; Answer of Defendant Northern Oil and Gas, Inc. to Crossclaim of Defendant Mellands et al.

March 16, 2016	Answer of Defendant Murex Petroleum Corporation to Crossclaim of Defendant Martin E. Long
March 21, 2016	Response to Counterclaim of Melland, et al; Response to Counterclaim of Kuykendall Trust
April 22, 2016	Notice of Motion to Deposit Funds; Motion to Deposit Funds; Brief in Support of Motion to Deposit Funds; Proposed Order Designating Depository for Disputed Royalty Proceeds
May 23, 2016	Order Designating Depository for Disputed Royalty Proceeds
June 10, 2016	Notice of Entry of Order
January 17, 2017	Consent to Plaintiff's Mineral Acreage Calculations- Stanley A. Dean and Linda K. Sullivan; Exhibit A to Consent to Plaintiff's Mineral Acreage Calculations- Stanley A. Dean and Linda K. Sullivan
January 20, 2017	Notice - Change of Address of Defendant Martin E. Long
January 31, 2017	Consent to Plaintiff's Mineral Acreage Calculations - Darlene Dellabovie, Robert & Lola Dean, Lorlys & Charlene Dean, Eleanor "Carol Adams, Desmond D. Dean, Joseph Dean, and Kevin & Sheila Filler
July 26, 2017	Answer - Defendant Celsius Energy, LLC's Answer To Complaint
August 3, 2017	Notice of Hearing – Scheduling Conference
August 4, 2017	Notice of Appearance by Peter D. Morowski, Attorney for Defendants Arlen Dean, Debbie Whittemore, Richard Dean, and Miles Dean
August 17, 2017	Scheduling Conference
August 17, 2017	Notice of Hearing – Court Trial
September 7, 2017	Letter to Judge Schmidt from Paul Forster regarding proposed Scheduling Order; Stipulation/Agreement for Entry of Scheduling Order; Proposed Order - Scheduling Order
September 10, 2017	Order – Scheduling Order
October 10, 2017	Notice of Motion for Substitution of Deceased Party Defendant
October 24, 2017	Whiting's Response to Miles Dean's Motion for Substitution of Deceased Defendant
January 23, 2018	North Dakota Board of University and School Lands and the North Dakota State Engineer's Notice of Motion to Reset Scheduling Order; North Dakota Board of University and School Lands and the North Dakota State Engineer's Motion to Reset Scheduling Order; Proposed Order - First Amended Scheduling Order
February 9, 2018	First Amended Scheduling Order
February 14, 2018	Notice of Hearing - Scheduling Conference
March 28, 2018	Scheduling Conference
March 28, 2018	Notice of Court Trial
April 10, 2018	Notice of Hearing - Amended - Service of Pro Se Defendants
July 3, 2018	Letter requesting scheduling conference
July 3, 2018	Notice of Motion to Withdraw Counsel (for Defendants Murex Petroleum Corporation Inc. and Northern Oil and Gas Inc. – Danielle M. Krause
July 9, 2018	Notice of Hearing – Telephonic Status Conference
July 10, 2018	Order Granting Motion to Withdraw Counsel
July 23, 2018	Defendant James Miles Dean's First Set of Interrogatories to State of North Dakota and First Set of Requests for Production to State of North Dakota served
August 16, 2018	Telephonic Status Conference – and the parties agreed to suspend the scheduling order, cancel the trial dates, and have a follow up scheduling conference on January 3, 2019, to review the status of the case
January 3, 2019	Telephonic Status Conference – 11:00 a.m.

INVESTMENTS

Securities Litigation Monitoring and Financial Recovery Services

John Menard from Financial Recovery Technologies (FRT) will present information on securities litigation monitoring and claims filing services. FRT is a leader in the use of technology to better provide both domestic and global securities litigation monitoring and claims services; FRT also provides investors with global antitrust monitoring and claims filing services.

Historically, the securities litigation monitoring and claims filing business has been a relatively passive endeavor performed by custodian banks, such as Northern Trust. Custodian banks monitor domestic class action lawsuits, and once a settlement is made, they file claims on behalf of the Board based on custodial records. Custodians of commingled funds and mutual funds in which the Board invests provide similar services for those funds.

There are also numerous law firms that provide securities litigation monitoring services for free. However, the primary goal for most of these law firms is typically to use the established relationship to find clients willing to be lead plaintiffs in lawsuits against corporations. Although there are times it is appropriate to be a lead plaintiff, in most cases the administrative and opportunity costs can be substantial.

In August 2015, the Board adopted a securities litigation policy (enclosed for reference.) The Board's current policy is considered passive and it relies on Northern Trust to file claims on the Board's behalf unless certain thresholds are met. With a significant portion of the permanent trusts' investments being comingled and mutual fund products at the time of policy adoption it made sense to adopt a passive policy. However as the securities litigation monitoring and claims filing business continues to evolve, the Commissioner would like to update the Board's approach to more actively monitor securities and antitrust litigation and improve the claims filing process.

After nearly two years of diligence work, the North Dakota State Investment Board (SIB) hired FRT to perform litigation monitoring and claims filing services for the funds under its control in November 2017. As part of the hiring process, FRT reviewed over 8 years of data related to past claims filed by Northern and potential global claims that were not filed by anyone. That review found more than \$400,000 of missed, disputed or potentially recoverable claims. Although the Commissioner does not expect that large of a recovery for past claims, if the Board agrees to engage FRT, the Commissioner will seek a review of past claims as well.

Over the past year, FRT expertise in the area of securities and antitrust litigation policies has been invaluable as SIB revised its policies to meet current fiduciary standards. The Commissioner also expects to use FRT to advise the Board on possible updates to the current securities and antitrust litigation and monitoring policy.

As the securities litigation and antitrust monitoring and claims filing process business has evolved, it is not just pensions and trust funds that are seeking the services of FRT. Many custodian banks, including JP Morgan Chase, are now using FRT to either replace or supplement their securities litigation and antitrust monitoring and claims filing services. In addition, the top three asset managers in the world, and two of the top five sovereign wealth funds use FRT's services.

The Commissioner, staff and FRT have been in discussions for some time. Those discussions were delayed with the transition to a new Commissioner in late 2017. The Commissioner and staff are now ready to proceed engaging FRT on behalf of the trusts. Recently, the Commissioner authorized FRT to file a place holder on the Board's behalf related to a recent antitrust case related to the manipulation of LIBOR by certain large banks. If that place holder had not been filed, the Board could have lost out on any compensation that may be due under the terms of the LIBOR antitrust settlement.

FRT has informed the Commissioner that FRT's relationship with the SIB will be taken into consideration in contract negotiations.

Motion: The Board directs the Commissioner to enter negotiations with Financial Recovery Technologies to engage their services to provide comprehensive securities litigation and antitrust monitoring and claims filing services on behalf of the Board, subject to final approval 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		

Quarterly Investment Reports – 2nd Quarter 2018

Marcia Beard from RVK reviewed the performance of the Board's investment program for the period ending June 30, 2018.

The first report Ms. Beard reviewed is prepared by RVK to enable the Board to monitor and evaluate the collective performance of the permanent trusts' investments and the performance of individual managers within the program. In order to provide an overview of the program and highlight critical information, an executive summary has been incorporated into the Board report. A more comprehensive, detailed report is also available.

After Ms. Beard's presentation, Jeff Engleson reviewed the report which details the activities of the Strategic Investment and Improvements Fund, the Coal Development Trust Fund and the Capitol Building Fund, as well as the performance of Northern Trust separate investment pool that holds the assets of these three funds.

The following items were presented to the Board and are available at the Department upon request: RVK Permanent Trust Fund Performance Analysis Report, Other Funds Managed by the Board Report and RVK Ultra-short Performance Report.

R E P O R T S

The Summary of Total Assets (Unaudited) for Period Ended May 31, 2018 was provided to the Board

Results of Online August Oil and Gas Mineral Lease Auction

On behalf of the Board, the Department conducted an oil and gas mineral lease auction which concluded on August 7, 2018 on <https://www.energynet.com/>.

There were 29 tracts offered and all received competitive bids. The highest bid per acre was \$507.00 for 8.00 net mineral acres in Dunn County.

There were 31 bidders registered, 20 of which submitted bids in the seven-day auction. Bidders were from 8 states (CO, MT, ND, OR, TX, UT, WA and WY).

A total \$341,547.93 of bonus was collected from the auction.

Report of Easements Issued by Land Commissioner from 7/12/18 to 8/16/2018

Granted to: **CONTINENTAL RESOURCES INC, OKLAHOMA CITY-OK**
 For the Purpose of: Easement: Drop Line-Saltwater Pipeline
 Right-of-Way Number: RW0007574
 Trust: A - Common Schools
 Legal Description: DUN-147-96-36-NE4

Granted to: **GOODNIGHT MIDSTREAM BAKKEN LLC, DALLAS-TX**
 For the Purpose of: Easement: Salt Water Pipeline
 Right-of-Way Number: RW0008220
 Trust: A - Common Schools
 Legal Description: MCK-151-96-16-SE4

Granted to: **HESS NORTH DAKOTA PIPELINES LLC, MINOT-ND**
 For the Purpose of: Easement: Gas Gathering Pipeline
 Right-of-Way Number: RW0008230
 Trust: A - Common Schools
 Legal Description: MCK-151-96-36-S2

Granted to: **HILAND CRUDE LLC, HOUSTON-TX**
 For the Purpose of: Easement: Drop Line-Oil Gathering Pipeline
 Right-of-Way Number: RW0008244
 Trust: A - Common Schools
 Legal Description: WIL-153-100-36-SE4

Granted to: **HILAND PARTNERS HOLDINGS LLC, HOUSTON-TX**
 For the Purpose of: Easement: Drop Line-Gas Gathering Pipeline
 Right-of-Way Number: RW0008245
 Trust: A - Common Schools
 Legal Description: WIL-153-100-36-S2

Granted to: **CONTINENTAL RESOURCES INC, OKLAHOMA CITY-OK**
 For the Purpose of: Easement: Salt Water Pipeline
 Right-of-Way Number: RW0008255
 Trust: A - Common Schools
 Legal Description: DUN-147-96-36-N2, E2SE4

Granted to: **EQUINOR PIPELINES LLC, AUSTIN-TX**
 For the Purpose of: Easement: Salt Water Pipeline
 Right-of-Way Number: RW0008259
 Trust: A - Common Schools
 Legal Description: WIL-154-100-16-SE4

Granted to: **HILAND CRUDE LLC, HOUSTON-TX**
 For the Purpose of: Easement: Oil Gathering Pipeline
 Right-of-Way Number: RW0008265
 Trust: A - Common Schools
 Legal Description: MCK-152-98-16-N2, SW4

Granted to: **TARGA BADLANDS LLC, HOUSTON-TX**
 For the Purpose of: Permit: Section Line Access Road
 Right-of-Way Number: RW0008270
 Trust: A - Common Schools
 Legal Description: MCK-150-97-36-SE4

Granted to: For the Purpose of: Right-of-Way Number: Trust: Legal Description:	OASIS MIDSTREAM SERVICES LLC, HOUSTON-TX Easement: Multiple Pipelines & Communication Cable RW0008280 A - Common Schools WIL-153-100-36-NE4, S2
Granted to: For the Purpose of: Right-of-Way Number: Trust: Legal Description:	XTO ENERGY INC, SPRING-TX On-lease Act. Amend: Horizontal Oil Well RW0008284 A - Common Schools WIL-154-96-16-NE4
Granted to: For the Purpose of: Right-of-Way Number: Trust: Legal Description:	MISSOURI BASIN WELL SERVICE INC, BELFIELD-ND Easement: Salt Water Disposal Well - Extension RW0008286 A - Common Schools MOU-155-90-16-SE4
Granted to: For the Purpose of: Right-of-Way Number: Trust: Legal Description:	HESS BAKKEN INVESTMENTS II, LLC, MINOT-ND Permit: Section Line Access Road RW0008288 A - Common Schools MCK-150-95-16-N2
Granted to: For the Purpose of: Right-of-Way Number: Trust: Legal Description:	BRIDGER PIPELINE LLC, CASPER-WY Easement: Drop Line-Oil Gathering Pipeline RW0008293 A - Common Schools MCK-150-96-36-SE4
Granted to: For the Purpose of: Right-of-Way Number: Trust: Legal Description:	MUREX PETROLEUM CORP, HOUSTON-TX Easement: Salt Water Disposal Well - Extension RW0008301 A - Common Schools DIV-162-101-16-SE4
Granted to: For the Purpose of: Right-of-Way Number: Trust: Legal Description:	MCLEAN ELECTRIC COOPERATIVE, GARRISON-ND Easement: Electric Distribution Line - Buried RW0008304 A - Common Schools MCL-144-81-36-SE4 E of RR
Granted to: For the Purpose of: Right-of-Way Number: Trust: Legal Description:	BOE MIDSTREAM, DENVER-CO Easement-Amend: Oil Gathering Pipeline RW0008305 A - Common Schools DUN-148-96-16-N2SE4, SW4SE4
Granted to: For the Purpose of: Right-of-Way Number: Trust: Legal Description:	HILAND CRUDE LLC, HOUSTON-TX Easement: Drop Line-Oil Gathering Pipeline RW0008311 A - Common Schools MCK-150-98-36-SW4
Granted to: For the Purpose of: Right-of-Way Number: Trust: Legal Description:	OASIS MIDSTREAM SERVICES LLC, HOUSTON-TX Easement: Drop Line-Pipeline & Communication Cable RW0008313 A - Common Schools WIL-153-100-36-S2

Granted to: **WHITE ROCK OIL&GAS LLC, PLANO-TX**
 For the Purpose of: Permit: Access Road
 Right-of-Way Number: RW0008316
 Trust: A - Common Schools
 Legal Description: MCK-146-102-36-N2

The following letters of permission were issued to companies and groups wishing to use school trust lands under the Board's access policy. 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: RW0008317
 Trust: A - Common Schools
 Legal Description: MOU-155-94-36-S2

Granted to: **ND ENERGY SERVICES INC, DICKINSON-ND**
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line
 Right-of-Way Number: RW0008321
 Trust: A - Common Schools
 Legal Description: DUN-146-93-16-NE4

Granted to: **SELECT ENERGY SERVICES LLC, WILLISTON-ND**
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line
 Right-of-Way Number: RW0008322
 Trust: A - Common Schools
 Legal Description: WIL-154-98-16-NE4

Granted to: **SELECT ENERGY SERVICES LLC, WILLISTON-ND**
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line
 Right-of-Way Number: RW0008323
 Trust: A - Common Schools
 Legal Description: WIL-153-100-36-NE4, S2

Granted to: **B O B ENTERPRISES LLC, KILLDEER-ND**
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line
 Right-of-Way Number: RW0008326
 Trust: A - Common Schools
 Legal Description: DUN-148-96-36- LOTS 1,2,6,7, NW4SE4, S2SE4, LOT 8, SW4

Granted to: **SELECT ENERGY SERVICES LLC, WILLISTON-ND**
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line
 Right-of-Way Number: RW0008328
 Trust: A - Common Schools
 Legal Description: WIL-154-100-36-SE4

Granted to: **WEST DAKOTA WATER LLC, WILLISTON-ND**
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line
 Right-of-Way Number: RW0008343
 Trust: A - Common Schools
 Legal Description: WIL-156-101-36-S2

Granted to: **BARR ENGINEERING CO, BISMARCK-ND**
 For the Purpose of: Letter of Permission: Access to School Land
 Right-of-Way Number: RW0008324
 Trust: W -
 Legal Description: BEN-151-68-7- SE4, N2SE4, SW4SE4, LOTS 1,2

Granted to: ANDEAVOR LOGISTICS, SIDNEY-MT
 For the Purpose of: Letter of Permission: Access to School Land
 Right-of-Way Number: RW0008327
 Trust: A - Common Schools
 Legal Description: BIL-144-102-16- N2SE4, SW4SE4, LOTS 1,2

Granted to: HILAND CRUDE LLC, HOUSTON-TX
 For the Purpose of: Letter of Permission: Access to School Land
 Right-of-Way Number: RW0008330
 Trust: A - Common Schools
 Legal Description: MCK-152-99-36-NW4, SW4

Granted to: ND GAME & FISH DEPT, RIVERDALE-ND
 For the Purpose of: Letter of Permission: Access to School Land
 Right-of-Way Number: RW0008341
 Trust: A - Common Schools
 Legal Description: MCL-148-79-36- LOTS 6,9,10,11

Investment Updates

Asset Allocation

The status of the permanent trusts' asset allocation as of June 30, 2018:

Account/Asset Class	Long-Term Asset Allocation	6/30/18 Actual Allocation \$	6/30/18 Actual Allocation %
Large Cap US Equity	13.2%	\$ 614,751,977	13.6%
Mid/Small Cap US Equity	3.8%	\$ 177,949,737	3.9%
International Equity	13.3%	\$ 591,576,514	13.1%
Emerging Market Equity	3.7%	\$ 155,170,953	3.4%
Total Equities	34.0%	\$ 1,539,449,182	34.0%
Domestic Investment Grade	13.0%	\$ 579,623,670	12.8%
High Yield FI	2.7%	\$ 111,915,416	2.5%
International/Global FI	5.3%	\$ 253,433,299	5.6%
Total Fixed Income	21.0%	\$ 944,972,385	20.9%
Total Absolute Return	20.0%	\$ 904,919,180	20.0%
Commodities	3.0%	\$ 134,297,150	3.0%
MLPs	3.0%	\$ 139,868,959	3.1%
TIPS	2.0%	\$ 89,457,982	2.0%
Natural Resource Equities	2.0%	\$ 93,178,561	2.1%
Total Inflation Strategies	10.0%	\$ 456,802,653	10.1%
Core Real Estate	8.0%	\$ 375,284,161	8.3%
Core Plus Real Estate	7.0%	\$ 305,146,223	6.7%
Total Real Estate	15.0%	\$ 680,430,385	15.0%
Total Asset	100.0%	\$ 4,526,573,785	100.0%

QMA (114.6 million, 2.5% of PTF assets) International Small Cap Equities

The Commissioner and staff were informed in late-July that Jacob Pozharny, head of research and portfolio management for non-US core equity at QMA, was leaving the firm at the end of the July. Although his departure wasn't expected, it also wasn't a complete surprise. Last year QMA restructured their investment platform to more effectively leverage resources. An intentional consequence of the restructuring was taking management duties out of the hands of senior members so they could focus on research.

Mr. Pozharny responsibilities will be absorbed by George Patterson who joined the firm in October 2017 as a part of the restructuring. At that time, Mr. Patterson along with Peter Xu were named co-heads of the firm's quantitative equity platform, new roles that were created due to the new structure. Mr. Xu has been with QMA for over 20 years and prior to the restructuring served as head of U.S. core equity.

RVK and the Commissioner have no major concerns about this departure due to the quantitative nature of the process and the robust QMA team, and thus do not recommend any changes at this time. QMA will continue to be monitored closely and RVK will provide updates on any significant developments. Jeff Engleson will be visiting QMA in September, when he is in the New York area for a Morgan Stanley Advisory Committee meeting

Upcoming Investment Manager Meetings

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

September 19, 2018, 10:00 AM Harding Loevner – Emerging Markets Core Equity

EM Equity (\$72.09 million, 1.6% of PTF pool) *with Portfolio Specialist Clarke Moody*

A D J O U R N

There being no further business, the meeting was adjourned at 10:45 AM.

Doug Burgum, Chairman
Board of University and School Lands

Jodi Smith, Secretary
Board of University and School Lands