

**Minutes of the Meeting of the
Board of University and School Lands
December 19, 2022**

The December 19, 2022, meeting of the Board of University and School Lands was called to order at 9:07 AM by Chairman Doug Burgum.

Members Present:

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

Department of Trust Lands Personnel Present:

Joseph Heringer	Commissioner
Kate Schirado	Administrative Assistant
Catelin Newell	Administrative Staff Officer
Rick Owings	Administrative Staff Officer
Kisha Mitchell	Unclaimed Property
James Wald	Legal Council
Elvedina Papalichev	Paralegal
Dennis Chua	Investments
Chris Suelzle	Minerals Division Director
Joseph Stegmiller	Surface Division Director
Matthew Reile	Technical Support Specialist
Peggy Gudvangen	Finance Division Director
Susan Dollinger	Unclaimed Property
Lynn Spencer	Minerals Title Specialist
Kayla Spangelo	Surface Range Soils Management Specialist

Guests in Attendance:

Ryan Norrell	Office of the Governor
John Reiten	Office of the Governor
Geoff Simon	Western Dakota Energy Association
Reice Haase	ND Industrial Commission
Joe Ebisa	WithIntelligence
Josh Kevan	RVK
Jennifer Sandberg	RVK
Phil Rooney	Balyasny
Scott Schroeder	Balyasny
Katie King	Balyasny
Renaud Verlaque	Two Sigma
Bradley Burke	
C. Rajala	
Thomas Prunty	
Gary Hagen	

APPROVAL OF MINUTES

A motion to approve the minutes of the November 17, 2022, meeting was made by Treasurer Beadle and the motion was seconded by Secretary Jaeger and the motion carried unanimously on a voice vote.

(12/19/22)

I N V E S T M E N T S

Investment Update

Portfolio Rebalancing Update

Millennium has called capital due on 12/30/2022 amounting to \$90M. No notices have been received yet for other capital calls to be funded by year- end. It is worth noting that capital calls for much of the commitments are dependent on transaction closings by the Fund or its underlying investments. A prime example is GCM Private Equity which has already committed \$91M to various investments, however, so far only \$22M has been called. The GCM Secondary Opportunities Fund has \$296M in pending deals with \$250M pending capital drawn for deals. Due to the rising interest rate environment, transactions have been harder to close which can be attributed to large valuation/pricing differences between buyer and seller.

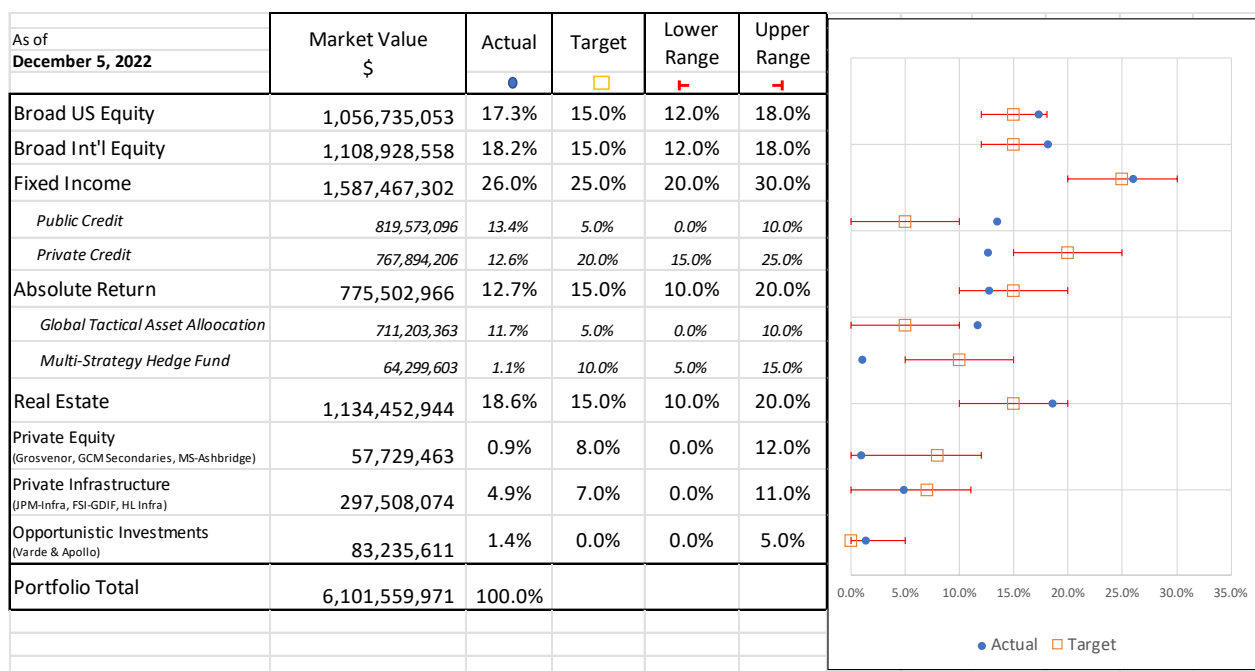
Unfunded commitments after the distributions and calls will be at \$595.25M. These are:

1. Private Credit - \$164M
 - i. *ARES Pathfinder Fund, \$39M*
 - ii. *Owl Rock Diversified Lending, \$60M*
 - iii. *Angelo Gordon Direct Lending (AGDL) IV, \$15M*
 - iv. *AGDL-BUSL Fund, \$50M*
2. Private Equity - \$246.25M
 - i. *Grosvenor Capital Management (GCM) Private Equity, \$105.5M*
 - ii. *GCM Secondary Opportunities Fund, \$128M*
 - iii. *Morgan Stanley Ashbridge TS Fund II, \$12.75M*
3. Private Infrastructure - \$14.5M
 - i. *Hamilton Lane Infrastructure Opportunities Fund, \$14.5M*
4. Opportunistic Investments - 20.5M
 - i. *Varde Dislocation Fund, \$20.5M*
5. Absolute Return - \$150M

Millennium USA LP (Hedge Fund), \$150M

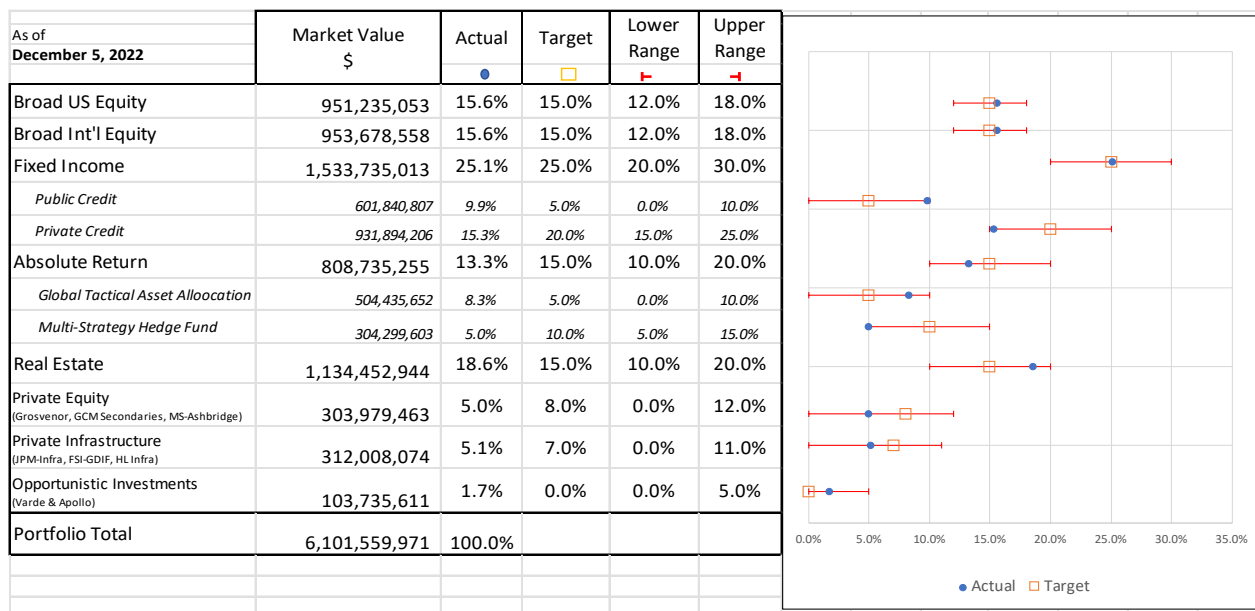
Asset Allocation

The table below shows the status of the permanent trusts' asset allocation as of December 5, 2022. The figures provided are unaudited.



Hypothetical Funding of All Unfunded Commitments:

Asset Allocation After Funding:



Assumptions:

- i. No other new cash is expected to fund calls.
- ii. No redemption proceeds or distributions were received.
- iii. All capital calls came in at the same time.

RVK 3rd Quarter Performance Report and RVK October 2022 Ultra Short Performance Report, were presented to the Board and are available from the Department upon request.

(12/19/22)

Multi-Strategy Hedge Fund Manager

During its June 30, 2022, meeting the Board of University and School Lands (Board) approved the implementation of a new strategic asset allocation (SAA) for the Permanent Trust Funds (PTFs), which created a Multi-Strategy Hedge Fund subcategory within the Absolute Return strategies. Along with this was setting a target of 10% to this subcategory.

As a result, Staff and RVK commenced a search for new managers that would bring exposure to the target level, and at the same time, be a complement to the existing fund that is currently in the subcategory.

Staff and RVK recommend adding two new active managers, which should decrease portfolio risk while increasing returns. Staff and RVK began the manager search by compiling a list of the top performing managers within RVK's database. Staff and RVK reviewed the return performance and risk history of each manager, along with fees, investment staff, operations, and processes.

After conducting thorough due diligence and interviewing the top managers, it was determined that Staff and RVK would recommend the Board approve new mandates with Balyasny Asset Management and Two Sigma Investment Management.

Balyasny Asset Management (BAM) manages multi-strategy hedge funds with over \$16.4 billion in assets under management and has over 900 investment professionals around the globe managing assets in long/short equities, macro, commodities, equity arbitrage, credit, and growth equity. BAM has an outstanding performance record and manages assets with strong finance, data execution, technology, and operational capabilities. And like our current hedge fund, Millennium, BAM is also focused on risk management. Risk guidelines reflect the mandate and skill within each strategy and are consistently executed. Expected returns on risk, stress, and working capital are measured through risk lenses.

Two Sigma Investment Management (Two Sigma) considers itself a technology company that utilizes this strength in the domain of finance. Two Sigma aims to consistently generate alpha in liquid global markets across a range of conditions using a disciplined, scientific approach. Two Sigma has \$63 billion in assets under management, \$45 billion of which is in its absolute return strategy. Two Sigma has over 1,900 employees worldwide, 1,000+ of which are in research and development, including 200+ PhDs working collaboratively on an integrated platform with computing power that would rank in the world's top 250 supercomputer sites, all aimed at creating alpha. As of Dec. 31, 2021, Two Sigma has created positive alpha every year since its inception.

Staff and RVK both agree that BAM and Two Sigma's strategies will supplement and complement that of Millennium, the existing hedge fund in the portfolio. With the slow take up of committed capital by Millennium, an investment in BAM will supplement expected returns as BAM has a similar strategy to Millennium and will call capital faster than Millennium. Two Sigma, however, will serve as a complement to both Millennium and BAM as it has a very different strategy in achieving risk adjusted return. Therefore, Staff and RVK recommend making investment commitments of \$300M to the Balyasny Atlas Enhanced Fund and \$150M to the Two Sigma Absolute Return Enhanced Fund. Once the full capital commitments to all three hedge funds are called, this will bring the allocation of the Multi-Strategy Hedge Fund subcategory to its target of 10%.

Motion: The Board approved investments of \$300M in Balyasny Asset Management's Atlas Enhanced Fund and \$150M in Two Sigma Absolute Return Enhanced Fund, 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 Beadle		X	X		
Attorney General Wrigley			X		
Governor Burgum			X		

RVK Hedge Funds Recommendation, Balyasny Asset Management Multi-Strategy Presentation, and Two Sigma Absolute Return Presentation, were presented to the Board and are available from the Department upon request.

O P E R A T I O N S

Commissioner's Report

- One more significant gas royalties settlement achieved; continuing negotiations with six remaining
- Nearing end of new minerals system design testing; phased go-live planned in January
- Planning for legislative session; meeting with legislators and providing information as requested
- Presented to North Dakota Petroleum Council year-end board meeting (November 29th)
- Attended Governor Burgum's budget presentation to legislature (December 7th)
- Attended December 9th SIB Investment Committee meeting as voting member
- Attended December 16th State Investment Board meeting as voting member

HR Update

- Chief Investment Officer – offer accepted, pending background check
- Otherwise fully staffed

D I V I S I O N R E P O R T S

S U R F A C E

SURFACE DIVISION

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Encumbrances issued by
Commissioner during November
2022:

14 Right of Way Agreements
generating \$126,947 in income
for the Trusts.

Photo Credit: Jacob Lardy
McKenzie County 147-101-16



MINERALS

MINERALS DIVISION

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The Minerals Division is preparing for the Department's next online Oil & Gas Lease Auction. Due to IT system updates, the auction will open on **March 7, 2023**, and close on **March 14, 2023**. The auction will be hosted by EnergyNet.

90 mineral tracts, comprising a total of 8,611.87 net mineral acres, have been nominated to date.

The **nomination deadline** has been extended to **January 20, 2023**.

Mineral Tracts nominated for the
March 7-14, 2023
Online Oil & Gas Lease Auction

County	Tracts	Net Acres
Billings	6	800
Burke	11	1045.22
Divide	27	2,640.14
Golden Valley	4	289.17
McKenzie	5	720
Stark	18	1,442.84
Ward	19	1,674.50
Totals	90 tracts	8,611.87 net acres

MINERALS DIVISION

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NDDTL-managed Interests in Wells & Production

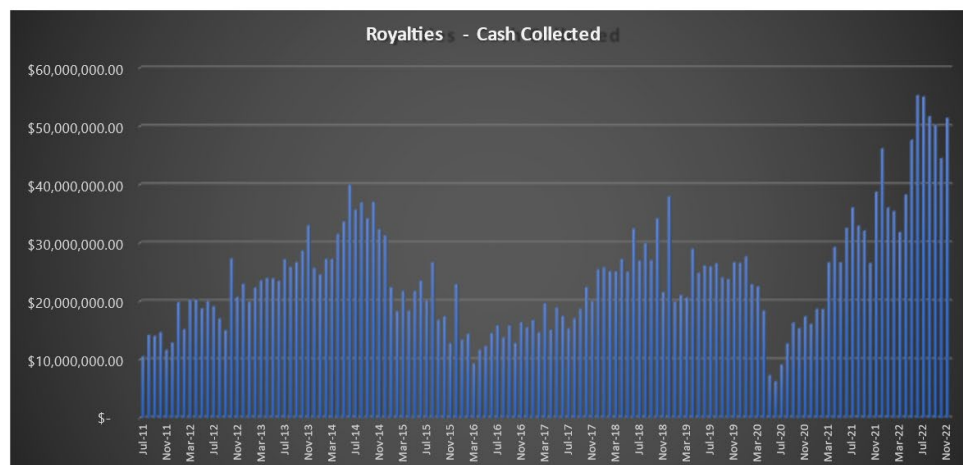
Summary of NDIC well and production data from 1/2021 through 09/2022 as provided by MineralTracker on 11/19/2022

Production Month	State Total Producing Well Count	DTL Producing Well Count	% of State Total	State Total Oil Production	DTL Gross Oil Production	% of State Total	DTL Net Oil Production	% of State Total	State Total Gas Production	DTL Net Gas Production	% of State Total
1/1/2021	15,688	7,762	49.48%	35,193,988	16,734,855	47.55%	468,380	1.33%	88,323,040	1,123,471	1.27%
2/1/2021	15,600	7,773	49.83%	30,021,984	14,574,224	48.55%	404,534	1.35%	75,753,835	989,314	1.31%
3/1/2021	16,019	7,924	49.47%	34,018,211	16,664,675	48.99%	462,244	1.36%	88,869,457	1,197,104	1.35%
4/1/2021	16,198	8,024	49.54%	33,327,638	16,411,570	49.24%	482,547	1.45%	88,594,617	1,264,888	1.43%
5/1/2021	16,426	8,128	49.48%	34,688,116	17,603,893	50.75%	547,633	1.58%	92,646,964	1,400,369	1.51%
6/1/2021	16,646	8,240	49.50%	33,747,575	16,861,175	49.96%	530,298	1.57%	89,817,187	1,346,876	1.50%
7/1/2021	16,690	8,240	49.37%	33,156,322	16,337,528	49.27%	495,438	1.49%	89,390,537	1,262,362	1.41%
8/1/2021	16,756	8,248	49.22%	34,046,077	16,817,110	49.40%	488,992	1.44%	91,909,291	1,284,148	1.40%
9/1/2021	16,836	8,281	49.19%	33,087,875	16,395,776	49.55%	474,772	1.43%	90,643,730	1,282,516	1.41%
10/1/2021	16,958	8,362	49.31%	34,123,358	17,009,956	49.85%	484,892	1.42%	92,925,368	1,321,258	1.42%
11/1/2021	17,056	8,388	49.18%	34,542,381	17,167,755	49.70%	495,434	1.43%	92,483,741	1,336,967	1.45%
12/1/2021	16,998	8,408	49.46%	35,174,974	17,442,025	49.59%	502,137	1.43%	93,965,319	1,350,973	1.44%
1/1/2022	16,675	8,245	49.45%	33,454,475	16,636,138	49.73%	483,786	1.45%	88,067,069	1,283,554	1.46%
2/1/2022	16,545	8,189	49.50%	30,279,102	15,336,010	50.65%	422,539	1.40%	80,574,017	1,155,212	1.43%
3/1/2022	16,881	8,330	49.35%	34,570,481	17,429,614	50.42%	478,482	1.38%	93,402,598	1,328,609	1.42%
4/1/2022	16,706	8,276	49.54%	26,890,920	13,820,248	51.39%	396,676	1.48%	73,605,413	1,073,061	1.46%
5/1/2022	16,725	8,277	49.49%	31,928,557	16,422,478	51.44%	472,616	1.48%	85,700,517	1,237,931	1.44%
6/1/2022	17,032	8,404	49.34%	32,053,704	16,434,353	51.27%	470,231	1.47%	91,018,491	1,330,675	1.46%
7/1/2022	17,110	8,432	49.28%	31,817,942	16,131,107	50.70%	450,139	1.41%	94,799,549	1,377,358	1.45%
8/1/2022	17,325	8,516	49.15%	31,564,744	15,954,373	50.54%	445,493	1.41%	93,819,443	1,367,305	1.46%
9/1/2022	17,428	8,603	49.36%	31,324,387	16,337,297	52.16%	438,561	1.40%	92,718,278	1,347,400	1.45%

MINERALS DIVISION

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As of November 2022, for fiscal year 2022-23 the Department has received **\$252,738,267** in royalties as compared to **\$166,288,859** last fiscal year at this time.

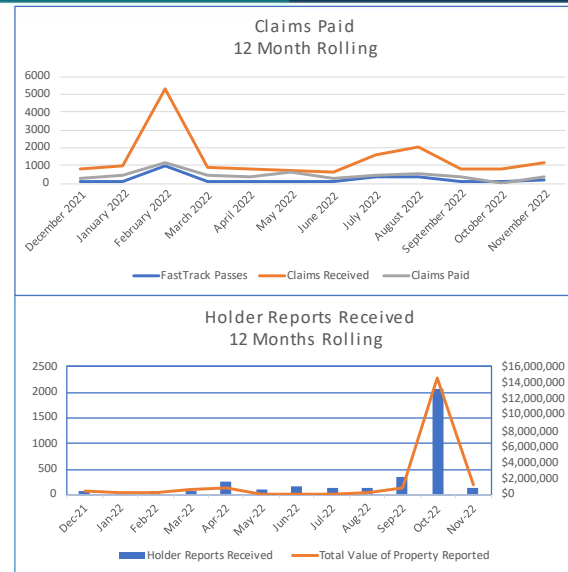


UNCLAIMED PROPERTY

UNCLAIMED PROPERTY DIVISION



For the month of November 2022, the Division paid 356 claims with \$456,259 returned to rightful owners/heirs and received 139 holder reports with a dollar value of \$1,263,316.



FINANCIALS

Financial Statements Position Report (Unaudited) for period ended September 30, 2022

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

The Financial Report (Unaudited) for period ending September 30, 2022, was presented to the Board for review and is available at the Department upon request.

Executive Estimate of Board Assets

EXECUTIVE ESTIMATE OF ASSETS
NORTH DAKOTA DEPARTMENT OF TRUST

LANDS

As of November 30,
2022

	11/30/2022 Value	MOM\$ 10/31/2022 Value	MOM% Change	YOY\$ 11/30/2021 Value	YOY% Change
Cash	256,082,684	494,473,849	-48.21%	384,211,315	-33.35%
Investments ^[1]	7,017,683,190	6,503,890,327	7.90%	6,470,210,462	8.46%
Tax Receivables ^[2]	-	12,403,751	-100.00%	18,119,488	-100.00%
Loans ^[3]	40,260,056	40,260,056	0.00%	43,864,600	-8.22%
Receivables ^[4]	6,720,920	5,949,437	12.97%	4,896,963	37.25%
Sub-Total Net Assets	\$7,320,746,851	\$7,056,977,419	3.74%	\$6,921,302,828	5.77%
Mineral Rights ^[5]	2,813,480,347	2,813,480,347	0.00%	2,391,439,503	17.65%
Surface Rights ^[6]	511,088,869	511,088,869	0.00%	523,938,730	-2.45%
Building Value ^[7]	1,015,196	1,015,196	N/A		N/A
Total Net Assets	\$10,646,331,263	\$10,382,561,831	2.54%	\$9,836,681,061	8.23%

[1] Approximately 60% of the portfolio is publicly traded for which values are current to the as of date. The remaining 40% is private assets, the values of which are updated as the managers provide them, typically 30-60 days after the end of each quarter.

[2] Estimated value of production, extraction, and severance tax payments not yet received by the Department because they are not distributed until two months after production date.

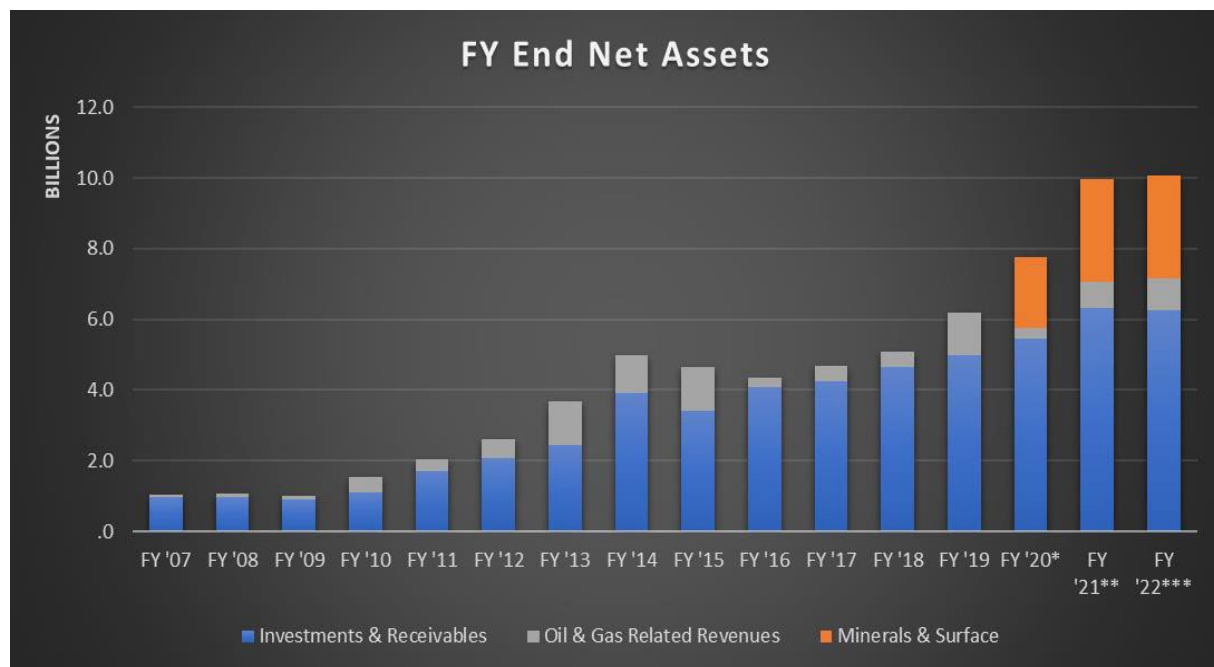
[3] Various loan programs funded with trust assets.

[4] Loans and investments interest accrued, but not yet paid.

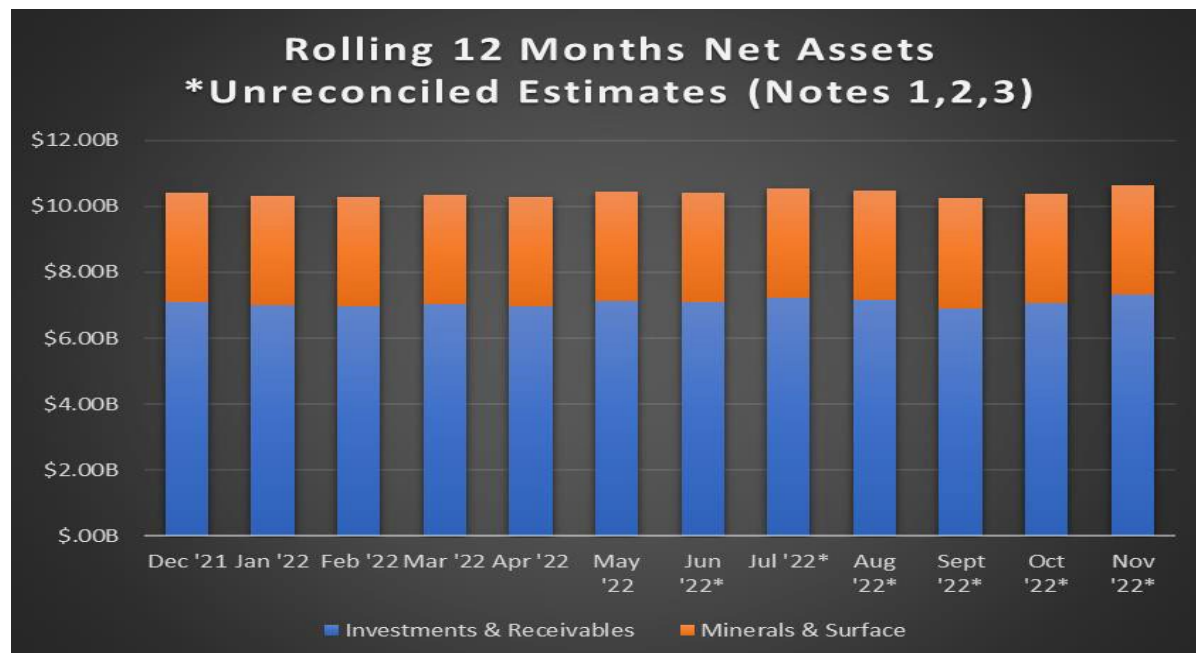
[5] Valued annually via contract with Mineral Tracker. The last valuation is as of December 31, 2021.

[6] Valued annually via the Department's fair market value policy/formulas. The last valuation is as of March 2022.

[7] Updated annually via broker price opinion. The last was completed as of Sept. 15, 2022.



- * FY End 2020 - included initial Mineral valuations as of 12/31/19 amounting to \$1,449,002,408 and surface fair market value as of 12/31/19 amounting to \$538,179,773.
- ** FY End 2021 - included new Mineral valuations as of 12/31/20 amounting to \$2,391,439,503. and surface fair market value as of 12/31/20 amounting to \$523,938,730.
- *** FY End 2022 - included most recent Mineral valuations as of 12/31/21 amounting to \$2,813,480,347 and surface fair market value as of 12/31/21 amounting to \$511,088,869.



Notes:

1. Oct. 2021 to Nov. 2021 - included most recent Mineral valuations amounting to \$2,391,439,503 and surface fair market value of \$523,938,730.
2. Dec. 2021 to Jul. 2022 - included Mineral valuations amounting to \$2,813,480,347, surface fair market value of \$511,088,869.
3. Sept. 2022 - included \$1,015,149 building value appraised as of 9/15/22.

SPECIAL PROJECTS

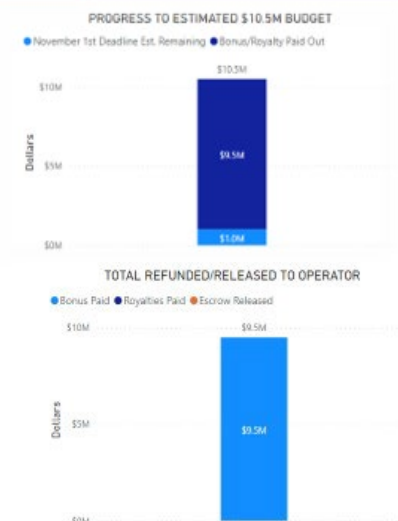
Acreage Adjustment Report

ACREAGE ADJUSTMENT PART II

November 1st, 2023, DEADLINE
PROJECT COMPLETE - FINAL REPORT

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TRENTON LAKE PROJECT PROGRESSION

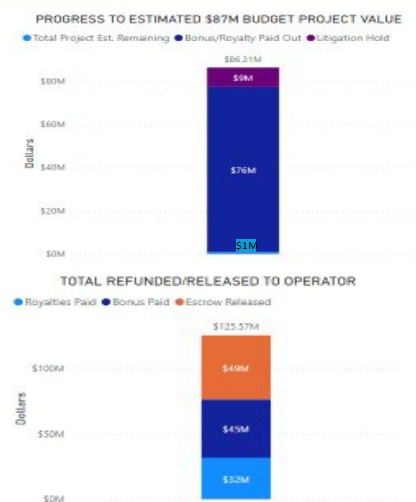


ACREAGE ADJUSTMENT SURVEY REPORT

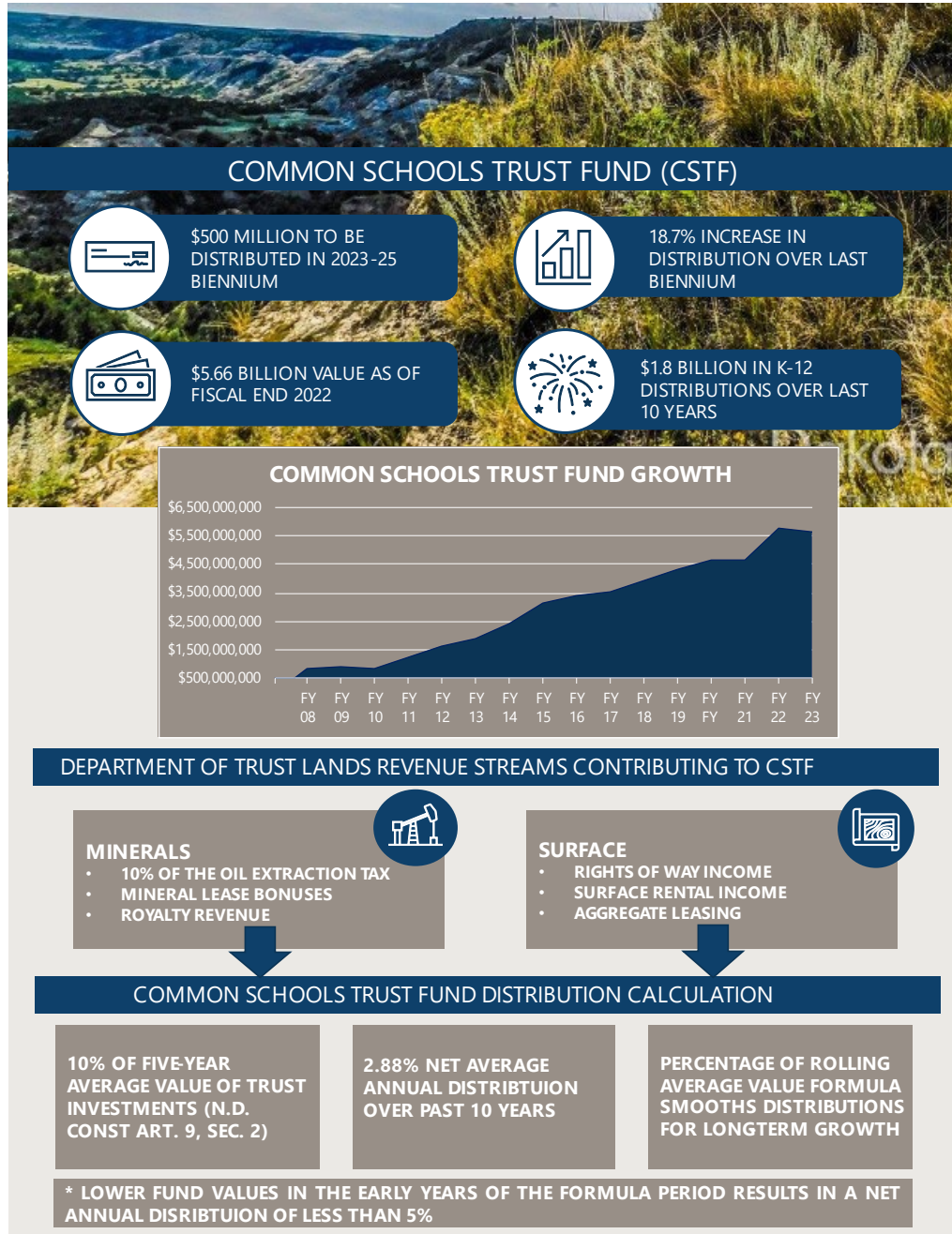
PROJECT TOTAL
PROJECT COMPLETE - FINAL REPORT

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TOTAL PROJECT PROGRESSION



Common Schools Trust Fund Flow Chart



LITIGATION

Litigation Update

- Newfield (royalty deductions) – ND Supreme Court reversed and remanded in our favor; at October 28th status conference, district court set November 28th briefing deadline
- MHA (Missouri riverbed ownership) – Appealed D.C. Federal District Court denial of our motion to intervene; D.C. Circuit Court of Appeals briefing to be completed in January
- EEE (OHWM title dispute / takings claim) – ND Federal District Court issued order May 31st granting Board's motion to dismiss on all counts: federal preemption, sovereign immunity,

takings; Plaintiffs appealed to 8th Circuit; briefing complete, awaiting scheduling of oral arguments

- Leland/Whiting (OHWM river island ownership) – Watford City trial September 12-16, 2022; awaiting completion of transcripts so briefing can begin
- Continental Interpleader (OHWM fed/state dispute) – briefing complete for “Acquired Federal Lands” issue; awaiting ND Federal District Court decision
- Whitetail Wave (OHWM title dispute / takings claim) – ND Supreme Court issued opinion on September 29th dismissing the appeal and sending back to trial court for further quiet title actions on the at issue parcels

Secretary of State Alvin A. Jaeger Resolution

**NORTH DAKOTA
BOARD OF UNIVERSITY AND SCHOOL LANDS
RESOLUTION**



ADOPTED
December 19, 2022

WHEREAS, Secretary of State Alvin A. Jaeger began serving on the Board of University and School Lands (Board) in January 1993; and

WHEREAS, Secretary Jaeger has faithfully upheld his fiduciary duties overseeing the growth of Board-managed trust assets from \$329 million in 1993 to over \$7 billion today (\$10.6 billion when including the value of surface and mineral rights); and

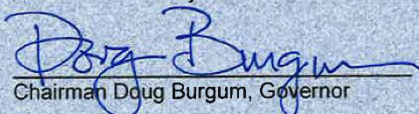
WHEREAS, Secretary Jaeger's hard work, insights, and diligence have greatly contributed to the Board's many accomplishments during his tenure, benefitting the citizens of North Dakota, and most notably, North Dakota's school children; and

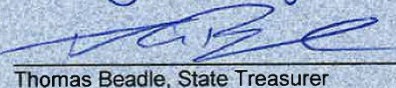
WHEREAS, Secretary Jaeger is recognized for his encouragement of looking to the future and his deep knowledge of Board administration, principles of fiduciary law, and the unique needs of the Department of Trust Lands; and

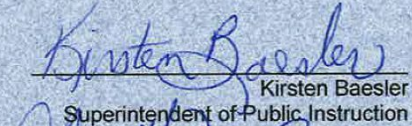
WHEREAS, Secretary Jaeger has been a staunch proponent of Board independence and the permanency of trust funds as a long-term source of revenue for North Dakota; and

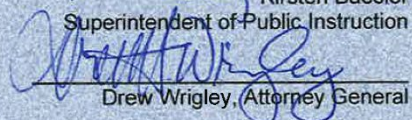
WHEREAS, these 30 years of dedicated service and many accomplishments should be recognized and celebrated.

NOW, THEREFORE, BE IT RESOLVED, that the undersigned, as members of the Board of University and School Lands, do hereby thank and commend Secretary Jaeger for his dedication and service to the State of North Dakota, to the Board, and most importantly, to trust beneficiaries, and wish him every success in future endeavors.


Chairman Doug Burgum, Governor


Thomas Beadle, State Treasurer


Kirsten Baesler
Superintendent of Public Instruction


Drew Wrigley, Attorney General

A D J O U R N

There being no further business, the meeting was adjourned at 10:58 AM.

Doug Burgum, Chairman
Board of University and School Lands

Joseph Heringer, Secretary
Board of University and School Lands