

**Minutes of the Meeting of the
Board of University and School Lands
August 27, 2020**

The August 27, 2020 meeting of the Board of University and School Lands was called to order at 8:00 AM in the Pioneer Meeting Room 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 via Microsoft Teams
Kirsten Baesler	Superintendent of Public Instruction via Microsoft Teams

Department of Trust Lands Personnel present:

Jodi Smith	Commissioner
Kristie McCusker	Paralegal
Catelin Newell	Administrative Staff Officer
Kate Schirado	Administrative Assistant
Adam Otteson	Revenue Compliance Division Director
Mike Shackelford	Investment Division Director
Dennis Chua	Investment Analyst – via Microsoft Teams
Susan Dollinger	Unclaimed Property Administrator – via Microsoft Teams
David Shipman	Minerals Division Director – via Microsoft Teams

Guests in Attendance:

Dave Garner	Office of the Attorney General
Charles Carvell	Office of the Attorney General
Jennifer Stevens	Historian, Stevens Historical Research Associates
Leslie Bakken Oliver	Governor's Legal Counsel
Reice Haase	Governor's Policy Advisor
Brady Pelton	ND Petroleum Council (Guest)
Jacob Notermann	Guest via Microsoft Teams
Will Miller	Guest via Microsoft Teams
Akila Grewal	Guest via Microsoft Teams
Janet Quarberg	Guest via Microsoft Teams
Amy Hsiang	Guest via Microsoft Teams
Justin	Guest via Microsoft Teams
Azhar Mahmood	Guest via Microsoft Teams
John Zito	Guest via Microsoft Teams
Josh Kevan	Guest via Microsoft Teams
Andrea H. Pfennig	Guest via Microsoft Teams
Josh J Demorrett	Guest via Microsoft Teams
Kari Gibson	Guest via Microsoft Teams
Karleen Fine	Guest via Microsoft Teams

APPROVAL OF MINUTES

A motion to approve the minutes of the July 29, 2020 regular meeting and August 5th, 2020 special meeting was made by Secretary Alvin Jaeger and seconded by Attorney General Wayne Stenehjem and the motion carried unanimously on a voice vote.

REPORTS

July Shut-In Report

Granted to: **Burlington Resources Oil & Gas Company LP**
 For the Purpose of: COVID-19
 Date Issued: 7/30/2020
 Trust: G – Common Schools
 Lease: OG-04-00196, OG-04-00197, OG-04-00198, OG-04-00199

Granted to: **Bruin E&P Operating**
 For the Purpose of: COVID-19
 Date Issued: 7/14/2020
 Trust: L– Bank of North Dakota
 Lease: OG-11-01098; OG-11-01099; OG-11-01100; OG-11-01101

Granted to: **Resource Energy**
 For the Purpose of: COVID-19
 Date Issued: 7/14/2020
 Trust: E – Ellendale
 Lease: OG-04-01879

Granted to: **NP Resources, LLC**
 For the Purpose of: COVID-19
 Date Issued: 7/10/2020
 Trust: A – Common Schools
 Lease: OG-07-00006; OG-07-00007; OG-07-00008

Granted to: **NP Resources, LLC**
 For the Purpose of: COVID-19
 Date Issued: 7/10/2020
 Trust: A- Common Schools
 Lease: OG-09-01083; OG-09-01084

Granted to: **Vitesse Energy**
 For the Purpose of: COVID-19
 Date Issued: 7/21/2020
 Trust: U- University of ND
 Lease: OG-10-03223; OG-10-03224

Granted to: **Vitesse Energy**
 For the Purpose of: COVID-19
 Date Issued: 7/14/2020
 Trust: E- Ellendale
 Lease: OG-11-00542
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<p>Granted to: For the Purpose of: Date Issued: Trust: Lease:</p>	<p>Bruin E & P Operating, LLC COVID-19 7/24/2020 L – Bank of North Dakota OG-06-02862</p>
<p>Granted to: For the Purpose of: Date Issued: Trust: Lease:</p>	<p>Crescent Point Energy U.S. Corp. COVID-19 7/24/2020 A- Common Schools OG-06-02805, OG-06-02806, OG-06-02807, & OG-06-02808</p>
<p>Granted to: For the Purpose of: Date Issued: Trust: Lease:</p>	<p>Crescent Point Energy U.S. Corp. COVID-19 7/27/2020 L – Bank of North Dakota OG-06-02859</p>
<p>Granted to: For the Purpose of: Date Issued: Trust: Lease:</p>	<p>Crescent Point Energy U.S. Corp. COVID-19 7/27/2020 L – Bank of North Dakota OG-06-02846; OG-06-02847</p>
<p>Granted to: For the Purpose of: Date Issued: Trust: Lease:</p>	<p>Ritter, Laber and Associates, Inc. COVID-19 7/21/2020 L– Bank of North Dakota OG-80-00016</p>
<p>Granted to: For the Purpose of: Date Issued: Trust: Lease:</p>	<p>Crescent Point Energy U.S. Corp. COVID-19 7/27/2020 L– Bank of North Dakota OG-06-02860</p>
<p>Granted to: For the Purpose of: Date Issued: Trust: Lease:</p>	<p>Crescent Point Energy U.S. Corp. COVID-19 7/28/2020 A– Common Schools OG-10-02620, OG-10-02621, OG-10-02622, & OG-10-02623</p>
<p>Granted to: For the Purpose of: Date Issued: Trust: Lease:</p>	<p>Crescent Point Energy U.S. Corp. COVID-19 7/28/2020 L– Bank of North Dakota OG-10-02569; OG-09-01783</p>
<p>Granted to: For the Purpose of: Date Issued: Trust: Lease: (08/27/2020)</p>	<p>Crescent Point Energy U.S. Corp. COVID-19 7/28/2020 A – Common Schools OG-09-01784; OG-09-01785; OG-09-01786; OG-09-01787</p>

Granted to: For the Purpose of: Date Issued: Trust: Lease:	Crescent Point Energy U.S. Corp. COVID-19 7/28/2020 A – Common Schools OG-12-005791
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Crescent Point Energy U.S. Corp. COVID-19 7/28/2020 A – Common Schools OG-09-01784; OG-09-01785; OG-09-01786; OG-09-01787
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Crescent Point Energy U.S. Corp. COVID-19 7/28/2020 A – Common Schools OG-15-00543; OG-15-00544; OG-15-00545; OG-15-00546
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Crescent Point Energy U.S. Corp. COVID-19 7/28/2020 L – Bank of North Dakota OG-09-01782;
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Crescent Point Energy U.S. Corp. COVID-19 7/28/2020 L – Bank of North Dakota OG-09-01772;
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Crescent Point Energy U.S. Corp. COVID-19 7/28/2020 A – Common Schools OG-05-00980; OG-05-00981; OG-05-00982; OG-05-00983
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Cornerstone Natural Resources, LLC COVID-19 7/28/2020 L – Bank of North Dakota OG-05-00191
Granted to: For the Purpose of: Date Issued: Trust: Lease:	Crescent Point Energy U.S. Corp. COVID-19 7/28/2020 A – Common Schools OG-10-02620; OG-10-02621; OG-10-02622; OG-10-02623
Granted to: For the Purpose of: Date Issued: Trust: Lease: (08/27/2020)	Cornerstone Natural Resources, LLC COVID-19 7/28/2020 A – Common Schools OG-05-00980; OG-05-00981; OG-05-00982; OG-05-00983

Granted to: Crescent Point Energy U.S. Corp.
 For the Purpose of: COVID-19
 Date Issued: 7/27/2020
 Trust: A – Common Schools
 Lease: OG-05-01340; OG-05-01341;

Granted to: NP Resources, LLC
 For the Purpose of: COVID-19
 Date Issued: 7/10/2020
 Trust: A – Common Schools
 Lease: OG-12-00072; OG-12-00074; OG-12-00075

Summary of Oil and Gas Lease Auction

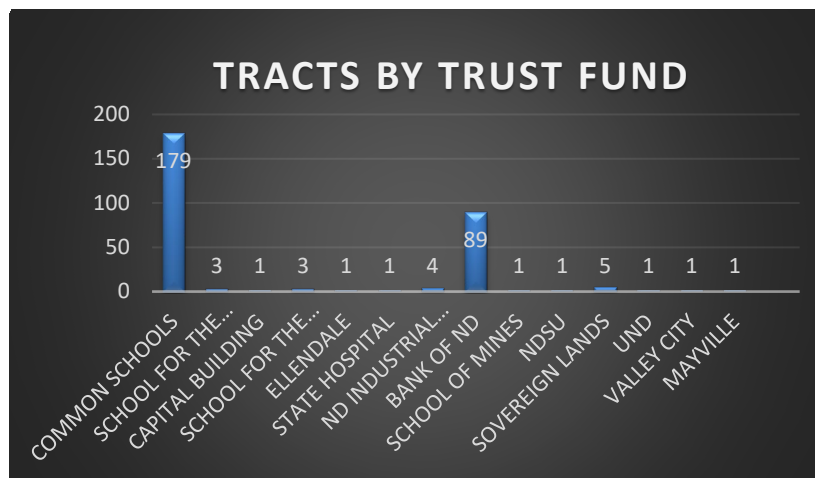
On behalf of the Board, the Department conducted an oil and gas mineral lease auction on www.energynet.com which concluded on August 4, 2020.

There were 288 tracts offered and all received competitive bids (If the Board does not receive a competitive bid the lease is awarded to the nominator). The highest bid per acre was \$334.00 for 40 acres in Mountrail County.

County	Tracts/County	Mineral Acres	Total Bonus	Average Bonus/Acres
Billings	29	3,572.43	\$45,159.94	\$12.64
Burke	56	4,485.45	\$65,661.38	\$14.64
Divide	85	6,837.72	\$191,127.84	\$27.95
Dunn	28	2,147.67	\$56,140.38	\$26.14
McKenzie	51	6,952.02	\$409,571.80	\$58.91
Mountrail	33	2,776.86	\$364,868.56	\$131.40
Williams	6	800	\$98,240.00	\$122.80
GRAND TOTAL	288	27,572.15	\$1,230,769.90	\$44.64

There were 50 registered bidders, 31 of which placed a bid in the 8-day auction. There were bidders from 10 states (CA, CO, MN, MT, NC, ND, TX, UT, VA, and WY).

A total of \$1,230,769.90 of bonus was collected from the auction.



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July Report of Encumbrances

Granted to:	NORTHERN DIVIDE WIND LLC, JUNO BEACH-FL
For the Purpose of:	Easement: Electric-Wind Transmission line
Right-of-Way Number:	RW0008132
Trust:	A – Common Schools
Legal Description:	BRK-161-93-16-SW4
Granted to:	HESS NORTH DAKOTA PIPELINES, LLC, HOUSTON-TX
For the Purpose of:	Permit: Road-Access Road
Right-of-Way Number:	RW0008615
Trust:	A – Common Schools
Legal Description:	WIL-155-96-36-NE4
Granted to:	XTO HOLDINGS, LLC, SPRING-TX
For the Purpose of:	Permit: Road-Access Road
Right-of-Way Number:	RW0008627
Trust:	A – Common Schools
Legal Description:	MCK-150-98-36-SW4
Granted to:	XTO HOLDINGS, LLC, SPRING-TX
For the Purpose of:	Permit: Road-Access Road
Right-of-Way Number:	RW0008632
Trust:	A – Common Schools
Legal Description:	BIL-142-102-16-NE4, NW4
Granted to:	XTO HOLDINGS, LLC, SPRING-TX
For the Purpose of:	Permit: Road-Access Road
Right-of-Way Number:	RW0008639
Trust:	A – Common Schools
Legal Description:	WIL-154-95-16-NE4
Granted to:	DIVIDE COUNTY HWY DEPT, CROSBY-ND
For the Purpose of:	Permit: Temporary Construction
Right-of-Way Number:	RW0008673
Trust:	A – Common Schools
Legal Description:	DIV-161-97-36-NE4, SE4
Granted to:	WHITING OIL & GAS CORPORATION, DENVER-CO
For the Purpose of:	Easement: Site-Tower Site
Right-of-Way Number:	RW0008676
Trust:	A – Common Schools
Legal Description:	MOU-153-91-18-SW4
Granted to:	ND GAME & FISH DEPT, BISMARCK-ND
For the Purpose of:	Permit: Access to School Land
Right-of-Way Number:	RW0008735
Trust:	A – Common Schools
Legal Description:	MOR-135-83-36-NE4, SE4, SW4

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Granted to: **QEP ENERGY COMPANY, DENVER-CO**
 For the Purpose of: Permit: Temporary Water Layflat Line
 Right-of-Way Number: RW0008739
 Trust: A – Common Schools
 Legal Description: MOU-150-92-15-W2SW4

Granted to: **WESTERN ECOSYSTEMS TECHNOLOGY INC BISMARCK-ND**
 For the Purpose of: Permit: Planning & Preconstruction Survey
 Right-of-Way Number: RW0008751
 Trust: A – Common Schools
 Legal Description: N/A

Granted to: **EARTHWORM EXCAVATING, TOLNA-ND**
 For the Purpose of: Permit: Access to School Land
 Right-of-Way Number: RW0008752
 Trust: A – Common Schools
 Legal Description: ADA-129-94-16-NE4

July Unclaimed Property Report

Unclaimed property is all property held, issued, or owing in the ordinary course of a holder's business that has remained unclaimed by the owner for more than the established time frame for the type of property. It can include checks, unpaid wages, stocks, amounts payable under the terms of insurance policies, contents of safe deposit boxes, etc.

An owner is a person or entity having a legal or equitable interest in property subject to the unclaimed property law. A holder can include a bank, insurance company, hospital, utility company, retailer, local government, etc.

Since 1975, the Unclaimed Property Division (Division) of the Department of Trust Lands has been responsible for reuniting individuals with property presumed abandoned. The Division acts as custodian of the unclaimed property received from holders. The property is held in trust in perpetuity by the State and funds are deposited in the Common Schools Trust Fund. The 1981 Uniform Unclaimed Property Act created by the national Uniform Law Commission was adopted by the State in 1985.

For the month of July 2020, the Division received 123 holder reports with a property value of \$210,494 and paid 228 claims with a total value of \$456,445.

The Financial Report (Unaudited) for period ending May 31, 2020 was presented to the Board for review and is available at the Department upon request.

Investment Updates

Portfolio Rebalancing Updates

On May 8, 2020 the Treasury Inflation Protected Securities Fund was fully liquidated and the proceeds were transferred to an actively managed "Transition Account". This new account is similar to the Strategic Investment and Improvement Fund Ultra-Short Bonds account and is designed to

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hold all cash proceeds as we continue to do a disciplined liquidation of all the Diversified Inflation Strategy investments.

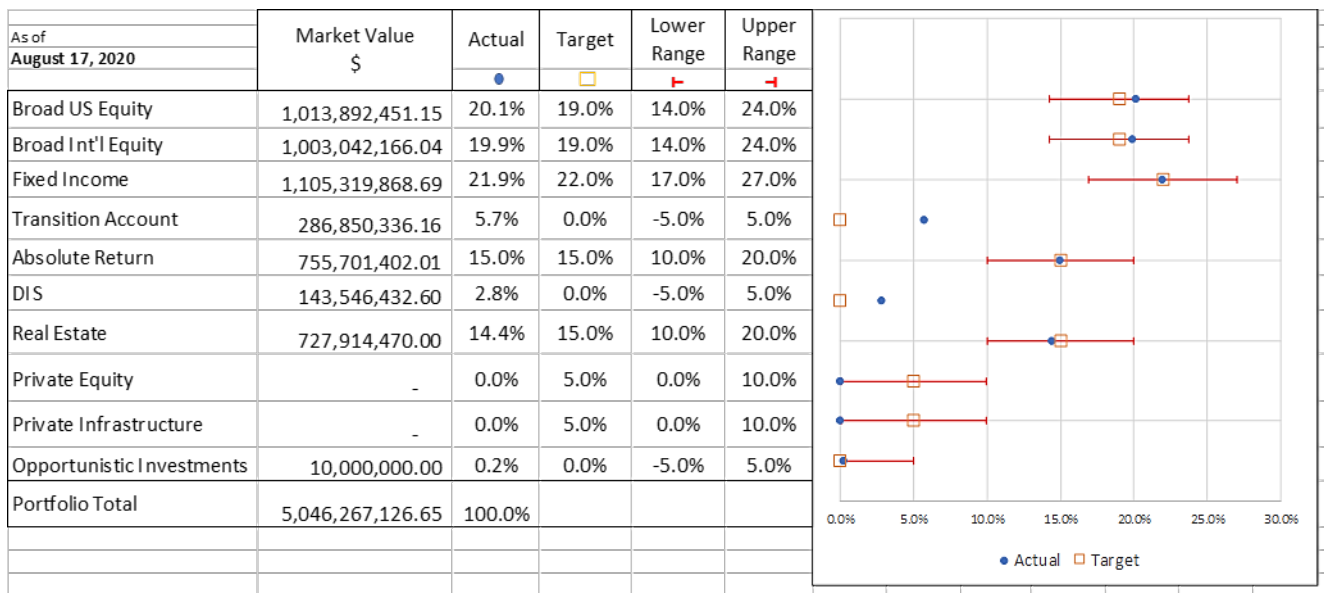
As of August 17, 2020 Gresham, has approximately \$251,000 waiting to be settled in September which will result in the closing of their account. In addition, Van Eck has approximately \$38M remaining while Harvest has approximately \$105M. The Department of Trust Lands (Department) is closely monitoring the trigger points that have been set to complete the redemption of both investments.

On July 1, 2020 the Varde Dislocation Fund LP (Varde) completed a capital call of \$10M leaving \$90M left to fully commit to the Fund.

On July 21, 2020 Angelo Gordon made a capital distribution of \$12M. This brings the capital commitment back down to 92% or \$142M.

Asset Allocation

The table below shows the status of the permanent trusts' asset allocation as of Aug. 17, 2020. The figures provided are unaudited.



Upcoming Investment Manager Meetings

There is no upcoming meeting scheduled.

OPERATIONS

Repeal of Board Payment Schedule – Surface Management Division – Second Reading

Over the course of the last two years, many Board policies were revised and included in Administrative Rules. Other policies were reviewed, and it was determined were better suited to become Department of Trust Lands (Department) policies. Upon further review, it was determined that as the Surface Management Division's Payment Schedule Board Policy addresses negotiation (08/27/2020)

of compensation for surface management issues, it would be better tailored to be a Department policy rather than a Board policy.

The first reading of the policy was held at the July 30, 2020 meeting. The Commissioner requested the Board provide input on the proposed policy. Additionally, an open comment period was held and no comments were received.

Motion: The Board repeal the North Dakota Board of University and School Lands Payment Schedule Policy – Chapter 3, Surface.

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		

Board of University and School Lands Surface Management Payment Schedule Policy was presented to the Board and is available at the Department upon request.

Support for Additional FTE

The Department of Trust Lands (Department) is responsible for managing 706,000 surface and 2.6 million mineral acres for the benefit of North Dakota schools and educational and other public institution trusts. The revenues generated by these assets are invested by the Department, and distributions are made to trust beneficiaries in accordance with Article IX of North Dakota's Constitution.

The Division is responsible for leasing and managing 2.6 million mineral acres including oil, gas, coal, and other subsurface minerals. The Division is responsible for all aspects of leasing of mineral acres, including maintenance of all records and responding to requests pertaining to mineral ownership and leasing activity. The Division tracks and interprets: business transactions by lessees; assignments by depth, formation, wellbore or value; requests for pooling agreements; lease and title disputes interpretation; royalty issues; authorizations for participation in production; overrides; and the analysis of drilling and production data necessary to hold a producing lease. This Division currently employs two FTEs which include the Division Director and one staff member who reviews historical records as well as assesses the unique leasing arrangements requested by lessees, and processes leases, division orders, and assignments.

As of July 30, 2020, the Department managed an interest in over 65 percent of the 17,339 producing wells in North Dakota. Production from 8,110 producing properties, including both unitized fields and wells, was up from 6,342 producing properties in FY 2018.

During the 2017-2019 biennium, the Division offered 764 leases, generating \$6.3 million in bonuses. As of the end of the biennium, 718,991 acres are under 8,713 leases.

The Board also manages state-owned minerals and the oil, gas, and related hydrocarbons within the beds of the State's navigable waters (sovereign minerals). On behalf of the State, the Board oversees the Strategic Investment and Improvements Fund (SIIF) which receives the revenues from sovereign minerals. During the 65th Legislative Assembly, SB 2134 was passed directing the (08/27/2020)

Department of Mineral Resources to conduct a study which would determine the Ordinary High-Water Mark along the Missouri River, for approximately 83 river miles, from New Town to several miles upstream of Williston.

Senate Bill 2211 of the Sixty-Sixth Legislative Assembly amended N.D.C.C. ch. 61-33.1 relating to the ownership of mineral rights of land subject to inundation by Pick-Sloan Missouri basin project dams. Under N.D.C.C. § 61-33.1-03(8), the Board contracted with Kadmas, Lee & Jackson, Inc. (KLJ) “to analyze the final review findings and determine the acreage on a quarter-quarter basis or government lot basis above and below the [Historical OHWM] as delineated by the final review findings of the industrial commission.” The contract’s scope of work concluded twelve months from the date of execution, May 30, 2019, at a total cost of \$1,088,635. Upon the Board’s adoption of the Acreage Adjustment Survey as prepared by KLJ, the Department promptly began updating records to satisfy the Board’s duty under N.D.C.C. § 61-33.1-04(2)(a).

Working with operators and lessees to complete the acreage adjustments will require a significant amount of resources from the Division which compounds the strain on current resources. As fiduciary trust managers, it is imperative the Department has the resources in place to effectively and efficiently manage those assets.

In addition to the day-to-day responsibilities, the Division will begin working with a Land Management Information Technology vendor to implement a new software system. While these systems will create significant efficiencies for the office, the data conversion, training, and implementation of new software will require substantial resources.

The Division has been trying to “keep up,” with the assistance of other Divisions within the Department lending their help. The Surface Land Management and Revenue Compliance Divisions, and all of the administrative support staff, have worked to assist the Division with the increased workload.

The Department currently has available funding in the salary and wages line item to support the addition of a Mineral Title Specialist FTE.

Motion: The Board support the Commissioner in requesting an additional FTE from the Emergency Commission and the Budget Section.

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		

Repayment of Unpaid Gas Royalties Update

The North Dakota Board of University and School Lands (Board) manages land, minerals, and proceeds as trustee for the exclusive benefit of constitutionally identified beneficiaries, with much of the income going towards funding North Dakota schools and institutions. The Board also manages oil, gas and other hydrocarbons underlying sovereign lands for the State of North Dakota.

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The Department of Trust Lands (Department) has persistently worked with operators to collect payment or establish escrow accounts for royalties from the production of minerals, in accordance with the Board's lease, rules, and policies. Royalty audits began in the late 1980's and a Revenue Compliance Division was created in 2011 to ensure that royalty and other collections made on behalf of the trusts and other funds are complete and accurate.

A letter regarding Formal Notification of Gas Royalty Repayment Obligations dated February 11, 2020 (February 2020 Letter), was sent to all entities required to pay royalties to the Board pursuant to the Board's lease. The February 2020 Letter advised all entities who have been deducting post production costs from royalty payments made to the Department that they have been underpaying royalties, contrary to the terms of the Board's lease. Entities were advised that penalties and interest continue to accrue on any unpaid amounts in accordance with the Gas Deduction Compliance Notification until payment is received. On April 8, 2020, the Board extended the date to come into compliance with gas royalty payments, as outlined in the February 2020 Letter, to September 30, 2020.

Over the course of the past several months, the Department has been working with payors who have been deducting post production costs from royalty payments made to the Department to ensure that they are in compliance with the terms of the Board's lease. Nineteen payors have requested royalty data to assist in repayment calculations. Eight gas payors have successfully repaid the Department. One payor repaid deductions going back to October 2013 and requested an extension to November 30, 2020 to repay royalties pre-dating October 2013. As this payor has been working with the Department, the extension request was approved pursuant to the guidance the Board provided the Department on April 8th. Additionally, seven payors have indicated they are working towards coming into compliance by September 30, 2020.

The repayment schedule provided to payors with the April 16, 2020 letter was presented to the Board and is available at the Department upon request.

M I N E R A L S

Mineral Valuation

Senate Bill 1013 of the Sixty-Sixth Legislative Assembly approved one-time funding for a mineral valuation study.

The Department of Trust Lands (Department) has been tasked with conducting a study to determine the estimated value of the mineral assets, 2.6 million acres, held in trust by the Board of University and School Lands (Board).

The Request for Proposal for the Assessment was released September 20, 2019. A Notice of Intent to Award was issued to MineralTracker on January 2, 2020. MineralTracker is based in Watford City, North Dakota, and was founded by petroleum engineers with extensive experience in the valuation of non-operated oil and gas properties, including mineral and royalty interests, in the Williston Basin of North Dakota. On June 30, 2020, MineralTracker was acquired by First International Bank & Trust and continues to provide mineral valuations and mineral management software subscriptions as part of First International's Mineral and Land Services Department.

Joel Brown, a petroleum engineer and appraiser for MineralTracker, will present the opinion of the value using fair market determination in conjunction with directives provided by the Board of University and School Lands Mineral Valuation Policy that was adopted on June 25, 2020.

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The analysis employed to form the opinion of value was conducted in compliance with the Society for Mining, Metallurgy, and Exploration (SME) Standards and Guidelines for the Valuation of Mineral Properties and the Society of Petroleum Engineers (SPE) Petroleum Resource Management System. The valuation techniques that were performed utilized both an Income Approach and a Market Approach to provide a deterministic value of all Subject Minerals, which have been more fully described herein. The data—such as oil and gas production, well information, mapping information, etc.—that was assembled for the purposes of the Mineral Estate Valuation, was obtained from reputable public sources, including the North Dakota Department of Mineral Resources. Additional information related to the ownership of the Subject Minerals was provided by the State.

In consideration of all relevant information, and the interpretation thereof, as thoroughly described in this report, it is the opinion of this qualified appraiser that the value of all Subject Minerals as of December 31, 2019 is \$1,449,002,408.00.

Mineral Estate Valuation document as of December 31, 2019 was provided to the Board and is available at the Department upon request.

I N V E S T M E N T S

Private Equity Investments

On April 8, 2020 the Board of University and School Lands' approved an asset allocation to Private Equity within the broader Strategic Asset Allocation for the Permanent Trust Funds (PTFs).

Fund-of-One Structure: Department staff and RVK agreed upon a customized fund-of-one structure for the initial private equity mandate. In this structure the manager selects private equity funds for a single investor client. The advantages of this structure are: 1. The investor is not subject to the manager's pacing schedule; 2. It still allows for diversification; and 3. The investor can participate in the investment process.

Department staff and RVK began the manager search by requesting RVK compile a list of the highest rated managers on their private equity research list. The top 8 managers on the list were sent a request for proposal (RFP). Seven of the eight managers responded to the RFP (the eighth manager declined to offer a fund-of-one option). After reviewing the RFP responses and holding discussions with RVK, the list of managers was reduced down to four based upon their experience through multiple cycles, performance track record, investment process, experience with fund-of-one structures, willingness to work closely with department staff, etc. Department staff and RVK conducted initial interviews of the four managers. After additional discussions department staff and RVK subsequently re-interviewed its top 2 managers. This due diligence process has resulted in the team recommending GCM Grosvenor to the Board.

GCM Grosvenor is an investment manager founded in 1971 and headquartered in Chicago, with offices throughout the U.S., Europe and Asia. They have over \$56 billion in assets under management and over \$20 Billion in private equity funds, including \$18 billion in customized portfolios. GCM Grosvenor has 162 investment professionals worldwide.

A key component of GCM Grosvenor's business is building customized portfolios for clients, including fund-of-one structures as discussed above. They have extensive experience working with

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first time mandates. They are committed to working closely with department staff and RVK to carefully select underlying managers and assets that fit the risk profile of the PTFs.

Motion: The Board approve up to a \$130 Million investment with GCM Grosvenor in a “fund-of-one” limited partnership as part of the PTF’s Private Equity allocation, 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		

Supporting documents were provided to the Board and are available at the Department upon request.

RVK Investment Performance Report – 2nd Quarter 2020

Josh Kevan from RVK will review the performance of the Board of University and School Land’s (Board) investment program for the period ending June 30, 2020 and discuss current market conditions.

The first report to be reviewed is prepared by RVK to enable the Board to monitor and evaluate the collective performance of the Permanent Trust Funds’ (PTFs) 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.

Next, Josh will touch on the performance of the Ultra-Short portfolio in which the Strategic Investment and Improvements Fund, the Coal Development Trust Fund and the Capitol Building Fund are invested.

Supporting documents were provided to the Board and are available at the Department upon request.

Revised Benchmark

On April 8, 2020 the Board of University and School Lands (Board) approved a new Strategic Asset Allocation (SAA) for the Permanent Trust Funds (PTFs). With the new SAA the Board also approved new benchmarks for each new asset class and a new Total Fund Benchmark. The new Total Fund Benchmark is set in the revised Investment Policy Statement (IPS) as follows:

Asset Class	Policy Index	Strategic Asset Allocation Target
Broad US Equity	Russell 3000 Index	19%
Broad International Equity	MSCI ACWI Ex USA IMI	19%
Fixed Income	Barclays US Universal Index	22%

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Absolute Return	Absolute Return Custom Index ¹	15%
Real Estate	NCREIF ODCE Index	15%
Private Equity	Cambridge US Private Equity Index	5%
Private Infrastructure	MSCI World Infrastructure Index	5%

The newly added asset classes (Private Equity and Private Infrastructure) require time to become fully invested. The revised IPS anticipates a timing issue and allows for the Board to approve an Interim Policy benchmark:

“Recognizing that a long-term target allocation to alternative asset classes can often take a matter of years to implement prudently, the Board will also review an Interim Policy benchmark which will be adjusted as the Commissioner makes progress towards its long-term strategic asset allocation target.” (revised IPS)

Instead of setting a single interim benchmark, Department staff and RVK believe the benchmark should adjust each period based on the percentage of assets in each asset class for Private Equity, Private Infrastructure, Diversified Inflation Strategies (DIS) and the transition account. Similarly, DIS should have its benchmark adjusted to reflect its per period holdings (i.e., adjusting and removing Treasury Inflation-Protected Securities, IPS, Commodities, Natural Resource Equities and Master Limited Partnerships as needed). In addition, since the transition account is invested in an ultra-short bond fund, similar to the Strategic Investment and Improvement Fund, it should be benchmarked to cash.

Recommendation: The Board approve modifying the Total Fund benchmark during the transition period by adjusting the percentage of each benchmark related to private equities, private infrastructure, the transition account and diversified inflation strategies (DIS) to coincide with their changing percentage in the fund. The transition account be benchmarked to cash and the DIS benchmark be adjusted to reflect its per period holdings.

No formal action was taken.

LITIGATION

EXECUTIVE SESSION

Under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2, the Board close the meeting to the public and go into executive session for purposes of attorney consultation relating to:

- Paul Sorum, et. al. v. State of North Dakota, et. al. – Civ. No. 09-2018-CV-00089
- Newfield Exploration Company, Newfield Production Company, and Newfield RMI LLC, LLC v. North Dakota Department of Trust Lands, Civ. No. 27-2018-CV-00143
- Mandan, Hidatsa, and Arikara Nation vs. United States of America, 1:20-cv-00859-MCW
- Mandan, Hidatsa, and Arikara Nation vs. United States Department of Interior, et al., 1:20-cv-01918

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Jaeger		X	X		

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Superintendent Baesler			X		
Treasurer Schmidt			X		
Attorney General Stenehjem	X		X		
Governor Burgum			X		

At 10:16 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 via Microsoft Teams
Kirsten Baesler	Superintendent of Public Instruction via Microsoft Teams

Department of Trust Lands Personnel present:

Jodi Smith	Commissioner
Kristie McCusker	Paralegal
Catelin Newell	Administrative Staff Officer

Guests in Attendance:

Mark Hanson	Nilles Law Firm via Microsoft Teams
Charles Carvell	Attorney General's Office
Dave Garner	Attorney General's Office
Leslie Bakken Oliver	Governor's Legal Counsel
Reice Haase	Governor's Office

Sorum Litigation

Case: Paul Sorum, et. al. v. State of North Dakota, et. al. – Civ. No. 09-2018-CV-00089
Tribunal: Cass County District Court
Judge: John C. Irby
Attorney: Mark Hanson, Nilles Law Firm
Opposing Counsel: Terrance W. Moore, Fintan L. Dooley

Issues: The Board was named as a defendant in the above reference case which was served on January 10, 2018. Plaintiffs have filed this action to challenge the Constitutionality of S.B. 2134 passed during the last legislative session and codified as N.D.C.C. ch. 61-33.1. Under the new legislation, “[t]he state sovereign land mineral ownership of the riverbed segments inundated by Pick-Sloan Missouri basin project dams extends only to the historical Missouri riverbed channel up to the ordinary high water mark.” N.D.C.C. § 61-33.1-02. S.B. 2134 established a process by which the Department of Mineral Resources is directed to procure a “qualified engineering and surveying firm” to “review the delineation of the ordinary high water mark of the corps survey segments” for the portion of the Missouri River designated as the “historical Missouri riverbed channel.” N.D.C.C. § 61-33.1-03(2), (3). Following a review process, which includes a public hearing and public comments, the North Dakota Industrial Commission must adopt final review findings which “will determine the delineation of the ordinary high water mark for the segment of the river addressed by the findings.”

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N.D.C.C. § 61-33.1-03(7). Plaintiffs' complaint requests from the court a declaratory judgment finding that N.D.C.C. ch. 61-33.1 violates the Public Trust Doctrine and the Anti-Gift, Privileges and Immunities, and Local and Special Law Clauses of the North Dakota Constitution. Plaintiffs are also requesting the Court issue an injunction to prevent all state officials from further implementing and enforcing N.D.C.C. ch. 61-33.1.

History:

An Answer was filed. Defendants filed a Motion to Dismiss, which was denied in April 2018. Petition for Supervisory Writ and Exercise of Original Jurisdiction was filed by Defendants and denied in May 2018. A Motion for Preliminary Injunction was brought by Plaintiffs and a hearing was held on May 21, 2018. An Order for Preliminary Injunction was filed June 26, 2018. A Scheduling Conference was held on September 6, 2018 and the following briefing deadlines were set: Summary Judgment Motions were filed October 22, 2018. Response Briefs were filed December 10, 2018. Reply Briefs were due December 21, 2018. A hearing on the Motions for Summary Judgment was held on January 4, 2019. The Order on Cross-Motions for Summary Judgment was issued on February 27, 2019, and Defendants were directed to prepare the proposed Judgment. On March 6, 2019, Defendants filed their proposed Judgment. Plaintiff's filed a letter on March 7, 2019, advising the Court that they felt Defendants' proposed Judgment was deficient and that they would also be submitting a proposed Judgment. Plaintiff's proposed Judgment was filed March 8, 2019. Defendants filed a letter on March 8, 2019 advising the Court that they intended to submit a response to Plaintiffs' proposed Judgment within 14 days. On March 19, 2019, Defendants filed an Objection to Plaintiffs' Proposed Judgment. Thereafter, Plaintiffs filed a letter asking the Court not to rule on Defendants' Objection until Plaintiffs have had the opportunity to be heard and further, that Plaintiffs' intend to bring a Motion for Clarification concerning retroactive royalty refunds within 14 days. Plaintiffs filed their Response to Defendants' Objection to Proposed Judgment and Request for Clarification and their Amended Proposed Order and Judgment on March 29, 2019. Defendants filed their Objection to Plaintiffs' Proposed Order and Judgment (Plaintiffs' Amended Proposed) and Reply to Plaintiffs' Response to Defendants' Objection to Proposed Judgment and Request for Clarification on April 8, 2019. On April 25, 2019, Judge Irby entered an Order for Entry of Judgment ordering the Clerk to enter Defendants' Proposed Order as the Judgment of the Court. Judgment was entered on April 26, 2019. Plaintiffs' filed a Notice of Motion for Attorney Fees, Costs, and Service Award to Plaintiffs scheduling a hearing for 1:30 p.m. June 10, 2019 in Fargo. The Notice of Entry of Order on Cross-Motions for Summary Judgment, Order for Entry of Judgment, and Judgment was filed by Defendants on May 3, 2019. On May 15, 2019, Plaintiffs filed their Motion for Attorney Fees, Costs and Service Award to Plaintiffs and the Memorandum in Support of Motion, together with supporting documents. On May 20, 2019, Plaintiffs filed their Amended Motion for Attorneys Fees, Costs and Service Award to Plaintiffs. Defendants filed an Expedited Motion for Extension of Time to Respond to Plaintiffs' Memorandum in Support of Motion for Attorney Fees, Costs and Service Award to Plaintiffs and requested the June 10, 2019 hearing be postponed. Defendants filed, with the District Court, its Response to Plaintiffs' Memorandum in Support of Motion for Attorneys Fees, Costs and Service Award to Plaintiffs on June 12, 2019. Plaintiffs' filed their Reply Memorandum in Support of Motion for Attorney Fees, Costs and Service Award to Plaintiffs on June 19, 2019. A hearing on the motion for attorneys fees was held before the District Court on July 18, 2019. The State Defendants/Appellants filed a Notice of Appeal to the North Dakota Supreme Court (Supreme Court) on June 27, 2019. Plaintiff/Appellees/Cross-Appellants filed a Notice of Cross-Appeal dated July 10, 2019. Appellants' Briefs were due to the Supreme Court on August 6, 2019. On July 18, 2019, the parties filed a Stipulation and Joint Motion for

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Appellate Briefing Schedule with the Supreme Court to allow for a decision to be rendered in the District Court on the issue of attorneys fees prior to the briefs being due to the Supreme Court. On July 19, 2019, the Joint Motion for Appellate Briefing Schedule was denied and an Order of Remand was entered by the Supreme Court temporarily remanding the case to the trial court for the limited purpose of consideration and disposition of Plaintiffs' Motion for Attorney Fees, Costs and Service Award to Plaintiffs. The briefing schedule for briefs before the Supreme Court is stayed pending the District Court's disposition of the attorneys fees issue. On July 24, 2019, the District Court issued its Order on Plaintiffs' Motion for Attorney Fees, awarding attorney fees to Plaintiffs' attorneys and service awards to Plaintiffs. An Amended Judgment was entered in the District Court on July 31, 2019. On August 1, 2019, State Defendants filed an Amended Notice of Appeal and the Order and Request for Transcript. Also on August 1, 2019, the Supreme Court provided its Notice of Filing Notice of Appeal. On August 7, 2019, the Amended Notice of Cross-Appeal was filed by Plaintiffs. The transcripts requested by the State Defendants of the January 4, 2019 summary judgment hearing and the July 18, 2019 hearing on attorney fees/costs/service award were filed with the North Dakota Supreme Court on October 4, 2019. In light of the filing of those transcripts, the Supreme Court's clerk has advised that the State Defendants' initial appellant brief is to be filed on November 13, 2019. Brief of Defendants, Appellants and Cross-Appellees the State of North Dakota, the Board of University and School Lands of the State of North Dakota, the North Dakota Industrial Commission, the Hon. Douglas Burgum, in his Official Capacity as Governor of the State of North Dakota, and the Hon. Wayne Stenehjem, in his Official Capacity as Attorney General of North Dakota was filed with the Supreme Court on November 13, 2019. A Motion for Leave to File *Amicus Curiae* Brief by the North Dakota Petroleum Council in Support of the Constitutionality of N.D.C.C. ch. 61-33.1 was filed with the Supreme Court on November 13, 2019. The Supreme Court granted the North Dakota Petroleum Council's Motion for Leave to File *Amicus Curiae* Brief on November 14, 2019. Plaintiffs' brief was due to the Supreme Court on or before December 13, 2019. On December 9, 2019, Plaintiff Paul Sorum made a request to the Supreme Court for an extension to file his brief until January 29, 2020. The Supreme Court granted Plaintiff Paul Sorum's request for an extension, giving him until January 21, 2020 to file his brief. On January 29, 2020, Defendants requested an extension of time to file the reply brief until February 14, 2020, due to the amount of information that was filed in the separate briefs and appendixes. On January 30, 2020, an initial letter was issued in which the Supreme Court granted Defendants' request for an extension to file the Reply Brief until February 24, 2020. Thereafter, the Court issued a corrective letter advising reply briefs are due February 14, 2020. On February 13, 2020, Paul Sorum filed the Reply to Appellant Brief of Defense. Defendants filed the Reply Brief of Defendants, Appellants and Cross-Appellees the State of North Dakota, the Board of University and School Lands of the State of North Dakota, the North Dakota Industrial Commission, the Hon. Douglas Burgum, in his Official Capacity as Governor of the State of North Dakota, and the Hon. Wayne Stenehjem, in his Official Capacity as Attorney General of North Dakota on February 14, 2020. Oral Argument before the Supreme Court is scheduled for 1:30 p.m. on March 4, 2020.

**Current
Status:**

- **Terry Moore filed letter with the District Court on July 28, 2020, concerning issue of injunction and release of funds.**

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- On July 29, 2020, the District Court issued a Notice of Hearing scheduling a hearing on Terry Moore's July 28, 2020 letter for August 17 at 1:30 p.m.
- On July 30, 2020, the North Dakota Supreme Court issued its Opinion.
- On July 31, 2020, Mark Hanson filed a letter with the District Court advising of the issuance of the North Dakota Supreme Court Opinion and requesting cancellation of the August 17 hearing. That hearing was cancelled.
- The Supreme Court's Opinion was amended on August 4, 2020, and on August 18, 2020. Neither amendment was substantive.
- Terrance Moore filed with the Supreme Court the Plaintiffs, Appellees, and Cross-Appellants Marvin Nelson, Michael Coachman, Charles Tuttle and Lisa Omlid's Petition for Rehearing on August 12, 2020.

Newfield Litigation

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 - Fredrikson & Byron, P.A. and Michelle P. Scheffler – Haynes and Boone, LLP

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.

History: A Complaint and Answer with Counterclaims have been filed. Newfield filed an Answer to Counterclaims. A Scheduling conference was held July 27, 2018. Plaintiffs' filed a Motion for Summary Judgment on August 13, 2018 and Defendants filed a Cross-Motion for Summary Judgment. Plaintiffs' Response was filed October 19, 2018 and Defendants' Reply was filed November 9, 2018. A hearing on the Motions for Summary Judgment was held on January 4, 2019 at 1:30 p.m., McKenzie County. An Order on Cross Motions for Summary Judgment was issued on February 14, 2019, granting Plaintiff's motion for summary judgment and denying Defendants' motion for summary judgment. The Judgment was entered March 1, 2019, and the Notice of Entry of Judgment was filed March 4, 2019. Defendants have filed a Notice of Appeal to the North Dakota Supreme Court (Supreme Court). The trial scheduled in McKenzie County District Court for September 10 and 11, 2019 has been cancelled. Defendants/Appellants' Brief to the Supreme Court was filed April 29, 2019. Plaintiffs/Appellees filed their Brief of Appellees and Appendix of Appellees on

June 7, 2019. Defendants/Appellants filed a reply brief on June 18, 2019. Oral Argument before the Supreme Court was held on June 20, 2019. On July 11, 2019, the Supreme Court entered its Judgment reversing the Judgment of the McKenzie County District Court. On July 25, 2019 Newfield filed Appellee's Petition for Rehearing. Also on July 25, 2019, a Motion for Leave to File Amicus Curiae Brief by Western Energy Alliance in Support of Newfield was filed with the Supreme Court. On July 26, 2019, a Motion for Leave to File Amicus Curiae Brief by North Dakota Petroleum Council in Support of Newfield was filed with the Supreme Court. On August 20, 2019, the North Dakota Supreme Court requested Defendants file a Response to the Petition for Rehearing and the two Amicus Curiae Briefs no later than September 4, 2019. Defendants/Appellants filed their Response to Petition for Rehearing on September 4, 2019. A Corrected Opinion was filed by the North Dakota Supreme Court on September 9, 2019, changing the page number of a citation. On September 12, 2019, the North Dakota Supreme Court entered an order denying Newfield's Petition for Rehearing. On September 20, 2019, the opinion and mandate of the Supreme Court was filed with McKenzie County District Court. A Telephonic Status Conference was held October 8, 2019. On October 9, 2019, the District Court issued an Order Setting Briefing Schedule which ordered "the parties to file a brief regarding how they suggest the case proceed after the Supreme Court's decision." The parties filed briefs with the District Court on November 6, 2019. Notice of Appearance for Michelle P. Scheffler of Hayes and Boone, LLP on behalf of Plaintiffs was filed November 7, 2019. Telephonic Status Conference scheduled for March 17, 2020 before the District Court.

Current Status:

- **On May 14, 2020, the Court scheduled a five-day Court Trial to start on October 4, 2021, McKenzie County Courthouse.**
- **On July 28, 2020, a Stipulated Scheduling Order was entered, setting dates for various deadlines.**

During the executive session, the Board was provided information from its attorney.

The executive session adjourned at 11:43 AM and the Board reconvened in open session.

No formal action was taken.

O T H E R B U S I N E S S

In Lieu Selection Process

In November 2019, the Board of University and School Lands (Board) approved the Commissioner to identify potential tracts for coal acreage exchange with the Federal Government. The identified tracts are to be brought to the Board for approval prior to submission to the Federal Government.

Since this time, the Department of Trust Lands (Department) has been working to draft a Federal bill that would allow the Board to relinquish lands and minerals and select in lieu thereof equal value Federal lands and minerals within North Dakota.

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This opportunity would provide mutual economic benefits for both the Federal Government and the Board by allowing both to control larger contiguous tracts and by potentially protecting more sensitive areas or points of historic significance. It would also allow for more efficient energy development.

The proposed letter of support by the Board will be provided to Senator Hoeven, Senator Cramer and Representative Armstrong.

Motion: The Board sign the letter of support for a Federal bill to allow the Board to relinquish lands and minerals and select in lieu thereof equal value federal lands and minerals within North Dakota.

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		

A D J O U R N

There being no further business, the meeting was adjourned at 11:51 AM.

Doug Burgum, Chairman
Board of University and School Lands

Jodi Smith, Secretary
Board of University and School Lands