

**Minutes of the Meeting of the
Board of University and School Lands
May 25, 2023**

The May 25, 2023, meeting of the Board of University and School Lands was called to order at 9:08 AM by Chairman Doug Burgum.

Members Present:

Doug Burgum	Governor
Michael Howe	Secretary of State
Drew Wrigley	Attorney General
Thomas Beadle	Treasurer
Kirsten Baesler	Superintendent of Public Instruction

Department of Trust Lands Personnel Present:

Joseph Heringer	Commissioner
Catelin Newell	Administrative Staff Officer
Rick Owings	Administrative Staff Officer
Kate Schirado	Administrative Assistant
James Wald	Legal Council
Frank Mihail	Chief Investment Officer
Teresa Hettinger	Investments Officer
Chris Suelzle	Minerals Director
Emily Bosch	Unclaimed Property
Maria Garcia	Finance
Susan Dollinger	Unclaimed Property Director
Elvedina Papalichev	Paralegal
Peggy Gudvangen	Finance Director
Joseph Stegmiller	Surface Director
Lynn Spencer	Minerals Title Specialist
Pam Reile	Revenue Compliance
Scott Giere	Revenue Compliance Auditor
Matthew Reile	IT System Administrator
Adam Otteson	Revenue Compliance Director
Kayla Spangelo	Surface Range Soils Management Specialist
Christopher Dingwall	Minerals Title Specialist
Kisha Mitchell	Unclaimed Property
Garret Hecker	Surface Range Soils Management Specialist

Guests in Attendance:

Ryan Norrell	Office of the Governor
John Reiten	Office of the Governor
Darren Johnson	State Land Lessee
Laura Johnson	State Land Lessee
Josh Kevan	RVK
Kevin Balaod	With Intelligence
Geoff Simon	Western Dakota Energy Association
Brady Pelton	ND Petroleum Council
C. Rajala	
Garrett Martin	

APPROVAL OF MINUTES

A motion to approve the minutes of the April 27, 2023 meeting was made by Treasurer Beadle and the motion was seconded by Secretary Howe and the motion carried unanimously on a voice vote.

OPERATIONS

Commissioner's Report

- One more gas royalties settlement achieved; now all complete pending the Newfield case!
- Appointed to Lignite Research Council by Governor Burgum; attended Council's April 11th meeting where grants for seven projects were approved totaling approximal \$7 million
- Attended May 12th State Investment Board Investment Committee meeting as voting member
- Attended May 18th full State Investment Board meeting as voting member
- May 21-23 - Traveled to RVK headquarters in Portland, Oregon with CIO, Frank Mihail, and Investment Officer, Teresa Hettinger, for strategic planning and asset allocation meetings

HR Update

- All positions filled and preparing to post for 3 new FTE's approved by Legislature

DIVISION REPORTS

SURFACE

SURFACE DIVISION



Encumbrances issued by Commissioner during April 2023: 9 Right of Way Agreements generating \$24,338 in income for the Trusts.



Photo Credit: Garret Hecker
Divide County 161-101-16

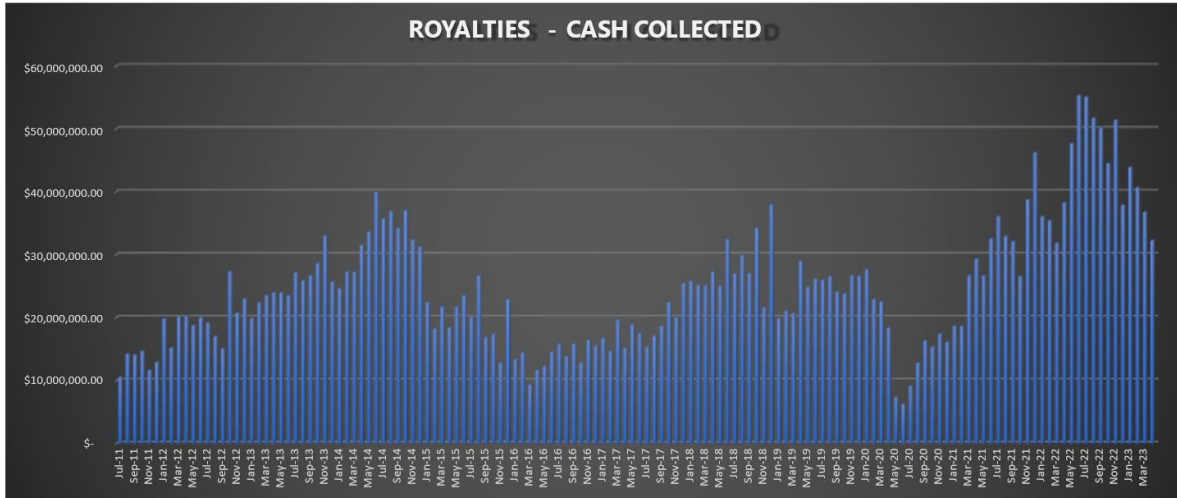
(05/25/23)

MINERALS

RECORD FISCAL YTD O/G ROYALTIES



As of April 2023, for fiscal year 2022-23 the Department has received **\$444,140,970** in royalties as compared to **\$353,976,572** last fiscal year at this time. That is an all time record and **25%** year-over-year increase!



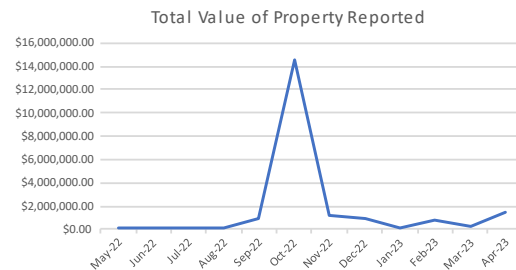
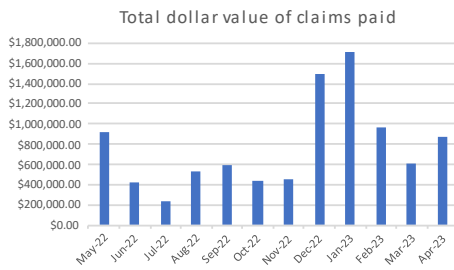
UNCLAIMED PROPERTY

UNCLAIMED PROPERTY DIVISION

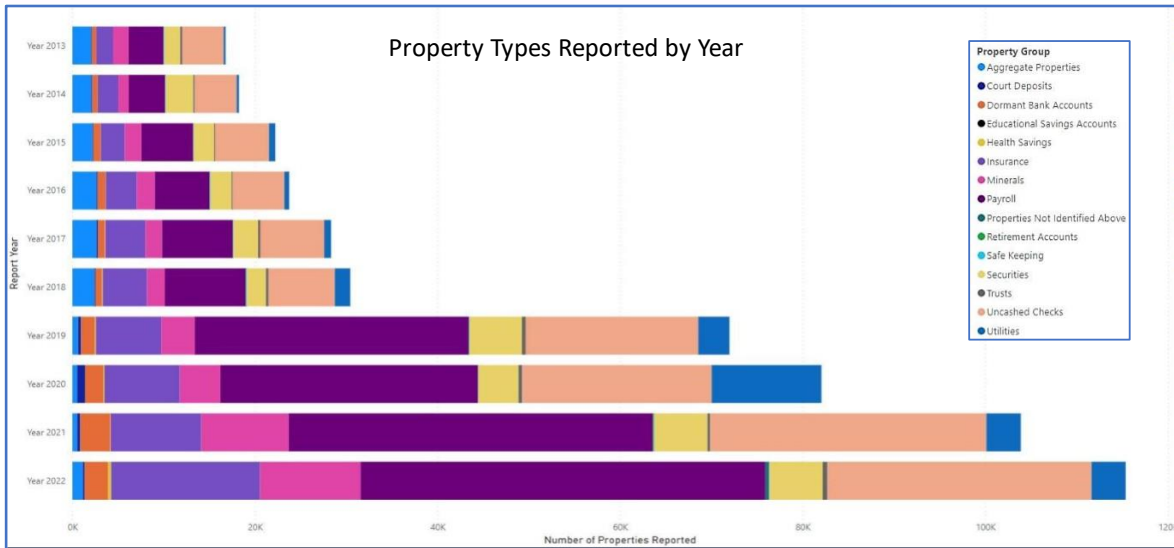


For the month of April 2023, the Division paid 767 claims with \$874,258.13 returned to rightful owners/heirs. It received 271 holder reports with a dollar value of \$1,506,818.42.

The increase in the number and value of holder reports is due to the Life Insurance deadline of April 31.



UNCLAIMED PROPERTY DIVISION



FINANCIALS

Financial Statements Position Report (Unaudited) for period ended February 28, 2023

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 February 28, 2023, was presented to the Board for review and is available at the Department upon request.

Executive Estimate of Assets

EXECUTIVE ESTIMATE OF ASSETS					
NORTH DAKOTA DEPARTMENT OF TRUST LANDS					
As of April 30, 2023					
	4/30/2023	MOM\$	MOM%	YOY\$	YOY%
	Value	3/31/2023	Change	4/30/2022	Change
	Value	Value		Value	
Cash	545,653,407	452,470,509		421,851,163	
Investments ^[1]	7,286,203,524	7,270,429,898		6,359,390,287	
Tax Receivables ^[2]	-	-		123,774,109	
Loans ^[3]	38,175,596	39,657,643		43,265,365	
Receivables ^[4]	8,508,502	8,108,229		5,066,584	
Sub-Total Net Assets	\$7,878,541,028	7,770,666,278	1.39%	\$6,953,347,508	13.31%
Mineral Rights ^[5]	2,813,480,347	2,813,480,347		2,813,480,347	
Surface Rights ^[6]	518,077,274	518,077,274		511,088,869	
Building Value ^[7]	1,015,196	1,015,196		264,332	
Total Net Assets	\$11,211,113,845	\$11,103,239,095	0.97%	\$10,278,181,056	9.08%

[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.

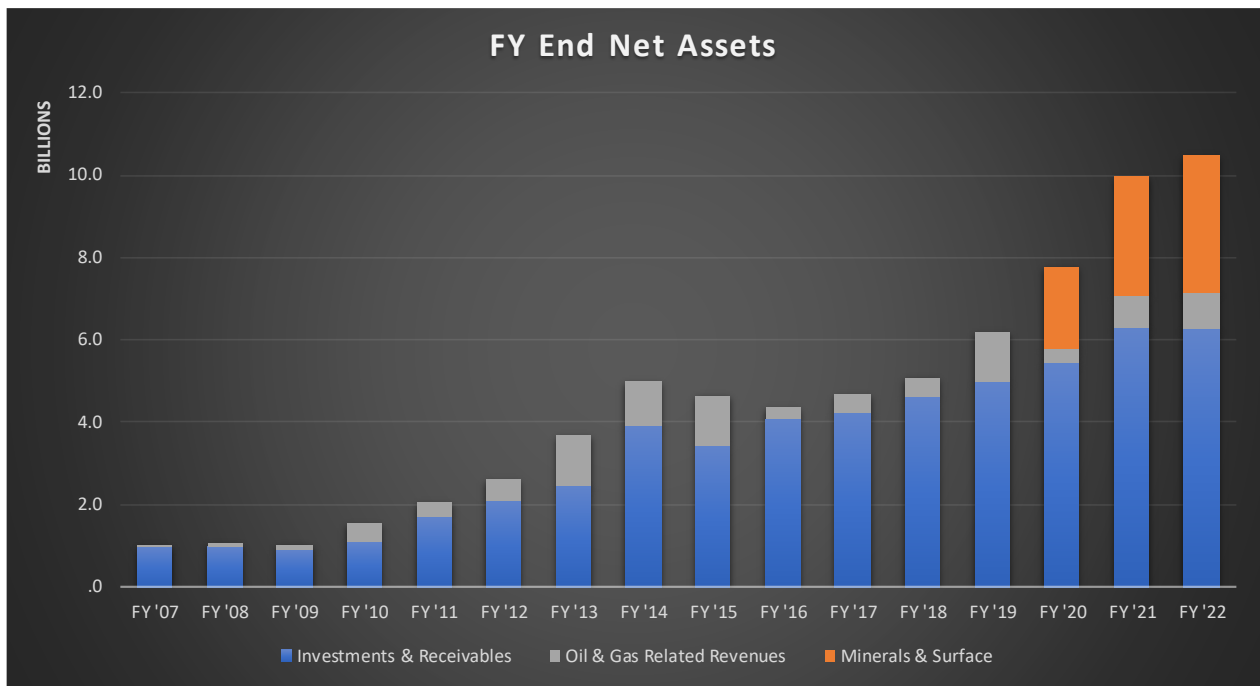
[3] Various loan programs funded with trust assets.

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

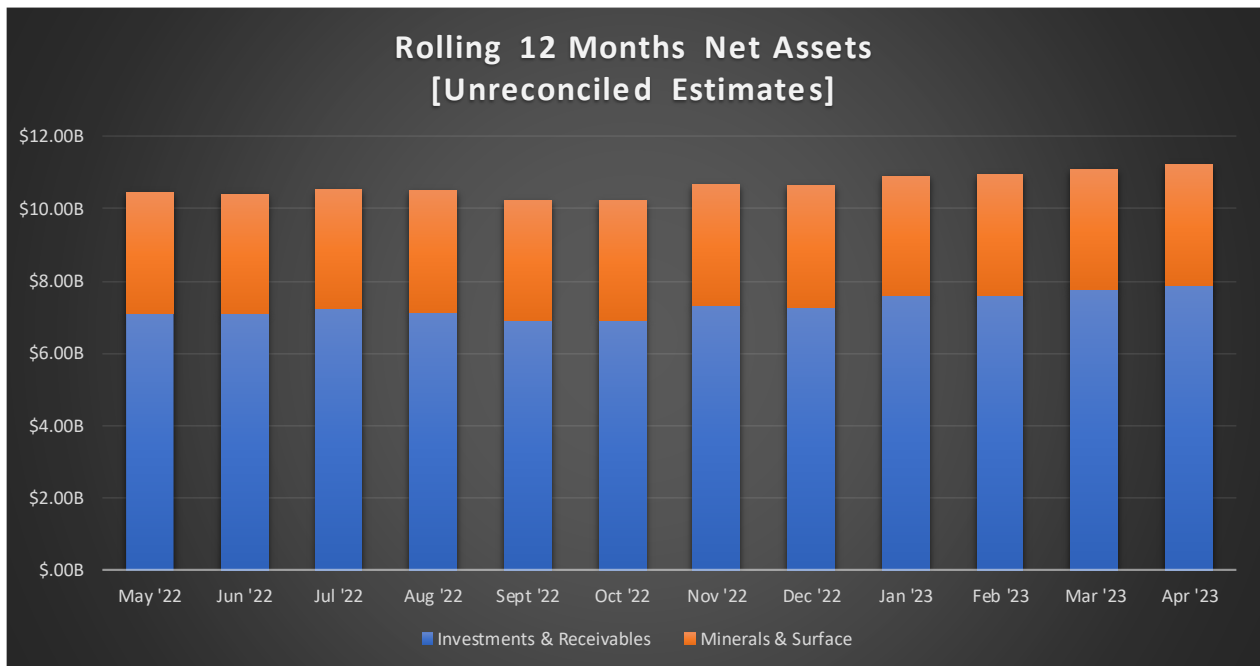
[5] Valued annually via contract with Mineral Tracker. Valuation as of December 31, 2021.

[6] Valued annually via Department fair market value policy. Valuation as of March 2023, based off agricultural values.

[7] Updated annually via broker price opinion. Valuation as of Sept. 15, 2022.



- [1] 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.
- [2] 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.
- [3] 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.



- [1] Dec 2021 includes mineral rights value of \$2,813,480,347
- [2] Sep 2022 includes appraised building value of \$1,015,196
- [3] Mar 2023 includes surface rights value of \$518,077,274

INVESTMENTS

Investment Updates

Pipeline

Early-stage ideas across all asset classes.

Portfolio Rebalancing Updates

Funded capital calls in April: none.

Unfunded commitments remaining total \$555.7M as follows:

1. Private Credit, \$172M
 - i. ARES Pathfinder Fund, \$39M
 - ii. Owl Rock Diversified Lending, \$52.5M
 - iii. Angelo Gordon Direct Lending (AGDL) IV, \$10M
 - iv. AGDL-BUSL Fund, \$50M
 - v. Varde Dislocation Fund, \$20.5M
2. Private Equity, \$223.8M
 - i. Grosvenor Capital Management (GCM) Private Equity, \$97.9M
 - ii. GCM Secondary Opportunities Fund, \$114.4M
 - iii. Morgan Stanley Ashbridge TS Fund II, \$11.5M
3. Private Infrastructure, \$9.9M
 - i. Hamilton Lane Infrastructure Opportunities Fund, \$9.9M

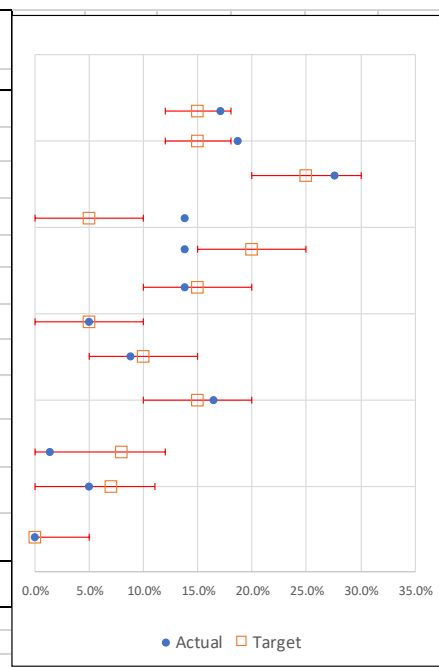
4. Absolute Return, \$150M

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

Asset Allocation

The table below shows the status of the permanent trusts' asset allocation as of April 30, 2023 (unaudited).

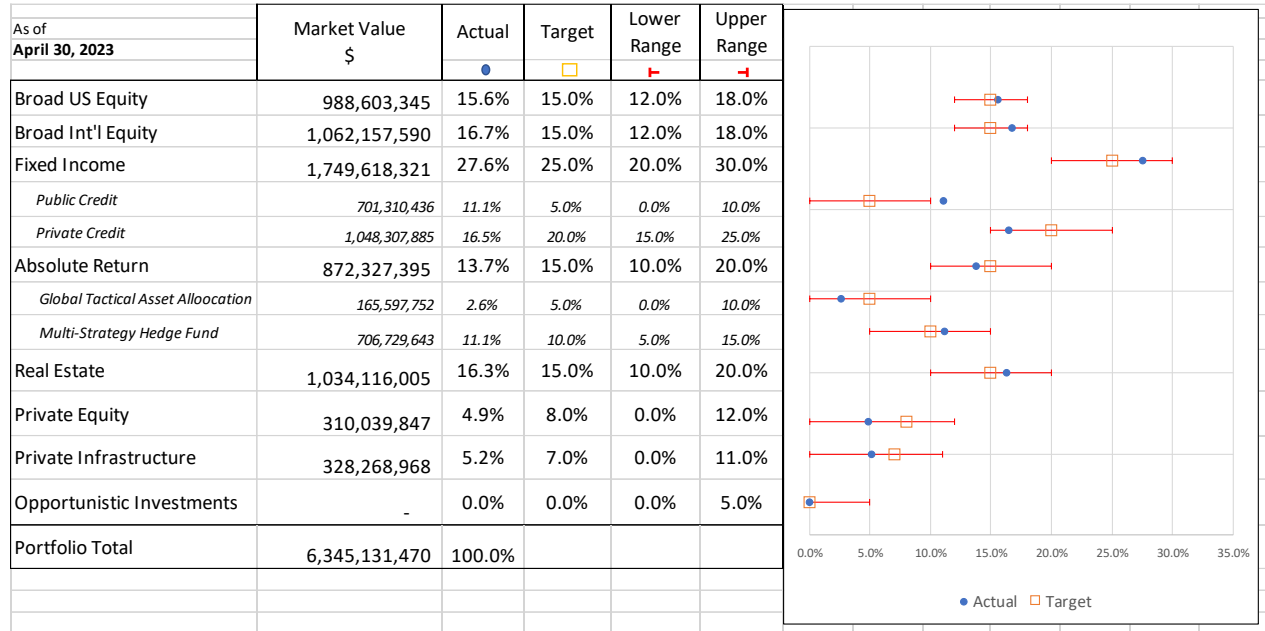
As of April 30, 2023	Market Value \$	Actual	Target	Lower Range	Upper Range
Broad US Equity	1,086,503,345	17.1%	15.0%	12.0%	18.0%
Broad Int'l Equity	1,188,057,590	18.7%	15.0%	12.0%	18.0%
Fixed Income	1,749,618,321	27.6%	25.0%	20.0%	30.0%
<i>Public Credit</i>	873,310,436	13.8%	5.0%	0.0%	10.0%
<i>Private Credit</i>	876,307,885	13.8%	20.0%	15.0%	25.0%
Absolute Return	872,327,395	13.7%	15.0%	10.0%	20.0%
<i>Global Tactical Asset Allocation</i>	315,597,752	5.0%	5.0%	0.0%	10.0%
<i>Multi-Strategy Hedge Fund</i>	556,729,643	8.8%	10.0%	5.0%	15.0%
Real Estate	1,044,016,005	16.5%	15.0%	10.0%	20.0%
Private Equity	86,239,847	1.4%	8.0%	0.0%	12.0%
Private Infrastructure	318,368,968	5.0%	7.0%	0.0%	11.0%
Opportunistic Investments	-	0.0%	0.0%	0.0%	5.0%
Portfolio Total	6,345,131,470	100.0%			



(05/25/23)

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.**

International Exposures

During the April 27, 2023 meeting, the Board of University and School Lands (Board) discussed its international exposures and the risks associated with China. While there remains geopolitical risks with China, those risks are difficult to predict and measure. The Board agreed to make no immediate changes to the portfolio but to remain alert and flexible.

The Permanent Trust Funds (PTFs) currently have approximately 1.6% exposure to China coming from the Broad International Equity and Global Tactical Asset Allocation (GTAA) portions of the portfolio. Given China being the largest contributor to global GDP at approximately 18%, it was discussed that a 1.6% portfolio exposure could arguably be underweight. Over 90% of the 1.6% portfolio exposure to China is coming from active management strategies which can trade in and out of positions. For the remaining exposure that is passively managed, Staff and RVK propose a solution to provide the Board with speed and flexibility in future decision-making.

Staff and RVK recommend closing the Northern Trust Emerging Markets Index account and transferring proceeds (approximately \$21M) to a new account with State Street Global Advisors (SSGA). SSGA is an existing manager relationship in good standing. SSGA uses regional building blocks to construct their passive index products. This allows them to offer the following:

- State Street MSCI Emerging Markets ex-China Index**
- State Street MSCI China Index**

By combining the two separate sleeves, it gives the Board the ability to remain currently invested in the Emerging Markets Index and adds the flexibility to turn off the China sleeve at any point in

the future. While there is an increased cost to add this feature, Staff and RVK both agree that incorporating the separate sleeves offers the Board speed and flexibility in future decision-making.

Motion: The Board approve closing Northern Trust Emerging Markets Index (approx. \$21M) and moving the assets to State Street MSCI Emerging Markets ex China Index + MSCI China Index, subject to standard legal review/documentation.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Howe			X		
Superintendent Baesler			X		
Treasurer Beadle	X		X		
Attorney General Wrigley		X	X		
Governor Burgum			X		

RVK Emerging Markets Recommendation and State Street Factsheet presented to the Board and is available at the Department upon request.

Investment Education

Overview Presentation on Investments was presented to the Board and is available at the Department upon request.

SPECIAL PROJECTS

No Net Loss Land Sale

Surface Director, Joseph Stegmiller, presented a No Net Loss Land Sale application submitted by M. Family, LLC, with a recommendation to approve moving to next steps in the process. After discussion, Superintendent Baesler made the following motion.

Motion: The Board determine the application covers tracts the Board is not willing to sell and deny the application.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Howe			X		
Superintendent Baesler	X		X		
Treasurer Beadle			X		
Attorney General Wrigley		X	X		
Governor Burgum			X		

The No Net Loss Land Sale presentation is available at the Department upon request.

LITIGATION

Litigation Update

- MHA (Missouri riverbed ownership) – Appealed D.C. Federal District Court denial of Board’s motion to intervene; oral arguments were held February 1st; D.C. Circuit Court of Appeals issued judgment in Board’s favor April 21st reversing trial court and allowing Board to intervene; parties are now in discussion regarding next steps in this litigation with next status report due to the Court by July 10th

(05/25/23)

- EEE (OHWM title dispute / takings claim) – ND Federal District Court issued order May 31, 2022 granting Board’s motion to dismiss on all counts: federal preemption, sovereign immunity, takings; Plaintiffs appealed to 8th Circuit; briefing complete and oral arguments were held March 16th; awaiting court decision
- Leland/Whiting (OHWM river island ownership) – Watford City trial September 12-16, 2022; currently in post-trial briefing stage
- Continental Interpleader (OHWM fed/state dispute) – ND Federal District Court issued opinion March 21st granting Board’s motion for partial summary judgment on “Acquired Federal Lands” issue; this means the Wenck survey controls for establishing the historical ordinary high-water mark of the Missouri River in areas where the uplands were acquired by the federal government, and not original “public domain lands”
- Whitetail Wave (OHWM title dispute / takings claim) – ND Supreme Court issued opinion on September 29th dismissing appeal and sending back to trial court for further quiet title actions on at issue parcels; district court signed stipulated order and judgment on remaining claims February 1st; currently waiting for appeal status pending resolution of attorney fees issues between the other parties

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 consultations regarding:

- **Royalty Settlement Offers**

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Howe			X		
Superintendent Baesler	X		X		
Treasurer Beadle			X		
Attorney General Wrigley		X	X		
Governor Burgum			X		

The Board entered into executive session at 11:11 AM.

EXECUTIVE SESSION

Members Present:

- | | |
|-----------------|--------------------------------------|
| Doug Burgum | Governor |
| Michael Howe | Secretary of State |
| Kirsten Baesler | Superintendent of Public Instruction |
| Drew Wrigley | Attorney General |
| Thomas Beadle | Treasurer |

Department of Trust Lands Personnel present:

- | | |
|-----------------|------------------------------|
| Joseph Heringer | Commissioner |
| Kate Schirado | Administrative Assistant |
| Catelin Newell | Administrative Staff Officer |
| James Wald | Legal Council |
| Chris Suelzle | Minerals Director |

Adam Otteson
Elvedina Papalichev

Revenue Compliance Director
Paralegal

Guests in Attendance:

Ryan Norrell
John Reiten
Dave Garner

Office of the Governor
Office of the Governor
Office of the Attorney General

The executive session adjourned at 11:40 AM and the Board returned to the open session and Teams meeting to rejoin the public. During executive session, the Board discussed royalty settlements with its attorneys. Formal action was taken when the meeting was reconvened in open session as follows:

Motion: To proceed with settlement of the Newfield case as presented in executive session subject to legal approval.

Action Record	Motion	Second	Aye	Nay	Absent
Secretary Howe		X	X		
Superintendent Baesler			X		
Treasurer Beadle			X		
Attorney General Wrigley	X		X		
Governor Burgum			X		

A D J O U R N

There being no further business, the meeting was adjourned at 11:42 AM.

Doug Burgum, Chairman
Board of University and School Lands

Joseph Heringer, Secretary
Board of University and School Lands