

**Minutes of the Meeting of the
Board of University and School Lands
October 26, 2023**

The October 26, 2023, meeting of the Board of University and School Lands was called to order at 9:07 AM by Chairman Doug Burgum and roll call was taken.

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 |
| Kate Schirado | Executive Assistant |
| Frank Mihail | Chief Investment Officer |
| Teresa Hettinger | Investments Officer |
| Maria Garcia | Finance |
| Susan Dollinger | Unclaimed Property Director |
| Peggy Gudvangen | Finance Director |
| Adam Otteson | Revenue Compliance Division Director |
| Lynn Spencer | Minerals Title Specialist |
| Chris Suelzle | Minerals Division Director |
| Amanda Parent Dufour | Minerals Management Officer |
| James Wald | Legal Council |
| Scott Giere | Revenue Compliance |
| Matthew Reile | IT |
| Pam Reile | Revenue Compliance |
| Jessica Fretty | Unclaimed Property |
| Rick Owings | Administrative Staff Officer |
| Ryan Kobilansky | Surface Range Soils Management Specialist |
| Garret Hecker | Surface Range Soils Management Specialist |
| Anning Tang | Investments |
| Jacob Lardy | Land Management Specialist |

Guests in Attendance:

| | |
|-------------------|------------------------|
| Ryan Norrell | Office of the Governor |
| John Reiten | Office of the Governor |
| Jennifer Sandberg | RVK |
| Josh Kevan | RVK |
| Matt Sturdivan | RVK |
| Josh Goldstein | Verition |
| Victoria Distasio | Verition |
| Karl Ngok | Verition |
| C. Rajala | |

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 September 29, 2023 meeting was made by Treasurer Beadle and the motion was seconded by Attorney General Wrigley and the motion carried unanimously on a voice vote.

O P E R A T I O N S

Commissioner's Report

- Commissioner Performance & Compensation Committee – first meeting scheduled for Nov. 3rd
- Our team continues to be very involved helping to provide coordinated statewide agency responses to numerous new proposed federal rules (DAPL, oil & gas, environmental, land management plans, etc.)
- Eide Bailly will present annual financial audit report at November 30th meeting
- October 23 – attended State Investment Board - Investment Committee meeting as a voting member
- October 26 - attending full State Investment Board meeting as a voting member

HR Update

- Introduction of new Minerals Officer

Board of University and School Lands Meeting Dates For 2024

North Dakota Century Code 15-01-03 states that the Board shall meet on the last Thursday of each month, unless it appears a quorum will not be present, at which time it may be rescheduled. Special meetings of the Board may be held at any time at the written call of the chairman, the commissioner, or any two members of the Board.

The statutory meeting dates serve as the starting point in efforts to schedule meetings of the Board. The meetings are set at 9:00 AM in the Governor's Conference Room, unless otherwise noted. Board meetings are scheduled for three hours each month in anticipation of executive session needs.

The Board may choose not to convene if there are insufficient agenda items to discuss.

The following dates will be shared with Board members' offices for scheduling purposes.

- January 25, 2024 9:00 AM – 12:00 PM
- February 29, 2024 9:00 AM – 12:00 PM
- March 28, 2024 9:00 AM – 12:00 PM
- April 25, 2024 9:00 AM – 12:00 PM
- May 30, 2024 9:00 AM – 12:00 PM
- June 27, 2024 9:00 AM – 12:00 PM
- July 25, 2024 9:00 AM – 12:00 PM

- August 29, 2024 9:00 AM – 12:00 PM
- September 26, 2024 9:00 AM – 12:00 PM
- October 31, 2024 9:00 AM – 12:00 PM
- December 12, 2024 9:00 AM – 12:00 PM (Combined Nov/Dec meeting)

DIVISION REPORTS

SURFACE

SURFACE DIVISION



Encumbrances issued by Commissioner during September 2023:
14 Right of Way Agreements generating \$43,274 in income for the Trusts.

Trust Lands in Billings County 142-102-34 (May 2023)
Photos Credit: Jacob Lardy

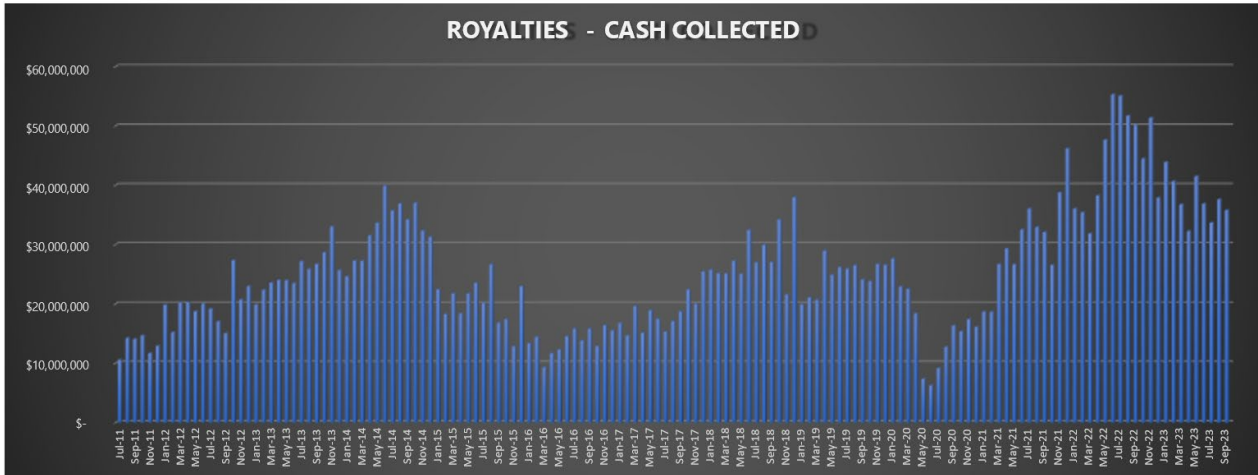


MINERALS

MINERALS DIVISION
FISCAL YTD O/G ROYALTIES



As of September 30, 2023*, for fiscal year 2023-24 the Department has received **\$107,050,222** in royalties as compared to **\$156,883,293** last fiscal year at this time.

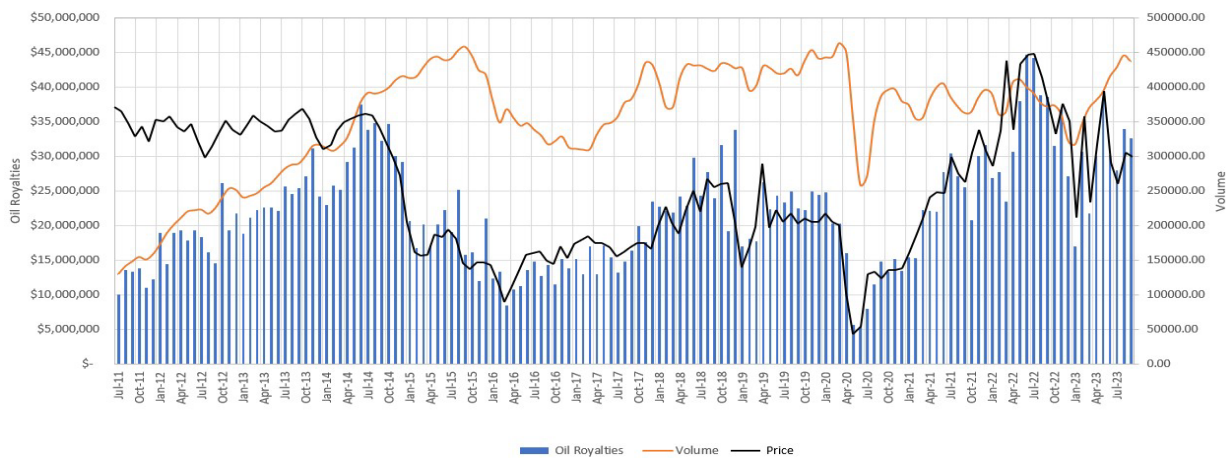


*September royalty revenue is from July gas production and August oil production

PRICE MAIN DRIVER OF O/G ROYALTIES



In the early years production growth was the driver of the Department's royalty increases. Now that our net monthly production has been more consistent, averaging around 400,000 barrels per month, the price of oil & gas is the main driver of monthly royalty variations.



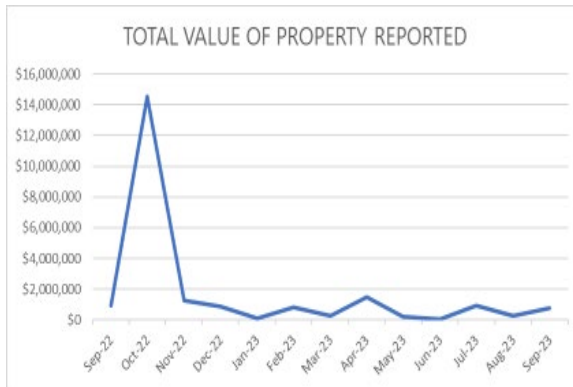
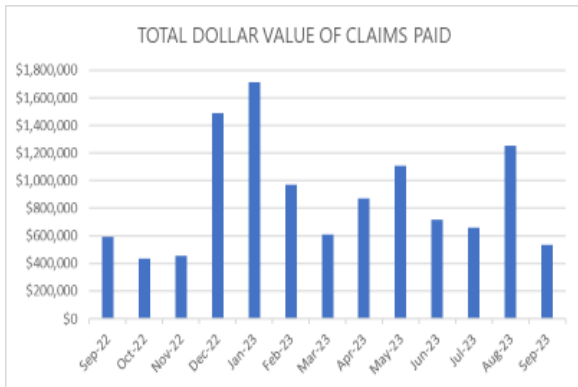
UNCLAIMED PROPERTY

UNCLAIMED PROPERTY DIVISION

<https://unclaimedproperty.nd.gov/>

Be Legendary.™

For the month of September 2023, the Division paid 511 claims with \$535,606 returned to rightful owners/heirs. It also received 227 holder reports with a dollar value of \$791,985.



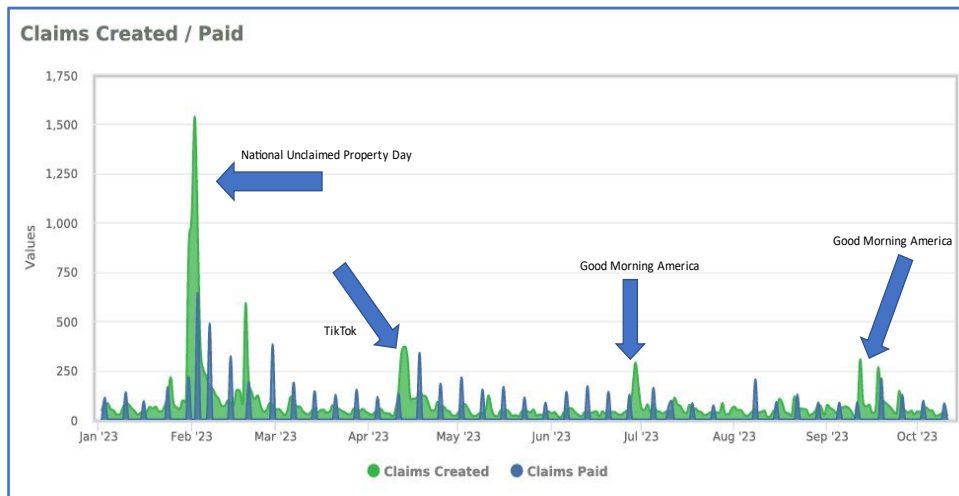
UPDATE ON SURCH – 45 States have signed on with 2 more pending very soon. A group of nonpartisan state treasurers are scheduled to meet with the U.S. Department of Labor on November 2, 2023, to begin working on rules need to implement the program.

UNCLAIMED PROPERTY DIVISION

<https://unclaimedproperty.nd.gov/>

Be Legendary.™

National Spotlight Shows Bumps in Claims for 2023



Executive Estimate of Board Assets

EXECUTIVE ESTIMATE OF ASSETS
NORTH DAKOTA DEPARTMENT OF TRUST LANDS
As of September 30, 2023

| | 9/30/2023 Value | MOM\$ 8/31/2023 Value | MOM% Change | YOY\$ 9/30/2022 Value | YOY% Change |
|--------------------------------|-------------------------|-----------------------------|----------------|-----------------------------|----------------|
| Cash | 315,029,685 | 446,460,070 | | 525,976,572 | |
| Investments ^[1] | 7,469,299,644 | 7,407,662,187 | | 6,297,334,096 | |
| Tax Receivables ^[2] | - | - | | 25,868,603 | |
| Loans ^[3] | 37,852,402 | 37,852,402 | | 40,326,553 | |
| Receivables ^[4] | 12,737,419 | 9,396,582 | | 8,818,509 | |
| Sub-Total Net Assets | \$7,834,919,151 | 7,901,371,241 | -0.84% | \$6,898,324,333 | 13.58% |
| Mineral Rights ^[5] | 2,568,614,367 | 2,568,614,367 | | 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 | | - | |
| Total Net Assets | \$10,922,625,988 | \$10,989,078,078 | -0.60% | \$10,222,893,549 | 6.84% |

[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.

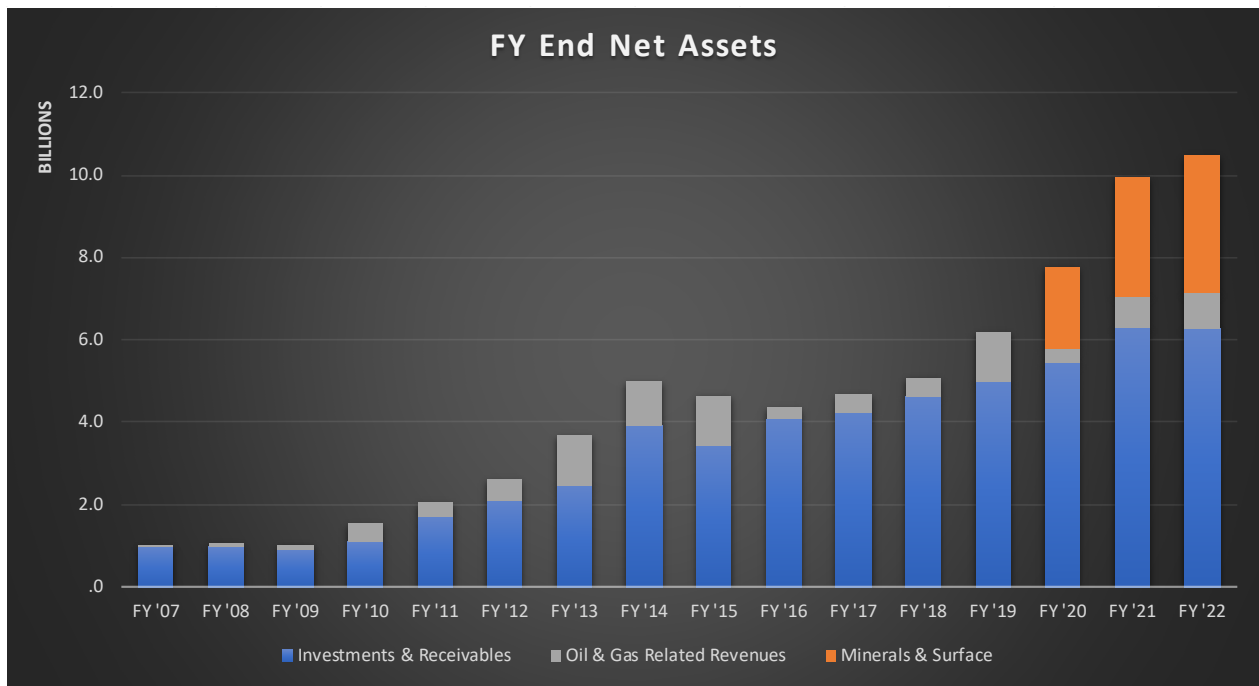
[3] Various loan programs funded with trust assets.

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

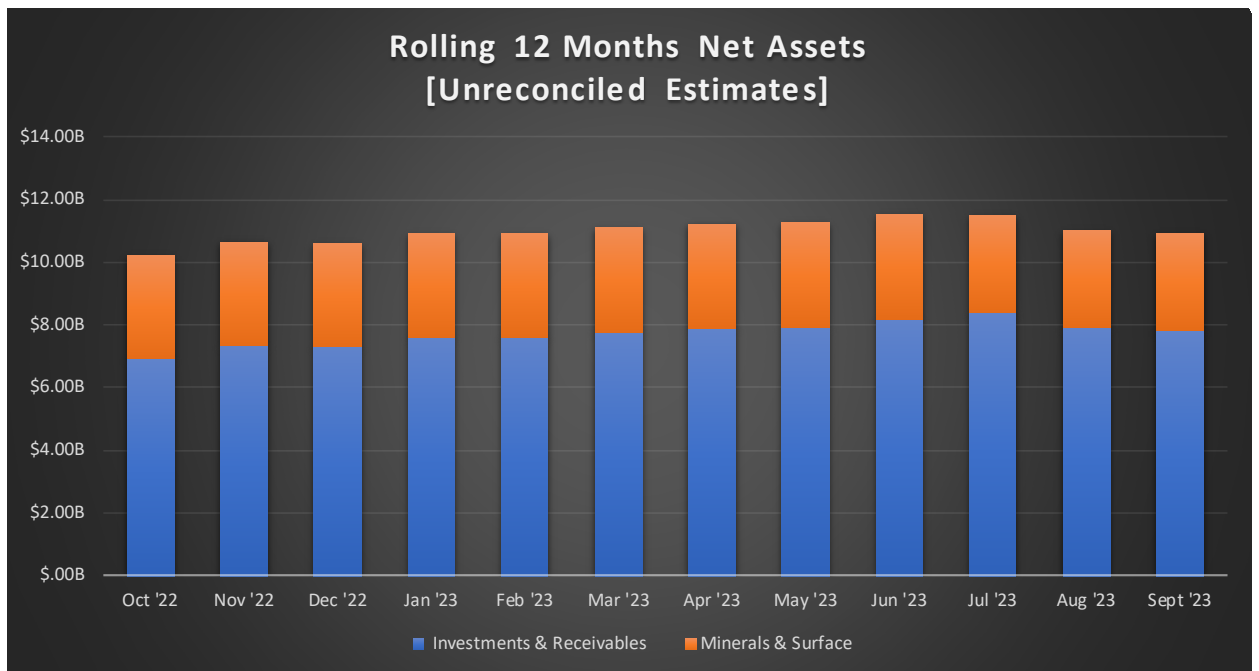
[5] Valued annually via contract with Mineral Tracker. Valuation as of June 30, 2023.

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

[7] Updated every other year via broker price opinion. Listed valuation is 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] Jun 2023 includes mineral rights value of \$2,568,614,367
- [2] Sep 2022 includes appraised building value of \$1,015,196
- [3] Mar 2023 includes surface rights value of \$518,077,274

I N V E S T M E N T S

Investment Updates

Q4-Q1 Pipeline

Absolute Return: multi-strategy hedge fund recommendation

Private Equity: private equity / venture capital recommendation

Portfolio Rebalancing Updates

Capital Calls Funded and Pending:

9/21 GCM Grosvenor Private Equity \$4.2M

9/22 GCM Grosvenor Secondary Opportunities Fund III \$8.5M

9/28 Hamilton Lane Infrastructure Opportunities Fund \$2.2M

10/02 Khosla Ventures \$0.8M

10/16 Ares Pathfinder Fund \$4.5M

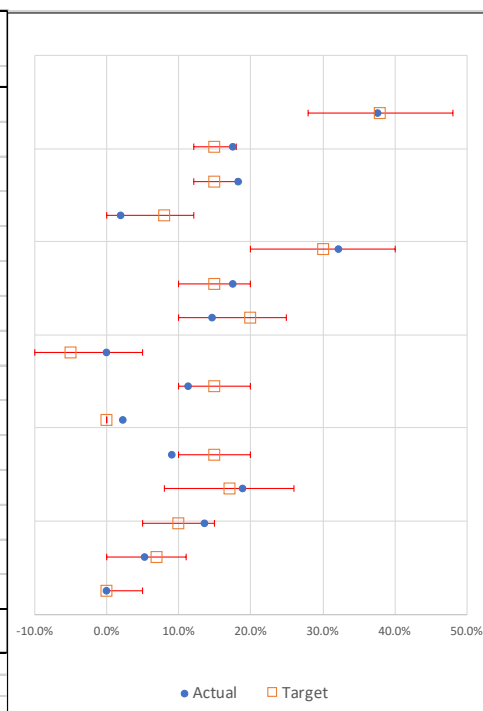
10/28 Khosla Ventures \$1.0M

Total Unfunded Commitments Remaining \$467.5M (as of September 30, 2023):

1. Private Credit, \$77M
 - i. Ares Pathfinder Fund, \$32M
 - ii. Owl Rock Diversified Lending, \$45M
2. Private Equity, \$234.5M
 - i. GCM Grosvenor Private Equity, \$90M
 - ii. GCM Grosvenor Secondary Opportunities Fund III, \$98M
 - iii. Morgan Stanley Ashbridge TS Fund II, \$11.5M
 - iv. Khosla Ventures \$35M
3. Private Infrastructure, \$6M
 - i. Hamilton Lane Infrastructure Opportunities Fund, \$6M
4. Absolute Return, \$150M
 Millennium USA LP (Hedge Fund), \$150M

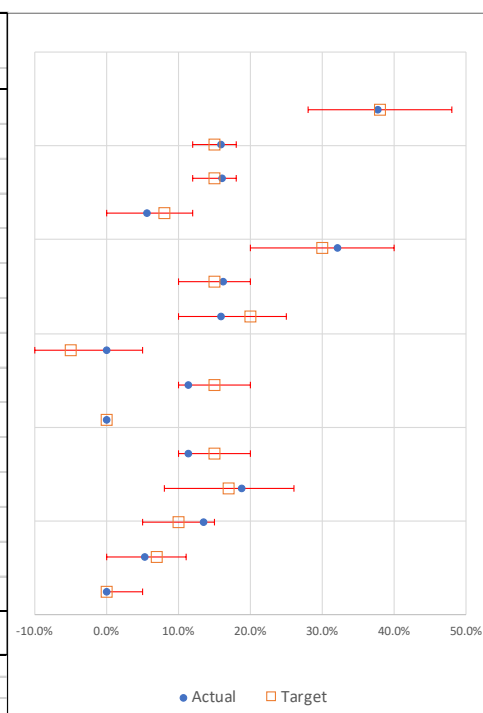
Current Asset Allocation (unaudited)

| As of September 30, 2023 | Market Value \$ | Actual | Target | Lower Range | Upper Range |
|---|--------------------|--------|--------|----------------|----------------|
| Equity | 2,401,231,801 | 37.7% | 38.0% | 28.0% | 48.0% |
| <i>Broad US Equity</i> | 1,116,868,072 | 17.5% | 15.0% | 12.0% | 18.0% |
| <i>Broad Int'l Equity</i> | 1,161,056,714 | 18.2% | 15.0% | 12.0% | 18.0% |
| <i>Private Equity</i> | 123,307,015 | 1.9% | 8.0% | 0.0% | 12.0% |
| Fixed Income | 2,051,760,923 | 32.2% | 30.0% | 20.0% | 40.0% |
| <i>Public Credit</i> | 1,117,309,381 | 17.5% | 15.0% | 10.0% | 20.0% |
| <i>Private Credit</i> | 934,451,542 | 14.7% | 20.0% | 10.0% | 25.0% |
| <i>Cash / (Implied Leverage)</i> | - | 0.0% | -5.0% | -10.0% | 5.0% |
| Absolute Return | 719,908,743 | 11.3% | 15.0% | 10.0% | 20.0% |
| <i>Global Tactical Asset Allocation</i> | 143,588,745 | 2.3% | 0.0% | 0.0% | 0.0% |
| <i>Multi-Strategy Hedge Fund</i> | 576,319,998 | 9.0% | 15.0% | 10.0% | 20.0% |
| Real Assets | 1,200,950,230 | 18.8% | 17.0% | 8.0% | 26.0% |
| <i>Real Estate</i> | 865,785,811 | 13.6% | 10.0% | 5.0% | 15.0% |
| <i>Private Infrastructure</i> | 335,164,419 | 5.3% | 7.0% | 0.0% | 11.0% |
| Opportunistic Investments | - | 0.0% | 0.0% | 0.0% | 5.0% |
| Portfolio Total | 6,373,851,697 | 100.0% | | | |



Hypothetical Asset Allocation (after funding all commitments)

| As of September 30, 2023 | Market Value \$ | Actual | Target | Lower Range | Upper Range |
|---|--------------------|--------|--------|----------------|----------------|
| Equity | 2,401,231,801 | 37.7% | 38.0% | 28.0% | 48.0% |
| <i>Broad US Equity</i> | 1,018,868,072 | 16.0% | 15.0% | 12.0% | 18.0% |
| <i>Broad Int'l Equity</i> | 1,024,556,714 | 16.1% | 15.0% | 12.0% | 18.0% |
| <i>Private Equity</i> | 357,807,015 | 5.6% | 8.0% | 0.0% | 12.0% |
| Fixed Income | 2,045,349,668 | 32.1% | 30.0% | 20.0% | 40.0% |
| <i>Public Credit</i> | 1,033,898,126 | 16.2% | 15.0% | 10.0% | 20.0% |
| <i>Private Credit</i> | 1,011,451,542 | 15.9% | 20.0% | 10.0% | 25.0% |
| <i>Cash / (Implied Leverage)</i> | - | 0.0% | -5.0% | -10.0% | 5.0% |
| Absolute Return | 726,319,998 | 11.4% | 15.0% | 10.0% | 20.0% |
| <i>Global Tactical Asset Allocation</i> | - | 0.0% | 0.0% | 0.0% | 0.0% |
| <i>Multi-Strategy Hedge Fund</i> | 726,319,998 | 11.4% | 15.0% | 10.0% | 20.0% |
| Real Assets | 1,200,950,230 | 18.8% | 17.0% | 8.0% | 26.0% |
| <i>Real Estate</i> | 859,785,811 | 13.5% | 10.0% | 5.0% | 15.0% |
| <i>Private Infrastructure</i> | 341,164,419 | 5.4% | 7.0% | 0.0% | 11.0% |
| Opportunistic Investments | - | 0.0% | 0.0% | 0.0% | 5.0% |
| Portfolio Total | 6,373,851,697 | 100.0% | | | |



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

Absolute Return – Multi-Strat Hedge Fund

The current 9% multi-strat hedge fund allocation represents a \$400M underweight to the 15% strategic asset allocation target. The goal of this proposal is to increase the multi-strat hedge fund allocation and close the global tactical asset allocation portfolio, consistent with strategic asset allocation targets.

Heading into 2024, it is reasonable to expect an increase in market volatility from uncertainty around global inflation and rising geopolitical tensions. This makes it an opportune time to increase the multi-strat hedge fund portfolio with managers who have a proven track record of delivering positive returns across all market environments. Staff and RVK reviewed a dozen hedge fund managers, focusing on rolling correlations, maximum drawdown and Sortino (a ratio of excess return to downside volatility). Staff and RVK recommend:

- **Hire Verition Fund Management (~\$150M).**

Verition was founded in 2008 and is headquartered in New York. Verition currently manages \$7B in assets across six strategies – (1) credit, (2) fixed income and macro, (3) convertible and volatility arbitrage, (4) event-driven, (5) equity long/short and capital markets and (6) quantitative strategies. The strategies exhibit low correlation to one another, and the total portfolio exhibits low beta to the broad equity and bond market indices.

- **Full Redemption PIMCO All Asset All Authority (~\$71M).**

The target allocation to global tactical asset allocation strategies has been reduced to 0%. Proceeds will be used to increase the multi-strat hedge fund allocation.

- **Full Redemption PineBridge Global Dynamic Asset Allocation (~\$71M).**

The target allocation to global tactical asset allocation strategies has been reduced to 0%. Proceeds will be used to increase the multi-strat hedge fund allocation.

Motion: The Board approve (1) a full redemption from PIMCO All Asset All Authority (2) a full redemption from PineBridge Global Dynamic Asset Allocation and (3) a \$150M commitment to Verition Fund Management, subject to standard legal review/documentation.

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

RVK Multi-strategy Hedge Fund Recommendation and Verition presentation were presented to the Board and are available at the Department upon request.

International Equity – Extended Equities

The International Equity portfolio is currently at \$1.1 billion with a 15% long term target and is comprised of three building blocks – developed market large cap, developed market small cap and emerging markets. The goal of this proposal is to drive excess returns in the International Equity portfolio throughout market cycles.

Staff recommends introducing long-short active management in the International Equity portfolio. By relaxing the short constraint, extended equity strategies give our investment managers the tools to profit when the market moves in either direction. Staff and RVK began a manager search by

reaching out to well-known extended equity managers. After interviewing and conducting due diligence on potential extended equity managers, Staff and RVK recommend:

• **Transfer Arrowstreet Emerging Markets from long-only to 150-50 (~\$200M).**

Arrowstreet was founded in 1999 and is headquartered in Boston. They have over \$160 billion in assets under management across 296 client relationships and a team of over 100 investment professionals. Staff and RVK know Arrowstreet's firm and investment process well as they are a current manager in good standing. Emerging Markets is a sub asset class with less efficient markets, creating the opportunity to deliver excess returns and Arrowstreet has a 4-year track record of delivering excess returns in this strategy.

• **Transfer Acadian Non-US Small Cap from long-only to 130-30 (~\$165M).**

Acadian Asset Management was founded in 1986 and is headquartered in Boston. Acadian is well-known for its systematic/quantitative approach to investing. They have over \$100 billion in assets under management and a 100+ person investment team. Acadian has been investing in international equities for 35 years and the Non-US Small Cap 130-30 strategy has a 20-year track record of delivering excess returns.

• **Full Redemption State Street Emerging Markets Index (~\$20M).**

Passive exposure to emerging markets will no longer be needed. Proceeds will be added to the emerging markets extended equity strategy.

• **Full Redemption State Street World ex-US Small Cap Index (~\$20M).**

Passive exposure to ex-US small cap will no longer be needed. Proceeds will be added to the non-US small cap extended equity strategy.

Motion: The Board approve (1) full redemption of State Street Emerging Markets Index (2) full redemption of State Street World ex-US Small Cap Index (3) transfer of Arrowstreet Emerging Markets long-only to 150-50 and (4) transfer of Acadian Non-US Small Cap long-only to 130-30, subject to standard legal review/documentation.

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

RVK International Equity Structure & Manager Recommendations were presented to the Board and are available at the Department upon request.

LITIGATION

Litigation Update

(No Action Requested)

- **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; on August 30, 2023, the 8th Circuit three judge panel issued its opinion in our favor affirming the trial court's dismissal on all counts; (10/26/23)

on September 12, 2023, Plaintiffs requested a rehearing in front of the full 8th Circuit Court; awaiting court response

Commencement: December 2020

Assigned Attorney: Philip Axt, ND Solicitor General

Win = Takings claim dismissed resulting in no liability to state

Lose = Plaintiff's case can proceed resulting in trial to determine validity of claims

- **Whitetail Wave (OHWM title dispute / takings claim)** – On August 22, 2023, Whitetail Wave appealed the trial court's rulings for the state (takings, Wenck Line, quiet title) and the award of attorney fees to co-defendant XTO Energy. Briefings and oral arguments before the North Dakota Supreme Court to follow.

Commencement: June 2015

Assigned Attorney: David Garner, Assistant Attorney General

Win = Takings claim dismissed resulting in no liability to state

Lose = Plaintiff's case can proceed resulting in trial to determine validity of claims

- **Continental Oil Royalty Deductions** – Now that the Newfield gas royalty deductions case has been resolved, this case comes off stay and the parties are required to file a status report with the Court by November 3, 2023.

Commencement: December 2017

Assigned Attorney: David Garner, Assistant Attorney General

Win = Clarity that Land Board oil & gas lease does not allow for deductions from oil royalties resulting in tens of millions of dollars in deductions being repaid to the state

Lose = Deductions from oil royalties are allowed under the lease, requiring additional administrative rules/case law to clarify extent

- **MHA (Missouri riverbed ownership)** – On July 7, 2023, the United States filed a motion to amend its pleading to add a quiet title crossclaim against North Dakota as a new Intervenor in the case. We filed a motion requesting a change of venue to North Dakota that the Court is now considering.

Commencement: July 2020

Assigned Attorneys: Beveridge & Diamond, Washington, D.C.
Charles Carvell, Special Assistant Attorney General
Matthew Sagsveen, AG Dir. of Natural Resources and Indian Affairs

Win = North Dakota owns historical Missouri Riverbed (mineral rights) through Fort Berthold Indian Reservation resulting in release to state of tens of millions of dollars in withheld oil & gas royalties

Lose = U.S. owns the riverbed in trust for MHA Nation so royalties are released to the tribe

- **Continental Interpleader (OHWM fed/state dispute)** – ND Federal District Court issued opinion March 21, 2023, 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”; federal government appealed and we filed cross appeal; briefing scheduled to be completed in November 2023

Commencement: December 2016

Assigned Attorneys: Charles Carvell, Special Assistant Attorney General
Philip Axt, ND Solicitor General

Win = State survey controls where U.S. lands abut the Wenck line resulting in retention of 2,500 mineral acres

Lose = Federal surveys control resulting in loss of approximately 2,500 mineral acres

- **Leland/Whiting (OHWM river island ownership)** – Watford City trial September 12-16, 2022; post-trial briefing scheduled for completion in November 2023

Commencement: January 2016

Assigned Attorneys: Matthew Sagsveen, AG Dir. of Natural Resources and Indian Affairs
James Wald, DTL General Counsel

Win = State owns at issue Yellowstone River island and related oil & gas royalties

Lose = Plaintiffs owns at issue Yellowstone River island and related oil & gas royalties

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:

- **Continental Resources, Inc. v. North Dakota Board of University and School Lands and the United States of America – Case No. 1:17-cv-014 (Continental Interpleader)**

| 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 | | |

The Board entered into executive session at 10:23 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 |

Guests in Attendance:

| | |
|--------------|--------------------------------|
| Ryan Norrell | Office of the Governor |
| John Reiten | Office of the Governor |
| Philip Axt | Office of the Attorney General |

The executive session adjourned at 10:47 AM and the Board returned to the open session meeting to rejoin the public. During executive session, the Board discussed the Continental Resources case with its attorneys. No formal action was taken when the open meeting reconvened.

A D J O U R N

There being no further business, the meeting was adjourned at 10:48 AM.

Doug Burgum, Chairman
Board of University and School Lands

Joseph Heringer, Secretary
Board of University and School Lands