

BOARD OF UNIVERSITY AND SCHOOL LANDS

Governor's Conference Room
Ground Floor, State Capitol

July 25, 2018

9:00 AM

AGENDA

* = Board Action Requested

1. Approval of Meeting Minutes – *Jodi Smith*
Consideration of Approval of Land Board Meeting Minutes by voice vote.
 - * A. June 28, 2018 – pg. 1

2. Operations – *Jodi Smith*
 - A. Administrative Rules
 - B. Litigation Overview
 - C. Delegation of Authority Overview
 - D. IT Update
 - E. UP Update

3. Minerals – *Drew Combs*
 - * A. Paul Sorum et. al. v. The State of North Dakota, et al
***Executive session under the authority of NDCC §§ 44-04-19.1 and 44-04-19.2 for attorney consultation k] h \ ` h \ Y ` 6 c U f X d g u s s j h h c f b Y m g ` h c**
- Paul Sorum, et. al. v. The State of North Dakota, et al

4. Reports – *Jodi Smith*
 - A. Summary of Total Assets (Unaudited) for Period Ended April 30, 2018
 - B. Report of Easements Issued by the Commissioner
 - C. Investments Update

Next Meeting Date – August 30, 2018 at 9:00 AM

**Minutes of the Meeting of the
Board of University and School Lands
June 28, 2018**

The June 28, 2018 meeting of the Board of University and School Lands was called to order at 9:02 AM in the Governor's Conference of the State Capitol by Chairman Doug Burgum.

Members Present:

Doug Burgum	Governor
Alvin A. Jaeger	Secretary of State
Wayne Stenehjem	Attorney General
Kelly Schmidt	State Treasurer
Kirsten Baesler	Superintendent of Public Instruction

Department of Trust Lands Personnel present:

Jodi Smith	Commissioner
Drew Combs	Minerals Division Manager
Jeff Engleson	Investment Division Manager
Levi Erdmann	Investment Analyst
Kristie McCusker	Legal Assistant
Rick Owings	Administrative Officer

Guests in Attendance:

Brent Sanford	Lt. Governor
Leslie Bakken Oliver	Governor's Legal Counsel
Josh Kevan	RVK
Geoff Simon	Western Dakota Energy Association
Drew Guyette	Angelo Gordon and Company
William Cullinan	Angelo Gordon and Company
Michelle Russell-Dowe	Schroders
Cathie Mazza	Schroders
Mark Hanson	Nilles Law Firm
Peter Hvidston	Nilles Law Firm
Joel Gilbertson	GA Group PC
Levi Andrist	GA Group PC
Gary Hagen	Self

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 May 31, 2018 meeting was made by Attorney General Stenehjem and seconded by State Treasurer Kelly Schmidt and the motion carried unanimously on a voice vote.

O P E R A T I O N S

Delegation of Authority to Land Commissioner

The Board of University and School Lands (the "Board") has a range of responsibilities and broad authority under Title 15 of the North Dakota Century Code titled "Board of University and School Lands." One of those responsibilities is to appoint a Commissioner of University and School Lands. "All of the official acts of the commissioner are subject to the approval and supervision of the Board." N.D.C.C. § 15-02-01. Additionally, the Board has the authority under N.D.C.C. § 15-01-02 to exercise control over public lands and permanent funds managed by the commissioner.

Pursuant to N.D.C.C. § 15-02-05, the Commissioner of the Board of University and School Lands serves as the general agent of the Board in the performance of its duties. For purposes of efficiency and expediency, the Board may delegate to the Commissioner, as its agent, certain defined duties, including the authority to settle disputes involving monies owed to the Board. N.D. Admin. Code § 85-06-06-10

The Commissioner seeks the authority to resolve disputes involving monetary amounts due and owing to the Board in amounts no greater than \$25,000 without Board approval, as long as such dispute is not subject to ongoing litigation.

Motion: The Board delegates to the Commissioner the authority to resolve any matter involving monetary amounts in dispute of \$25,000 or less without the requirement of seeking board approval. This authority shall not include the right to initiate or settle litigation in the courts.

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

I N V E S T M E N T M A N A G E M E N T D I V I S I O N

RVK Contract Renewal

On May 31, 2018 the Board directed the Commissioner to enter into negotiations with RVK to continue to provide comprehensive investment consulting services to the Board for an additional two years beyond the current contract which RVK expires August 31, 2018.

The contract renewal with RVK will cover all of the services provided to the Board over the past three years including:

- Advice in setting policies, goals and objectives;
- Quarterly investment performance monitoring;
- Manager searches;
- Ongoing due-diligence, and;
- Providing client education.

The annual fee for the current agreement with RVK is \$149,350 per year. Discussions with RVK resulted in the Commissioner negotiating a fee increase of 3% for each year of the new agreement. After reviewing the scope of services of other state land trust consultant agreements, the Commissioner is satisfied that the fee negotiated is very reasonable for the services provided.

Motion: The Board authorize the Commissioner to enter into an agreement with RVK for comprehensive investment advisory services, including investment performance monitoring, assistance with investment manager searches, ongoing due diligence, investment advice and educational efforts, such agreement to be subject to final approval by the Attorney General.

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		

Recommendation to Approve Direct Lending Manager – Angelo, Gordon & Company

On March 29, 2018 the Board adopted a new structure for the permanent trusts' fixed income portfolio and authorized the Commissioner to begin searches for investment firms to manage the new direct lending and structured credit allocations approved by the Board.

Direct lending involves hiring an investment firm that specializes in providing senior, secured loans directly to companies to meet their ongoing business needs. Direct lending involves making loans to healthy companies with between \$10 million and \$1 billion in annual revenues, an area of financing that has been underserved since the financial crises. Direct lending generally provides higher yields than traditional fixed income securities, while maintaining strong asset protection. Direct lending also provides low volatility and limited correlations to liquid fixed income markets. Middle market direct lending, the focus of the search, is a large active market that is attractively priced and capital structure sensitive; it currently has a lower risk profile than high yield securities, with better covenants, lower default rates, and higher recovery rates.

In order to gain the benefits of direct lending an investor must be willing to take illiquidity risk. Direct lending funds generally have fund terms of 6-8 years, during which principal is locked-up in the fund. Although the income generated by direct lending funds is paid out to investors on a regular basis, the principal remains in the fund until after the initial investment period ends (typically 3-4 years). Once the investment period ends, principal is returned to owners as loans are paid off and the life of the fund runs its course.

Direct lending investments generally take the form of funds that have distinct fundraising, investment, and harvest periods. Since the funds are not open-ended, the search is limited to funds that are currently raising capital. RVK began the direct lending manager search by compiling a list of all managers that are currently raising funds and have a primary focus on US middle-market loans and loans that are senior in the capital structure. The initial list included 12 funds; one European fund was included in case staff wanted to split the direct lending portfolio between domestic and Europe.

After reviewing product details and holding discussions with RVK, the list of 12 managers was reduced down to six for various reasons, including quality focus, leverage, track record, etc. During mid-May, RVK and staff interviewed six different direct lending managers via phone; after follow-up discussions with RVK, three managers, Angelo Gordon, Ares (SIB manager), and TCW were invited to interview with RVK, the Commissioner, and staff.

Interviews were held on June 12, 2018 in Bismarck and included Commissioner Smith, Investment Director Jeff Engleson, Investment Analyst Levi Erdmann, and Marcia Beard and Amy Hsiang from RVK. In addition, Treasurer Schmidt sat in on one interview and listened to the discussion that interviewers had as they determined which firm to recommend. The recommendation you are receiving today represents a unanimous decision of those who fully participated in the interview process.

RVK's Josh Kevan is here today to introduce Angelo Gordon, the firm being recommended to manage the new direct lending mandate for the permanent trusts.

Angelo Gordon – Direct Lending Fund III

Drew Guyette, Chief Credit Officer and William Cullinan, Client Service

Angelo, Gordon & Co. is a privately-held registered investment advisor dedicated to alternative investing. The firm was founded in 1988 and currently manages approximately \$28 billion. Angelo Gordon seeks to generate absolute returns with low volatility by exploiting inefficiencies in selected markets and capitalizing on situations that are not in the mainstream of investment opportunities. The primary focus of the firm is credit and real estate strategies. Angelo Gordon has over 400 employees and is based in New York City; the direct lending team is based out of Chicago.

The direct lending team, which is headed by Trevor Clark, joined Angelo Gordon in 2014 from Madison Capital. Trevor was a key player in starting Madison Capital's direct lending program in 2001. The depth and length of experience of the direct lending team is a key factor in this recommendation, as is Angelo Gordon's continued focus on lower-middle market direct lending. When it comes to direct lending, Angelo Gordon does one thing and they do it well; they don't try to be all things to all borrowers. That focus leads to long-term relationships between the firm and its clients, which results in future financing opportunities as clients grow and prosper.

Although not the primary focus of hiring any manager, fees are always an important part of the return equation. The fee proposed by Angelo Gordon includes a discount for clients that meet the first close of the fund, which is July 17, 2018. The exact amount of the fee discount will not be known until after all initial commitments to the fund are made; however, at the present time it is expected that the base fee for this investment will be between 65 and 70 basis points. Angelo Gordon is also eligible for an incentive fee of 15%, subject to a preferred return of 7%. Although not the deciding factor, the fee proposed by Angelo Gordon was the lowest of the three managers interviewed.

Motion: That the Board authorize the Commissioner to enter an agreement with Angelo Gordon to invest in the AG Direct Lending Fund III, L.P., 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		

Recommendation to Hire Structured Credit Manager – Schroders

On March 29, 2018 the Board adopted a new structure for the permanent trusts' fixed income portfolio and authorized the Commissioner to begin searches for investment firms to manage the new direct lending and structured credit allocations approved by the Board.

Structured credit is an area within the fixed income universe that RVK and staff believe has the potential to offer attractive risk/return benefits to the trusts' overall fixed income portfolio at this time. Structured credit refers to credit or debt obligations that are pooled and converted into packages (or tranches) of credit related securities. Types of structured credit include residential mortgage-backed securities (RMBS), Agency mortgage-backed securities (MBS), commercial mortgage backed securities (CMBS) and asset backed securities (ABS).

Structured credit managers invest across an array of different structured products to offer investors a diversified portfolio of low or uncorrelated risk. Except for agency MBS, all other forms of structured credit products involve credit risk; illiquidity risk can also be a factor, depending on the

product and market environment. However, adding structured credit to the trusts' fixed income portfolio will provide exposure to attractive yielding fixed income sub-sectors, and provide diversification benefits to reduce the volatility of the overall fixed income portfolio.

RVK began the process by using eVestment's structured credit universe; a broad and diverse universe. RVK screened the database to include only managers of quality, liquid products with over one billion under investment that had exposure to a variety of structured credit sectors. Many structured credit products are opportunistic in nature or focused on only one or two aspect of the structured credit universe.

All of the products reviewed had an average credit quality of A or better except Voya whose product has an average quality of BB, just below investment grade. Voya was included in the search due to its long history in this sector and ability to customize a portfolio as needed. The initial screening for quality, liquidity, and diversification identified six fund managers to be further reviewed.

After reviewing product details and holding discussions with RVK, four products were deemed suitable for the next phase of review. The remaining four managers were interviewed via phone in early-May. These interviews identified two fund manager finalists, Schroders and Voya, to be interviewed by RVK and staff.

Interviews were held on June 13, 2018 in Bismarck and included Commissioner Smith, Investment Director Jeff Engleson, Investment Analyst Levi Erdmann, Marcia Beard and Amy Hsiang from RVK, and Treasurer Schmidt. The recommendation you are receiving today represents a unanimous decision of those who participated in the interview process.

RVK's Josh Kevan is here today to introduce Schoders Investment Management, the firm being recommended to manage the new structured credit mandate for the permanent trusts.

Schroders Investment Management Michelle Russell-Dowe, Head of Securitized Credit and Cathie Mazza, Institutional Director

Schroders is a public traded company based in the UK that has existed for over 200 years; the Schroder family and related trusts control over 47% of existing voting shares. The firm has more than \$600 billion of assets under management, 700 investment professionals worldwide and more than 4,600 employees in 29 countries. Although based out of the London, the Department works directly with Schroders' New York office.

Schroders' structured credit team is led by Michelle Russell-Dowe. Michelle has 24 years of experience with structured credit; she and her seasoned team of investment professionals moved from Brookfield to Schroders in 2016. Only one member of the team has less than 10 years of industry experience. In an asset class that was hit hard by the financial crisis, that experience, and what fund managers learned from their mistakes is crucial. The structured credit team gets the benefits of Schroders' back office and strong and diverse global capabilities, but the corporate office does not tell them how to run the business.

Schroders' understands that structured credit is a diverse and large asset class; the fundamentals of the various subsectors are not all synchronized. This provides investors the opportunity to perform well during various points in the cycle. Schroders has built many proprietary databases, as well as forecasting and modeling tools that allow them to understand how each security may react to various economic stresses. These tools allow Schroders to tactically address changing economic circumstances. Schroders works closely with clients to understand investment wants and needs, and then builds a portfolio for the client that meets those wants and needs.

Schroders offered two different strategies to choose from, one that seeks to add 100-150 basis points over the benchmark, and one that offers 150-300 basis points over the benchmark. The fee

is based on the desired “enhancement” over the benchmark. The Commissioner, RVK and staff will be working with Schrodgers over the next few weeks to finalize the desired benchmark and “enhancement” goals. For the amount of money being invested (\$95 million), the fee will be 35 basis points for the moderate enhancement strategy and 40 basis points for the 150-300 basis point enhancement strategy. Proposed fees are either less than or equal to the fee schedule provided by Voya.

Motion: The Board authorize the Commissioner to enter into an investment management agreement with Schrodgers Investment Management to invest a separately managed private credit portfolio for the permanent trusts, subject to final review and approval of the contract by the Office of the Attorney General.

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

M I N E R A L S

Merricourt Wind Project (Update from May 31, 2018)

At the May 31, 2018 meeting of the Board of University and School Lands (the “Board”), the Board was presented with a request by EDF Renewable Development, Inc. (EDF) to subordinate certain minerals in connection with the Merricourt Wind Power Project (the “Project”) in McIntosh and Dickey Counties. (Exhibit 1) The Project includes 347.34 mineral acres and no surface acres managed by the Department of Trust Lands (the “Department”).

During the May 31 meeting, the Board requested additional information about the Project. The Board asked the following questions related to the Project:

1. At what stage is EDF in the process?
2. What is there plan following startup?
3. What are the towers located relative to the Department managed minerals?

EDF’s ten year plan (Exhibit 2), as filed on March 30, 2017 with the ND Public Service Commission (PSC), gives the status of the Project and an overview of future expectations. Studying this document and reviewing the other filings, such as wildlife studies and surveys, will reveal that EDF has completed all requirements and was granted a Certificate of Site Compatibility by the PSC in 2011 and a subsequent amendment in 2015. The Project’s next phase is construction of the turbines and associated support units.

As per EDF’s ten year plan, they report: “In general, Merricourt will generate and deliver renewable energy into the MISO system to help meet North Dakota's objectives and MISO's needs. MISO's regional transmission planning process, for example, continues to show a need for significant additional nameplate capacity in the region over the ensuing ten to fifteen year period even under the most conservative projections. Wind generation from Merricourt is also well positioned to meet future standards, regulations or objectives set by state or federal law with respect to carbon emissions or renewable energy generation. More specifically, Otter Tail Power Company has identified Merricourt, via the Asset Purchase Agreement, as an appropriate resource to meet

customer needs identified in resource plans it has submitted in Minnesota, North Dakota, and South Dakota.”

The map depicted in Exhibit 3 is the latest layout of the projects towers. Highlighted in yellow are tracts that the Board manages some of the minerals. 5 turbines are located above the Board minerals, as well as a temporary Met tower.

Exhibit 1: May 31, 2018 Board Memo

Exhibit 2: EDF Ten Year Plan: 2017 Through 2027

Exhibit 3: Merricourt Wind Power Project Maps

Exhibits are available upon request from the Department.

Recommendation: To continue discussions with Merricourt as the Land Board is supportive of the project, but some of the terms of the contract are not acceptable.

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

The Commissioner recommends the Board consider entering executive session for consultation with legal counsel regarding pending and potential litigation.

EXECUTIVE SESSION

Motion: 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 to discuss Paul Sorum et al. v. The State of North Dakota, et al.

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		

At 10:32 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
Kirsten Baesler	Superintendent of Public Instruction

Department of Trust Lands Personnel present:

Jodi Smith	Commissioner
Drew Combs	Minerals Division Manager

Kristie McCusker
Rick Owings

Legal Assistant
Administrative Officer

Guests in Attendance:

Brent Sanford
Leslie Bakken Oliver
Mark Hanson
Peter Hvidston

Lt. Governor
Governor's Legal Counsel
Nilles Law Firm
Nilles Law Firm

The executive session adjourned at 11:14 AM and the Board returned to open session and the public was invited to return to the meeting. During the executive session, the Board was provided information regarding the Paul Sorum et al. v. The State of North Dakota, et al.

R E P O R T S

The Financial Statement (Unaudited) for Period Ended March 31, 2018 was provided to the Board

Report of Easements Issued by Land Commissioner from 5/15/18 to 6/15/18

Granted to:	WESTERN AREA WATER SUPPLY AUTH, WILLISTON-ND
For the Purpose of:	Easement-Amend: Potable Water Pipeline
Right-of-Way Number:	RW0008172
Date Issued:	6/12/2018
Application Fee:	\$100.00
Right-of-way Income:	\$358.36
Damage Payment to Lessee:	N/A
Trust:	A
Length (Rods):	16.0
Area (Acres):	0.31
Legal Description:	WIL-156-100-16-NE4

Granted to:	LIME ROCK RESOURCES III-A LP, HOUSTON-TX
For the Purpose of:	Easement-Amend: Drop Line-Pipeline
Right-of-Way Number:	RW0008201
Date Issued:	5/16/2018
Application Fee:	\$100.00
Right-of-way Income:	\$1,120.00
Damage Payment to Lessee:	N/A
Trust:	A
Length (Rods):	13.49
Area (Acres):	0.17
Legal Description:	BRK-160-90-16-NW4

Granted to:	DUNN COUNTY, MANNING-ND
For the Purpose of:	Easement: Road Right-of-Way
Right-of-Way Number:	RW0008222
Date Issued:	6/10/2018
Application Fee:	\$100.00
Right-of-way Income:	\$4,330.00

Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 346.24
 Area (Acres): 4.33
 Legal Description: DUN-146-94-16-NE4, NW4

Granted to: **NORTH DAKOTA TELEPHONE CO, DEVILS LAKE-ND**
 For the Purpose of: Easement: Communication Cable - Buried
 Right-of-Way Number: RW0008225
 Date Issued: 5/27/2018
 Application Fee: \$100.00
 Right-of-way Income: N/A
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 446.29
 Area (Acres): 3.38
 Legal Description: EDD-150-63-16-N2SE4, SW4SE4, LOTS 1,2, S2NE4,
 NW4NE4
 EDD-150-63-28-E2SE4, N2NE4

Granted to: **WESTERN AREA WTR SUPPLY AUTHORITY, WILLISTON-ND**
 For the Purpose of: Easement: Potable Water Pipeline
 Right-of-Way Number: RW0008235
 Date Issued: 6/12/2018
 Application Fee: \$100.00
 Right-of-way Income: N/A
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 135.60
 Area (Acres): 1.70
 Legal Description: MOU-154-91-16-SW4

Granted to: **WESTERN AREA WTR SUPPLY AUTHORITY, WILLISTON-ND**
 For the Purpose of: Easement-Amend: Potable Water Pipeline
 Right-of-Way Number: RW0008249
 Date Issued: 6/10/2018
 Application Fee: \$100.00
 Right-of-way Income: \$2,000.00
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 0.0
 Area (Acres): 0.0
 Legal Description: WIL-154-99-16-SE4, SW4

Granted to: **ANDEAVOR FIELD SERVICES LLC, SAN ANTONIO-TX**
 For the Purpose of: Easement: Salt Water Disposal Well - Extension
 Right-of-Way Number: RW0008251
 Date Issued: 5/30/2018
 Application Fee: \$100.00
 Right-of-way Income: N/A
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 0.0
 Area (Acres): 0.0
 Legal Description: BIL-140-100-16-NW4

Granted to: **MCKENZIE ELECTRIC COOPERATIVE INC, WATFORD CITY-ND**
 For the Purpose of: Easement: Drop Line-Buried Electric Distribution Line
 Right-of-Way Number: RW0008258
 Date Issued: 6/10/2018
 Application Fee: \$100.00
 Right-of-way Income: \$826.00
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 58.99
 Area (Acres): 0.74
 Legal Description: MCK-150-98-36-SW4

Granted to: **RESERVATION TELEPHONE COOPERATIVE, PARSHALL-ND**
 For the Purpose of: Easement: Communication Cable - Buried
 Right-of-Way Number: RW0008281
 Date Issued: 6/10/2018
 Application Fee: \$100.00
 Right-of-way Income: N/A
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 243.90
 Area (Acres): 3.05
 Legal Description: MCK-149-103-36-SE4, SW4

Granted to: **ND DEPT OF TRANSPORTATION, BISMARCK-ND**
 For the Purpose of: Permit: Aggregate Prospecting
 Right-of-Way Number: RW0008282
 Date Issued: 5/21/2018
 Application Fee: \$100.00
 Right-of-way Income: N/A
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 2.0
 Area (Acres): 2.0
 Legal Description: MCL-144-81-16-NW4, SW4

Granted to: **PETRO-HUNT LLC, BISMARCK-ND**
 For the Purpose of: Easement: Subsurface Well Bore
 Right-of-Way Number: RW0008285
 Date Issued: 5/27/2018
 Application Fee: \$100.00
 Right-of-way Income: \$4,000.00
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 0.0
 Area (Acres): 0.0
 Legal Description: MCK-154-95-36-SE4

Granted to: **OASIS PETROLEUM NORTH AMERICA LLC, HOUSTON-TX**
 For the Purpose of: On-lease Act. Amend: Horizontal Oil Well

Right-of-Way Number: RW0008289
 Date Issued: 6/12/2018
 Application Fee: N/A
 Right-of-way Income: \$11,795.00
 Damage Payment to Lessee: \$320.28
 Trust: A
 Length (Rods): 0.0
 Area (Acres): 3.37
 Legal Description: WIL-153-100-36-NE4

Granted to: WESTERN AREA WTR SUPPLY AUTHORITY, WILLISTON-ND
 For the Purpose of: Easement: Potable Water Pipeline
 Right-of-Way Number: RW0008290
 Date Issued: 6/10/2018
 Application Fee: \$100.00
 Right-of-way Income: N/A
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 167.35
 Area (Acres): 2.09
 Legal Description: MOU-154-94-16-SW4

Granted to: BRIDGER PIPELINE LLC, CASPER-WY
 For the Purpose of: Easement: Oil Gathering Pipeline
 Right-of-Way Number: RW0008292
 Date Issued: 6/10/2018
 Application Fee: \$100.00
 Right-of-way Income: \$114,705.50
 Damage Payment to Lessee: \$327.73
 Trust: A
 Length (Rods): 327.73
 Area (Acres): 4.09
 Legal Description: MCK-150-97-36-SE4, SW4

The following letters of permission were issued to groups wishing to use school trust lands under the Board's policy for access to trust lands by organizations. Fees may be charged for this use.

Granted to: SELECT ENERGY SERVICES LLC, WILLISTON-ND
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line
 Right-of-Way Number: RW0008274
 Date Issued: 5/21/2018
 Application Fee: \$100.00
 Right-of-way Income: \$1,652.00
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 100.12
 Area (Acres): 0.0
 Legal Description: MCK-152-98-16-NE4, NW4

Granted to: ANDEAVOR FIELD SERVICES LLC, SAN ANTONIO-TX
 For the Purpose of: Assignment: Salt Water Disposal Well-Assignment
 Right-of-Way Number: RW0008278
 Date Issued: 5/30/2018
 Application Fee: \$100.00
 Right-of-way Income: N/A

Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 0.0
 Area (Acres): 0.0
 Legal Description: BIL-140-100-16-NW4

Granted to: ND GEOLOGICAL SURVEY, BISMARCK-ND
 For the Purpose of: Letter of Permission: Access to School Land
 Right-of-Way Number: RW0008283
 Date Issued: 6/10/2018
 Application Fee: N/A
 Right-of-way Income: N/A
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 0.0
 Area (Acres): 0.0
 Legal Description: WAR-155-84-1-SW4NW4 LYING N & E OF RIVER CENTERLINE

Granted to: WEST DAKOTA WATER LLC, WILLISTON-ND
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line
 Right-of-Way Number: RW0008287
 Date Issued: 5/21/2018
 Application Fee: \$100.00
 Right-of-way Income: \$4,000.00
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 242.43
 Area (Acres): 0.0
 Legal Description: MCK-150-97-36-SE4, SW4

Granted to: DEEP CREEK ADVENTURES, WATFORD CITY-ND
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line
 Right-of-Way Number: RW0008296
 Date Issued: 6/4/2018
 Application Fee: \$200.00
 Right-of-way Income: \$5,280.00
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 319.98
 Area (Acres): 0.0
 Legal Description: MCK-149-96-36-NE4, NW4, SE4, SW4

Granted to: LEWIS OIL COMPANY LLC, BISMARCK-ND
 For the Purpose of: Letter of Permission: Temporary Water Layflat Line
 Right-of-Way Number: RW0008298
 Date Issued: 6/7/2018
 Application Fee: \$100.00
 Right-of-way Income: \$2,640.00
 Damage Payment to Lessee: N/A
 Trust: A
 Length (Rods): 160.0
 Area (Acres): 0.0
 Legal Description: MOU-151-92-36-W2NE4SW4, NW4SW4, S2SW4

Granted to: WESTERN AREA WATER SUPPLY AUTHORITY, WILLISTON-ND
For the Purpose of: Easement: Easement Release
Right-of-Way Number: RW0008299
Date Issued: 6/10/2018
Application Fee: N/A
Right-of-way Income: N/A
Damage Payment to Lessee: N/A
Trust: A
Length (Rods): 0.0
Area (Acres): 0.0
Legal Description: MOU-154-94-16-SW4

Investment Updates

ASSET ALLOCATION

The status of the permanent trusts' asset allocation as of May 31, 2018:

Account/Asset Class	Long-Term Asset Allocation	5/31/18 Actual Allocation \$	5/31/18 Actual Allocation %
Large Cap US Equity	13.2%	\$ 610,831,889	13.5%
Mid/Small Cap US Equity	3.8%	\$ 175,553,532	3.9%
International Equity	13.3%	\$ 578,703,596	12.8%
Emerging Market Equity	3.7%	\$ 162,209,856	3.6%
Total Equities	34.0%	\$ 1,527,298,873	33.8%
Domestic Investment Grade	13.0%	\$ 579,937,360	12.8%
High Yield FI	2.7%	\$ 112,835,726	2.5%
International/Global FI	5.3%	\$ 254,788,499	5.6%
Total Fixed Income	21.0%	\$ 947,561,585	21.0%
Total Absolute Return	20.0%	\$ 903,731,014	20.0%
Commodities	3.0%	\$ 139,033,777	3.1%
MLPs	3.0%	\$ 149,403,099	3.3%
TIPS	2.0%	\$ 89,046,182	2.0%
Natural Resource Equities	2.0%	\$ 94,082,282	2.1%
Total Inflation Strategies	10.0%	\$ 471,565,340	10.4%
Core Real Estate	8.0%	\$ 369,028,361	8.2%
Core Plus Real Estate	7.0%	\$ 298,685,375	6.6%
Total Real Estate	15.0%	\$ 667,713,736	14.8%
Total Asset	100.0%	\$ 4,517,870,548	100.0%

PIMCO All Assets All Authority Fund

Absolute Return Strategy (\$297.3 million, 6.5% of PTF Pool)

Research Affiliates and PIMCO recently announced planned organizational changes at Research Affiliates, the firm that sub-advises for the PIMCO All Assets All Authority strategy in which the permanent trusts invest. Those changes include the following:

- Promotion of President and Chief Operating Officer Kay Shepard to Chief Executive Officer, replacing Rob Arnott.
- Addition of four members to the Research Affiliates Board of Directors alongside Rob Arnott, who will remain Chairman of the Board; Mr. Arnott was the previously the sole member of the Board of Directors.
- Formation of a management Committee that reports to CEO Shepard.

Mr. Arnott, who is 63, will retain all of his existing portfolio management responsibilities and will continue to be involved in research activities at the firm. Research Affiliates states that he has no

(06/28/18)

plans to retire and that the announced changes and promotion of Ms. Shepard to CEO reflect the over-sight of operations, business development and other management functions that Ms. Shepard has already been fulfilling.

RVK believes there is no cause to take immediate action as a result of these changes; the Commissioner and staff agree. In fact, the changes should reduce key person risk, strengthen governance at the firm and help set up the firm for Mr. Arnott's ultimate retirement sometime in the future.

RVK and the Commissioner will continue to monitor the situation at Research Affiliates and will come back to the Board with any concerns that arise going forward. See the attached memo from RVK relating to the transition at Research Affiliates.

Upcoming Investment Manager Meetings

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

July 18, 2018, 9:00 AM UBS – Trumbull Property Fund
Core Real Estate (\$176.6 million, 3.9% of PTF Pool)
David Lawson

Board members are welcome to attend any manager meetings. Please make sure to inform the Commissioner's office if you plan to attend so that enough materials are available.

A D J O U R N

There being no further business, the meeting was adjourned at 11:17 AM.

Doug Burgum, Chairman
Board of University and School Lands

Jodi Smith, Secretary
Board of University and School Lands

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

July 25, 2018

RE: Operations- Administrative Rules (No Action Requested)

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

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

Rules concerning General Administration, Energy Infrastructure and Impact Grants, Unclaimed Property, Surface Land Management, and Loan Programs have been posted to the Department's website, publications of a notice of intent have been completed, and copies of these rules have been sent to sponsoring legislators. A public hearing on those rules was conducted on April 18, 2018 with no one from the public attended the hearing, thus the hearing officer (Hope Hogan) opened and closed the hearing. A recording of the hearing has been posted on the Department's website. The Attorney General Office has reviewed the Administrative Rules and had no comments or suggestions.

The Department has submitted the Administrative Rules to go before the North Dakota Legislative Management Administrative Rules Committee in September 2018.

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

Date July 25, 2018

RE: Board of University and School Lands Major Case Summary as of July 25, 2018 (No Action Requested)

Case: State of Arkansas, et al. v. State of Delaware
Date Filed: June 9, 2016
Court: United States Supreme Court
Judge: Pierre N. Leval, *Special Master*
Attorney: David Garner
Opposing Counsel: Delaware Attorney General's Office

Issues: The United States Supreme Court assumed original jurisdiction over this lawsuit involving unclaimed property brought by 30 states, including the state of North Dakota, against the state of Delaware. The substantive issue involved is whether sums payable on unclaimed and abandoned checks sold by MoneyGram Payments Systems, Inc. should be remitted to the Plaintiff States, as the states of purchase, or to Defendant Delaware, as MoneyGram's state of incorporation. Texas and Arkansas are the lead states on behalf of the other Plaintiff states.

Current Status: A Complaint and Answer have been filed. A Special Master has been appointed to preside over the case. The Special Master has accepted the Case Management Order agreed to by the parties. The parties issued discovery requests and responses in November/December 2017. The parties have exchanged discovery and are in the process of resolving issues regarding depositions of certain states. The parties have agreed to stipulate as to the authenticity of the documents produced in discovery rather than undertake depositions

Case: Continental Resources, Inc. v. North Dakota Board of University & School Lands and North Dakota Department of Trust Lands, Civ. No. 27-2017-CV-00661
Date Filed: December 20, 2017
Court: District Court/McKenzie County
Attorneys: David Garner
Opposing Counsel: Mark S. Barron/Baker & Hostetler LLP
Judge: Robin Schmidt

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

Current Status:

1-03-18: Plaintiff filed a Complaint on December 20, 2017. The Defendants have received an extension to file an Answer until February 5, 2018.

2-02-18: Defendants filed Answer with Counterclaims. Plaintiff has until March 9, 2018 to respond.

03-09-18: Plaintiff filed and Answer to Counterclaims.

04-25-18: The parties and the presiding judge held a scheduling conference on at which time the Plaintiff's requested limited discovery. The judge granted this request.

06-28-18: The Plaintiff is scheduled to serve discovery on the Defendants by June 30, 2018.

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

Date Filed: March 7, 2018

Court: District Court/McKenzie County

Attorneys: David Garner

Opposing

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

Judge: Robin Schmidt

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

Current

Status: **03-07-18:** Plaintiff filed a Complaint.

04-12-18: Defendants filed an Answer with Counterclaims.

05-02-18: Plaintiff filed an Answer to Counterclaims.

06-28-18: Scheduling conference is set for July 20, 2018.

Case: EOG Resources, Inc. v. Soo Line Railroad Co., et. al.
Date Filed: Jan. 20, 2010
Court: Mountrail County District Court
Judge: Cresap
Attorney: Hope Hogan/Matthew Sagsveen
Opposing Counsel: Multiple parties.

Issue: At issue is the ownership of mineral rights underlying the railroad in 8 sections of land in Mountrail County. The disputed property is land that the railroad acquired by condemnation and through right-of-way deeds. The railroad's lessee filed a crossclaim against the State and a number of other parties that claim an ownership interest adverse to the railroad.

Current Status: A settlement agreement has been signed by all parties and will be filed with the court once proceeds are distributed in accordance with the agreement.

Case: William S. Wilkinson, et. al. v. Board of University & School Lands, Brigham Oil & Gas, LLP; EOG Resources, Inc.
Date Filed: January, 2012
Court: Williams County District Court
Judge: Paul Jacobson
Attorney: Hope Hogan/Jennifer Verleger/Matthew Sagsveen
Opposing Counsel: Josh Swanson/Rob Stock, Lawrence Bender, Lyle Kirmis

Issues: The Wilkinson lawsuit was filed on January 10, 2012. The Plaintiffs assert that they own minerals in a 200 acre tract west of Williston. This suit was initially filed in state court as a quiet title action. The Attorney General's Office filed an Answer and Counterclaim on February 27, 2012.

On July 1, 2014, the Plaintiffs filed an amended complaint in the case and added claims of unconstitutional takings, conversion, constructive trust and unjust enrichment, civil conspiracy and deprivation of rights under 42 U.S.C. § 1983. Plaintiffs assert in their amended complaint that the Board should be issuing leases on the west side of the Highway 85 bridge pursuant to the Phase II Investigation – the estimated location of the ordinary high watermark (OHWM) prior to inundation of Lake Sakakawea – rather than the Phase I Delineation – current location of the OHWM. Plaintiffs argue that the subject property is located under Lake Sakakawea, which did not exist at statehood, and thus the state did not acquire title to it as sovereign lands. Therefore, the State's title to the Missouri River is limited to the channel as it existed prior to inundation of Lake Sakakawea as determined by the Phase II investigation.

In January of 2016, the State Engineer sought and was granted intervention. A joint motion for summary judgment was filed by the Board and the State Engineer on March 1, 2016. On May 18, 2016, the district court granted the motion for summary judgment finding that: (1) the subject property is located along the Missouri River, which is no doubt navigable; (2) The Phase I Delineation should be used to determine the OHWM for the subject property rather than the Phase II Investigation, and therefore the property is determined to be sovereign land of the state of North Dakota; (3) to the extent Plaintiffs are aggrieved by the Phase I Delineation, they must exhaust their administrative remedies through the State Engineer before making a claim in district court; and (4) there are no grounds to support Counts II through VII. Plaintiffs filed a notice of appeal on June 1, 2016. Both EOG Resources, Inc. and Statoil Oil and Gas LP filed cross-appeals.

On September 28, 2017, the North Dakota Supreme Court reversed the district court's decision and remanded the case back to the district court. The Supreme Court held that:

1. Surface ownership could not be determined without the United States as a party to the action.
2. N.D.C.C. ch. 61-33.1 has a retroactive clause and the district court did not have an opportunity to determine if it applies and governs ownership of the minerals at issue;
3. A "takings" analysis must be conducted if the district court determines the State owns the disputed minerals; and
4. The district court erroneously made findings of disputed fact.

**Current
Status:**

Due to the passage of S.B. 2134, the Court ordered the case stayed and all deadlines be held in abeyance until the final review findings under S.B. 2134 are issued by the Industrial Commission. When the review findings are issued, the parties must request a status conference with the Court to set a new trial date and other deadlines.

Case: **Whitetail Wave LLC v. XTO Energy, Inc.; the Board of University and School Lands; and the State of North Dakota – 27-2015-CV-00164**

Date Filed: June 4, 2015

Court: McKenzie County District Court

Judge: Robin Schmidt

Attorney: Hope Hogan/Jennifer Verleger

Opposing

Counsel: Whitetail Wave – Christopher Sweeney; XTO Energy – Lawrence Bender, Michael D. Schoepf

Issues: On August 1, 2015, the Attorney General's Office was served with a complaint in the above referenced case. This case is challenging the State's determination of the OHWM east of the Highway 85 Bridge, near the northern border of the Fort Berthold Indian Reservation. The Board has currently leased minerals pursuant to the Phase II Investigation for this tract. The Plaintiff is requesting that title to the minerals be quieted and has alleged claims of Unconstitutional takings, trespass, slander of title, and constructive trust/unjust enrichment against the State. The complaint also makes a number of claims specific to XTO Energy Inc., the operator of the wells on the tracts in dispute. Specifically, the Plaintiff is requesting that the State's claim to sovereign lands' mineral interest be restricted to those minerals located below the OHWM of the Missouri River prior to inundation of the Lake Sakakawea.

An answer was filed on behalf of the Board on July 21, 2015. In January 2016, the State Engineer intervened in the case.

**Current
Status:**

Due to the passage of S.B. 2134, the Court ordered the case stayed and all deadlines be held in abeyance until the final review findings under S.B. 2134 are issued by the Industrial Commission. When the review findings are issued, the parties must request a status conference with the Court to set a new trial date and other deadlines.

Case: Mary K. Starin, as Personal Representative of the Estate of Bruno Herman Weyrauch v. Kelly Schmidt, et. al., - 53-2015-CV-00986
Date Filed: August 17, 2015
Court: Williams County District Court
Judge: David Nelson
Attorney: Hope Hogan/Jennifer Verleger
Opposing Counsel: Dennis Johnson

Issues: Plaintiff initiated this quiet title action to determine title to property located under Lake Sakakawea. In 1939, the State acquired the disputed property through a foreclosure of a Bank of North Dakota loan. In 1945, the State re-sold the property through a contract for deed to the Plaintiff's predecessors in interest. Pursuant to state law, the state reserved 50% of the minerals. The Special Warranty Deed issued after satisfaction of the contract for deed was not recorded and no one has a copy of the fully executed deed. The surface estate was later condemned as part of the Garrison Dam reservoir project. Plaintiffs have brought this action to clear title to the 50% of the minerals that they claim. The Board has leased the 50% mineral interest it reserved in this conveyance.

In January 2016, the State Engineer intervened in this case.

Current Status: Due to the passage of S.B. 2134, the Court ordered the case stayed and all deadlines be held in abeyance until the final review findings under S.B. 2134 are issued by the Industrial Commission. When the review findings are issued, the parties must request a status conference with the Court to set a new trial date and other deadlines.

Case: Whiting Oil and Gas Corporation v. Arlen A. Dean, et. al., - 53-27-2016-CV-00040
Date Filed: January 25, 2016
Court: McKenzie County District Court
Judge: Robin Schmidt
Attorney: Hope Hogan/Jennifer Verleger
Opposing Counsel: Paul Forster, Shane Hanson (Whiting Oil and Gas Corp.), Kevin Chapman (multiple defendants)

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

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

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

Current Status: Case has been scheduled for a court trial (no jury) on August 6-10, 2018.

Case: Continental Resources, Inc. v. North Dakota Board of University and School Lands, et al.
Date Filed: December 23, 2016
Court: Federal District Court, 8th Circuit
Judge: Honorable David Hovland
Attorney: Charles Carvell, David Garner, Hope Hogan, and Jen Verleger
Opposing Counsel: Lawrence Bender, David Ogden, Paul Wolfson, Shaun Pettigrew

Issues: In December 2016, Continental Resources, Inc. (Continental) brought an interpleader action against the Board of University and School Lands and the United States regarding certain lands underlying Continental operated wells located in McKenzie, Mountrail, and Williams Counties. This case addresses overlapping ownership claims by the State and the United States of minerals underlying the Missouri River. Continental is requesting the Court determine the property interests for the disputed lands so that Continental can correctly distribute the proceeds from the affected wells. Continental has claimed that there is “great doubt as to which Defendant is entitled to be paid royalties related to the Disputed Lands.” Currently, Continental is paying the United States its full royalty based on the acreage it claims. The remaining royalty, over and above what is due the United States, is being escrowed with the Bank of North Dakota pursuant to the Board’s rules.

The United States removed this action to federal district court on January 11, 2017. The Board filed its answer to the complaint on February 13, 2017. The United States filed its answer to the complaint on May 12, 2017. An Amended Complaint was filed by Continental Resources on September 14, 2017. The United States filed a Motion to Dismiss for Lack of Subject Matter Jurisdiction on October 18, 2017. In support of its motion, the United States alleges that it has not waived its sovereign immunity under the Quiet Title Act and the United States alleges that the interpleader action is moot under S.B. 2134.

Current Status: The Board filed a response on December 20, 2017 opposing the motion to dismiss. Continental has until January 19, 2018 to file a response and the United States must file its reply by March 16, 2018. The United States filed a Motion to Dismiss on March 16, 2018. The Board filed a Surreply to the Motion to Dismiss on April, 16, 2018.

Case: Paul Sorum, et. al. v. State of North Dakota, et. al.
Tribunal: Cass County District Court
Judge: John C. Irby
Attorney:
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.” 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.

Current Status:

Defendants have until March 1, 2018 to answer the Complaint.

Case: **ND Office of State Engineer, Board of University and School Lands v. BLM - Case No. IBLA 2016-170**

Tribunal: **US Dept. of Interior Office of Hearings and Appeals – Board of Land Appeals**

Attorney: **Charles Carvell, Hope Hogan, and Jennifer Verleger**

Opposing

Counsel: **Karan Dunnigan**

Issues: In 2014, the Bureau of Land Management (BLM) resurveyed land along the Missouri River to locate the boundary, OHWM, between the public domain land owned by the United States and the riverbed owned by the state of North Dakota. In identifying the OHWM, the BLM applied federal law rather than state law. Specifically, the BLM adopted the survey conducted by the Corps of Engineers as part of the Garrison Dam project. In certain areas, the survey overlaps with the state’s claim to sovereign lands.

After the survey work was complete, the BLM published a “Notice of Filing Plats of Survey; North Dakota” in which BLM intends to formally file the survey plats as Official Plats. After the Federal Register Notice appeared, the State Engineer and the Board jointly filed a protest challenging the filing of the survey plats. The BLM rejected the State’s protest and the State appealed the BLM’s decision to the Interior Board of Land Appeals.

Current Status:

The State is waiting for a decision from the Interior Board of Land Appeals.

Case: **Fisketjon v. State of North Dakota, Case No. 08-2017-CV-03208**

Date Filed: **November 7, 2017**

Court: **Burleigh County District Court**

Judge: **David Reich**

Attorney: **Jennifer Verleger/Hope Hogan**

Opposing

Counsel: **Malcolm Brown/Christopher LeCates**

Issues: The Plaintiffs filed this quiet title action to clear title to property located adjacent to the Missouri River near Bismarck, North Dakota. An OHWM study was previously prepared on the tract by the State Engineer’s Office. The State claims less property than Plaintiffs believe State to claim.

Current Status:

Parties are currently discussing settlement. A proposed settlement may be presented to the Board at its February meeting.

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

July 25, 2018

RE: Information Technology Project Status Update

(No Action Requested)

The Department of Trust Land's (Department) 2017-2019 biennial budget appropriation includes \$3.6 million to replace legacy information technology systems as authorized by Senate Bill 2013.

Severe limitations in the current IT system, including redundant manual processes, have hampered efficiencies. Many of the Department's core data management systems were developed in the 1980s and 1990s, using designs and tools no longer supported by vendors. Some supplemental system improvements and purchases have been implemented; however, the outdated database structure restricts many potential improvements.

The Department has signed a contract with Dulles Technology Partners Inc (Dulles), a grants management software that will be integrated with the Energy Infrastructure and Impact Office. The Dulles software is 100% web-based full lifecycle grants management systems with a suite of products that is intended to replace the Department's current manual grant tracking system and streamline business processes. The go-live date for Dulles software is September 15, 2018.

The Department has also signed a contract with Kelmar, a software company providing specialized services and solutions to assist governments with the management and administration of unclaimed property programs. With substantial knowledge of state governments, system tools, and process workflows, Kelmar has been helping unclaimed property departments across the United States since 2001. By dedicating their organization exclusively to matters of unclaimed property, they maintain the necessary subject matter expertise and reliability to serve as a partner in unclaimed property resources, and offer the next step in unclaimed property management. Not only will the Department partner with them on software, we will draw on their unclaimed property experience to; increase the amount of unclaimed property returned and reunited with rightful owners; reduce risk associated with administering unclaimed property program operations; implement efficiencies and best practices to manage unclaimed property in safekeeping, and; achieve program goals using dedicated and cost effective unclaimed property resources. The go-live date for Kelmar has not been set but is anticipated in the first quarter of 2019.

For the Land Management and Accounting software, the Department is currently working with Major Oak Consulting (Verint) to:

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

A final report from Major Oak will be available end of August 2018. The Information Technology System Replacement Steering Committee will base the new RFP off of the final report. It is anticipated the new RFP will be released in October 2018.

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

**SUMMARY OF TOTAL ASSETS
(Unaudited)**

For period ended April 30, 2018



Board of University and School Lands				
Summary of Total Assets				
Assets by Trust:	<u>April 30, 2018</u>		<u>April 30, 2017</u>	
Common Schools	\$	4,252,070,632	\$	3,842,917,794
North Dakota State University		68,700,670		62,427,588
School for the Blind		11,174,491		9,899,795
School for the Deaf		21,050,727		19,822,387
State Hospital		14,544,575		13,695,780
Ellendale *		20,430,940		18,124,874
Valley City State University		12,278,714		11,002,776
Mayville State University		7,543,128		6,993,586
Youth Correctional Center		22,439,411		19,952,215
State College of Science		16,763,811		15,659,272
School of Mines **		20,235,928		18,191,937
Veterans Home		5,377,989		5,074,418
University of North Dakota		31,910,233		28,716,343
Capitol Building Fund		4,007,239		5,970,390
Strategic Investment and Improvements Fund		304,057,438		346,467,717
Coal Development		70,332,964		69,551,353
Indian Cultural Education		1,270,599		1,209,087
Total	\$	<u>4,884,189,489</u>	\$	<u>4,495,677,312</u>
Assets by Type:				
Cash	\$	31,418,411	\$	22,571,365
Receivables		13,468,613		11,296,804
Investments		4,755,344,293		4,320,576,303
Office Building (Net of Depreciation)		499,036		559,214
Farm Loans		7,149,877		7,703,459
Energy Construction Loans		1,044,998		1,224,065
Coal Development Impact Loans		12,089,265		12,767,529
School Construction Loans		47,391,757		47,578,562
Due From/Due To Other Trusts and Agencies		15,783,239		71,400,011
Total	\$	<u>4,884,189,489</u>	\$	<u>4,495,677,312</u>

*** Ellendale Trust**

The following entities are equal beneficiaries of the Ellendale Trust:

Dickinson State University	School for the Blind
Minot State University	Veterans Home
Dakota College at Bottineau	State Hospital
	State College of Science - Wahpeton

**** School of Mines**

Benefits of the original grant to the School of Mines are distributed to the University of North Dakota.

Strategic Investment and Improvements

As of April 30, 2018, the SIIF had a fund balance of \$304,057,438. The fund balance is made up of two parts. The assigned fund balance is that portion of the fund that has either been set aside until potential title disputes related to certain riverbed leases have been resolved, dedicated to various loan programs established by the legislature, or appropriated to be spent during the 2017-19 biennium. The unassigned fund balance is the portion of the fund that is unencumbered, and is thus available to be spent or dedicate to other programs as the legislature deems appropriate. The unassigned balance of the fund was (\$70,580,493) on April 30, 2018.

MEMORANDUM TO THE BOARD OF UNIVERSITY AND SCHOOL LANDS

(July 25, 2018)

RE: Report of Easements Issued by Land Commissioner

(6/19/18 to 7/3/18): No Action Requested

Granted to: **WILLIAMS COUNTY HWY DEPT, WILLISTON-ND**
For the Purpose of: Easement: Road Right-of-Way
Right-of-Way Number: RW0008252
Date Issued: 6/19/2018
Application Fee: \$100.00
Right-of-way Income: \$1,334.50
Damage Payment to Lessee: N/A
Trust: A
Length (Rods): 0.0
Area (Acres): 1.57
Legal Description: WIL-155-96-16-RW0008252

Granted to: **XTO ENERGY INC, SPRING-TX**
For the Purpose of: On-lease Act. Amend: Horizontal Oil Well
Right-of-Way Number: RW0008300
Date Issued: 6/26/2018
Application Fee: N/A
Right-of-way Income: N/A
Damage Payment to Lessee: N/A
Trust: A
Length (Rods): 0.0
Area (Acres): 0.0
Legal Description: MCK-149-96-36-RW0008300

Granted to: **EQUINOR PIPELINES LLC, AUSTIN-TX**
For the Purpose of: Easement: Salt Water Pipeline
Right-of-Way Number: RW0008259
Date Issued: 6/27/2018
Application Fee: \$100.00
Right-of-way Income: \$6,000.00
Damage Payment to Lessee: \$26.55
Trust: A
Length (Rods): 29.5
Area (Acres): 0.37
Legal Description: WIL-154-100-16-RW0008259

Granted to: **BNN NORTH DAKOTA LLC, LAKEWOOD-CO**
For the Purpose of: Easement: Drop Line-Pipeline & Communication Cable
Right-of-Way Number: RW0008238
Date Issued: 6/28/2018
Application Fee: \$150.00
Right-of-way Income: \$19,440.00
Damage Payment to Lessee: N/A
Trust: A
Length (Rods): 64.80
Area (Acres): 0.74
Legal Description: MCK-150-98-36-RW0008238

Granted to: **ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT**
For the Purpose of: Easement-Amend: Gas Gathering Pipeline
Right-of-Way Number: RW0008232
Date Issued: 7/3/2018
Application Fee: \$100.00
Right-of-way Income: \$3,000.00
Damage Payment to Lessee: \$9.90
Trust: A
Length (Rods): 9.90
Area (Acres): 0.01
Legal Description: MCK-153-98-36-RW0008232

Granted to: **ONEOK ROCKIES MIDSTREAM LLC, SIDNEY-MT**
For the Purpose of: Easement: Easement Release
Right-of-Way Number: RW0008240
Date Issued: 7/3/2018
Application Fee: N/A
Right-of-way Income: N/A
Damage Payment to Lessee: N/A
Trust: A
Length (Rods): N/A
Area (Acres): N/A
Legal Description: MCK-153-98-36-RW0008240

Granted to: **WHITING OIL AND GAS CORPORATION, DENVER-CO**
For the Purpose of: Easement: Easement Release
Right-of-Way Number: RW0008312
Date Issued: 6/29/2018
Application Fee: N/A
Right-of-way Income: N/A
Damage Payment to Lessee: N/A
Trust: A
Length (Rods): N/A
Area (Acres): N/A
Legal Description: BIL-140-100-16-RW0008312

Granted to: **BOE MIDSTREAM, DENVER-CO**
For the Purpose of: Easement: Easement Release
Right-of-Way Number: RW0008314
Date Issued: 6/20/2018
Application Fee: N/A
Right-of-way Income: N/A
Damage Payment to Lessee: N/A
Trust: A
Length (Rods): N/A
Area (Acres): N/A
Legal Description: DUN-148-96-16-RW0008314

The following letters of permission were issued to groups wishing to use school trust lands under the Board's policy for access to trust lands by organizations. Fees may be charged for this use.

Granted to:	SELECT ENERGY SERVICES LLC, WILLISTON-ND
For the Purpose of:	Letter of Permission: Temporary Water Layflat Line
Right-of-Way Number:	RW0008310
Date Issued:	6/21/2018
Application Fee:	\$100.00
Right-of-way Income:	\$4,390.00
Damage Payment to Lessee:	N/A
Trust:	A
Length (Rods):	266.05
Area (Acres):	0.0
Legal Description:	WIL-153-100-36-RW0008310

Granted to:	USDA-NRCS, DICKINSON-ND
For the Purpose of:	Letter of Permission: Access to School Land
Right-of-Way Number:	RW0008315
Date Issued:	7/2/2018
Application Fee:	N/A
Right-of-way Income:	N/A
Damage Payment to Lessee:	N/A
Trust:	A
Length (Rods):	N/A
Area (Acres):	N/A
Legal Description:	BIL-138-102-16-RW0008315