

**Minutes of the Meeting of the
Board of University and School Lands
September 29, 2023**

The September 29, 2023, meeting of the Board of University and School Lands was called to order at 9:08 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
Elvedina Papalichev	Paralegal
Peggy Gudvangen	Finance Director
Adam Otteson	Revenue Compliance Division Director
Joseph Stegmiller	Surface Director
Lynn Spencer	Minerals Title Specialist
Jessica Sanchez	Minerals Management Officer
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

Guests in Attendance:

Ryan Norrell	Office of the Governor
John Reiten	Office of the Governor
Joel Brown	Mineral Tracker
Jennifer Sandberg	RVK
Josh Kevan	RVK
Geoff Simon	Western Dakota Energy Association
Kevin Balaod	WithIntelligence
Stacey Maman	Monarch Alternative Capital
Chris Santana	Monarch Alternative Capital
Chris Halvorson	Sovereign Wealth Fund Collaboration State of Idaho
C. Rajala	
Dan Larson	

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 1, 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

- One more oil royalties deductions settlement achieved with major North Dakota operator; this is the second since Newfield gas case finalized
- Commissioner Performance & Compensation Committee – Governor Burgum has appointed Treasurer Beadle as Chair so the Committee can now begin its work.
- Our team has been very involved over the past several months helping to provide coordinated statewide agency responses to numerous new proposed federal rules (oil & gas, environmental, land management plans, etc.)
- Eide Bailly was on-site Sept. 11 – 22, 2023, conducting our annual financial audit
- September 8 – attended State Investment Board - Investment Committee meeting as a voting member
- September 11 – Chaired State Investment Board - Securities Litigation Committee meeting
- September 12-14 – CIO Frank Mihail and I attended Western Sovereign Funds collaboration meetings in Santa Fe, New Mexico (Alaska, Montana, Idaho, New Mexico, Wyoming)
- September 21 – Gave annual investments performance / fees presentation to Legislative Management's Budget Section at State Capitol
- September 22 - attended full State Investment Board meeting as a voting member
- September 28 – CIO Frank Mihail and I attended the second meeting of the investments working group for the legislative ESG study

HR Update

- All positions filled with new Investment Officer starting October 1, 2023

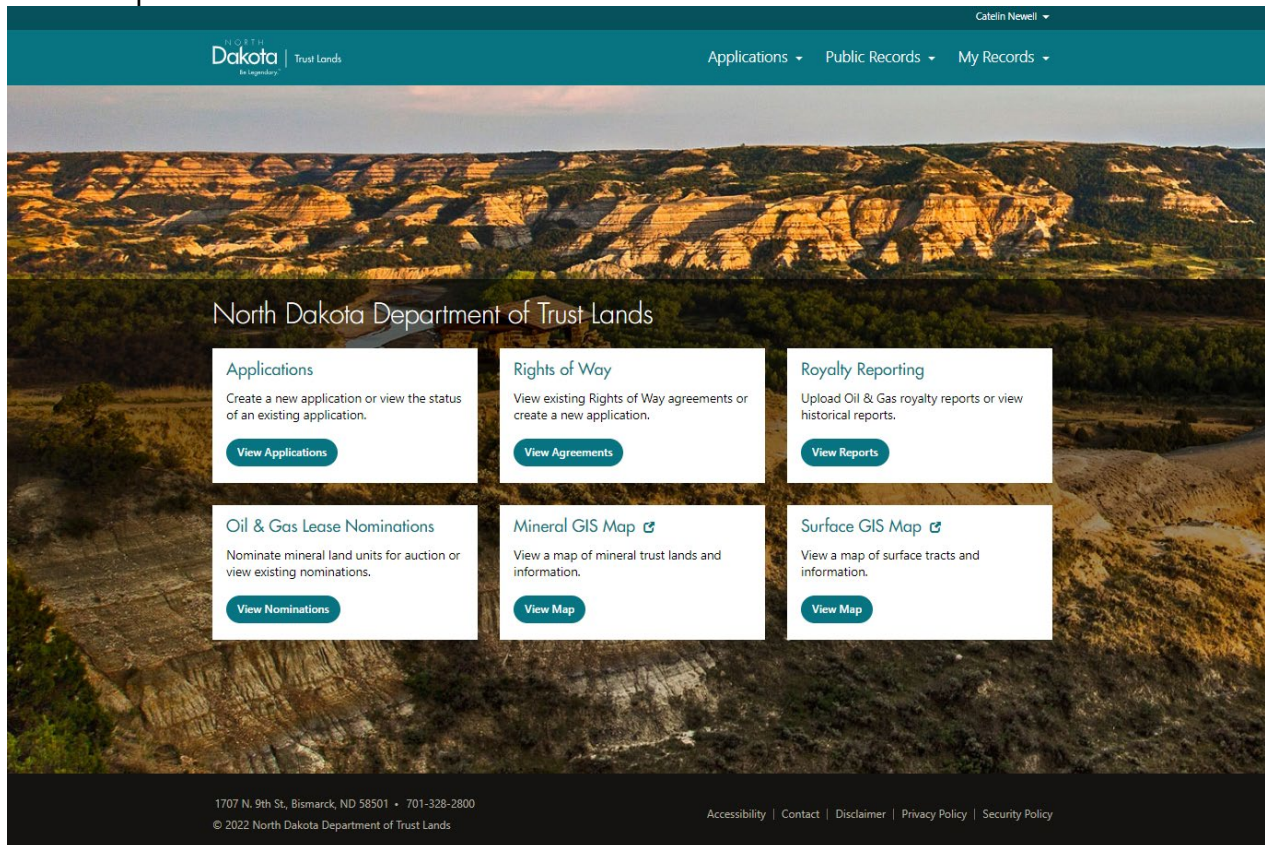
M I N E R A L S P R O J E C T S

Mineral Tracker Annual Valuation Presentation was presented to the Board and is available at the Department upon request.

Through the collaborative efforts of Department staff, internal and external IT staff, and royalty reporting operators, the Revenue Compliance Division has hit a pilot project milestone with all operators now processing their monthly royalty reports through the Department's customer portal.

The Department is continuing to customize and further develop the customer portal to include all application types as well as the availability of public records, thanks in part to legislatively granted funding for IT projects this biennium.

Looking to the future of how stakeholders do business with the state, the Department's portal login utilizes the North Dakota login managed by the North Dakota Information Technology Department. North Dakota login allows customers to utilize one username and password to log into our customer portal and other State of North Dakota websites.



North Dakota Department of Trust Lands Portal Home Page

OTHER PROJECTS

Administrative Rules Hearing and Public Comment

- On July 27, 2023, the Board authorized the Commissioner to proceed with review of the proposed Administrative Rules, including formal review by the Office of Attorney General, preparation for public hearings, collection of comments, and submittal to Legislative Council.
- Public Hearing held at State Capitol on August 29, 2023.

(09/29/23)

- Received one verbal comment at the hearing requesting that sales of Trust Lands that are leased for surface use be sold only after the existing 5-year lease has expired.
- One Written Comment
 - Generally in support of all proposed revisions.
 - Felt 30 days insufficient amount of time to cure lease default.
 - Cautioned against elimination of newspaper publication of intent to cancel oil & gas lease after notice via certified mail returned undeliverable.
 - Supported changes regarding shut-in of oil and gas wells, but questioned whether new language is necessary because the lease already covers gas shut-ins.
 - Expressed concern about online minerals auction vendor service fee.
- Next Steps
 - Review by the Office of Attorney General.
 - 2nd Reading and Board Final Approval at October Board Meeting.
 - Submittal to Legislative Council by November 1st.

Recommendation: No revisions to the rules as a result of public comment are recommended at this time.

A summary of comments on the Administrative Rules were presented to the Board and are available at the Department upon request.

I N V E S T M E N T S

Investment Updates

Q4 Pipeline

Absolute Return: multi-strategy hedge fund recommendation

Public Equity: international equity 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

Total Unfunded Commitments Remaining \$447.8M (as of August 31, 2023):

1. Private Credit, \$77M
 - i. Ares Pathfinder Fund, \$32M
 - ii. Owl Rock Diversified Lending, \$45M
2. Private Equity, \$212M
 - i. GCM Grosvenor Private Equity, \$94M
 - ii. GCM Grosvenor Secondary Opportunities Fund III, \$106.5M
 - iii. Morgan Stanley Ashbridge TS Fund II, \$11.5M
3. Private Infrastructure, \$8.3M

i. Hamilton Lane Infrastructure Opportunities Fund, \$8.3M4. Absolute Return, \$150M
Millennium USA LP (Hedge Fund), \$150M**Current Asset Allocation (unaudited)**

As of August 31, 2023	Market Value \$	Actual	Target	Lower Range	Upper Range
		●	□	└	┘
Equity	2,480,361,847	38.3%	38.0%	28.0%	48.0%
Broad US Equity	1,174,160,293	18.2%	15.0%	12.0%	18.0%
Broad Int'l Equity	1,196,064,599	18.5%	15.0%	12.0%	18.0%
Private Equity	110,136,955	1.7%	8.0%	0.0%	12.0%
Fixed Income	1,895,558,383	29.3%	30.0%	20.0%	40.0%
Public Credit	968,613,451	15.0%	15.0%	10.0%	20.0%
Private Credit	926,944,932	14.3%	20.0%	10.0%	25.0%
Cash / (Implied Leverage)	-	0.0%	-5.0%	-10.0%	5.0%
Absolute Return	874,994,648	13.5%	15.0%	10.0%	20.0%
Global Tactical Asset Allocation	309,828,276	4.8%	0.0%	0.0%	0.0%
Multi-Strategy Hedge Fund	565,166,372	8.7%	15.0%	10.0%	20.0%
Real Assets	1,217,029,643	18.8%	17.0%	8.0%	26.0%
Real Estate	889,985,086	13.8%	10.0%	5.0%	15.0%
Private Infrastructure	327,044,557	5.1%	7.0%	0.0%	11.0%
Opportunistic Investments	-	0.0%	0.0%	0.0%	5.0%
Portfolio Total	6,467,944,521	100.0%			

Hypothetical Asset Allocation (after funding all commitments)

As of August 31, 2023	Market Value \$	Actual	Target	Lower Range	Upper Range
		●	□	└	┘
Equity	2,480,361,847	38.3%	38.0%	28.0%	48.0%
Broad US Equity	1,080,160,293	16.7%	15.0%	12.0%	18.0%
Broad Int'l Equity	1,078,064,599	16.7%	15.0%	12.0%	18.0%
Private Equity	322,136,955	5.0%	8.0%	0.0%	12.0%
Fixed Income	1,895,558,383	29.3%	30.0%	20.0%	40.0%
Public Credit	891,613,451	13.8%	15.0%	10.0%	20.0%
Private Credit	1,003,944,932	15.5%	20.0%	10.0%	25.0%
Cash / (Implied Leverage)	-	0.0%	-5.0%	-10.0%	5.0%
Absolute Return	874,994,648	13.5%	15.0%	10.0%	20.0%
Global Tactical Asset Allocation	159,828,276	2.5%	0.0%	0.0%	0.0%
Multi-Strategy Hedge Fund	715,166,372	11.1%	15.0%	10.0%	20.0%
Real Assets	1,217,029,643	18.8%	17.0%	8.0%	26.0%
Real Estate	881,685,086	13.6%	10.0%	5.0%	15.0%
Private Infrastructure	335,344,557	5.2%	7.0%	0.0%	11.0%
Opportunistic Investments	-	0.0%	0.0%	0.0%	5.0%
Portfolio Total	6,467,944,521	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.

(09/29/23)

BFY 2023 Performance Report

RVK BFY 2023 Performance Report was presented to the Board and is available at the Department upon request.

Private Credit – Distressed Credit

The current private credit allocation sits at 14.3%, which represents a \$360M underweight to the 20% long term Strategic Asset Allocation target. The goal of this proposal is to increase the private credit commitment and take advantage of the opportunistic macroeconomic shift.

Staff recommends allocating to distressed credit within the private credit portfolio. Distressed credit is an opportunistic credit strategy that looks for discounted entry points on assets that are expected to recover. Distressed investment managers must have specialized skills in managing complex legal processes to lead good businesses with bad balance sheets through a bankruptcy/restructuring process.

The current macroeconomic environment sets the backdrop for what is expected to be one of the best distressed investing environments in the last 15 years. With interest rates rising at the fastest pace in 40 years, a debt maturity wall is forming as many businesses are forced to refinance at higher rates. Higher interest expenses combined with rising material and labor costs are expected to squeeze profit margins and lead to defaults. This creates opportunities for investors who understand the bankruptcy/restructuring process.

Staff and RVK recommend a commitment to Monarch Capital Partners (MCP VI). Monarch was founded in 2002 by former Lazard distressed debt team members Michael Weinstock, Andrew Herenstein and Chris Santana. Monarch has grown to a 97-person team, deployed \$58B and currently manages \$11B in commitments. The MCP VI strategy is distress for control with a focus on corporate credit in developed markets (North America and Europe).

MCP VI is targeting a \$3.5B fundraise with a 4-year investment period and 7-year fund life. The fund is currently 25% deployed, therefore a \$30M capital call is expected shortly after close.

Motion: The Board approve \$120M commitment to Monarch Capital Partners VI, 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 Executive Summary and Monarch Presentation were presented to the Board and are available at the Department upon request.

DIVISION REPORTS

SURFACE

SURFACE DIVISION



Encumbrances issued by Commissioner during August 2023:
29 Right of Way Agreements generating \$290,728 in income for the Trusts.

Southwest North Dakota Fossil Dig Site Field Day (September 2023)
Bowman County, Fossilized Turtle Shells
Photos Credit: Kayla Spangelo

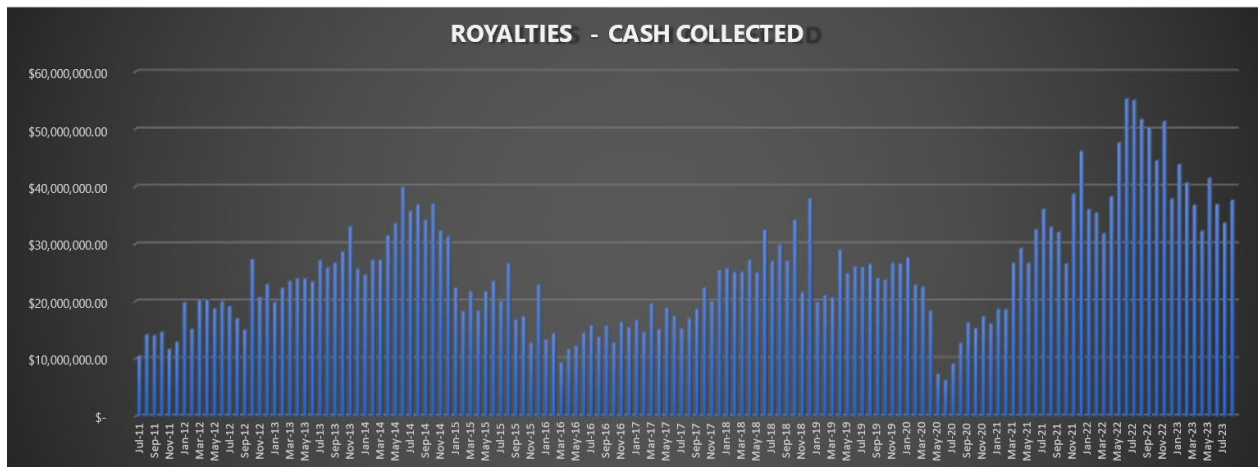


MINERALS

MINERALS DIVISION FISCAL YTD O/G ROYALTIES



As of August 2023, for fiscal year 2023-24 the Department has received **\$71,270,581** in royalties as compared to **\$106,744,027** last fiscal year at this time. Rebounding slightly with the recent increase in the price of oil, the Department collected nearly \$6 million more in royalties in August over July of this year.



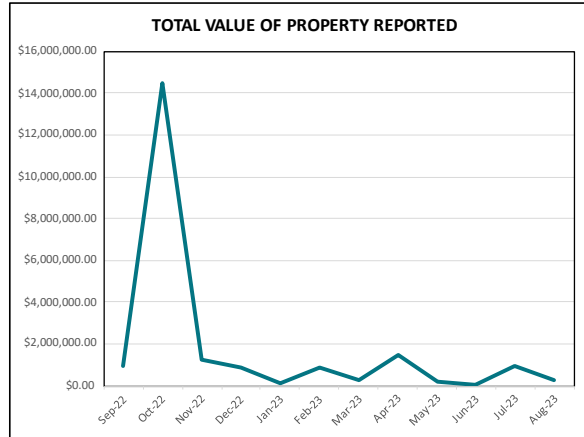
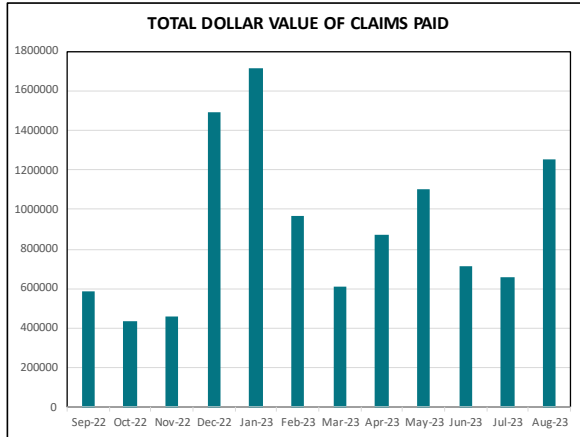
UNCLAIMED PROPERTY

UNCLAIMED PROPERTY DIVISION

<https://unclaimedproperty.nd.gov>



For the month of August 2023, the Division paid 508 claims with \$1,250,432.95 returned to rightful owners/heirs. It also received 160 holder reports with a dollar value of \$264,817.



UNCLAIMED PROPERTY DIVISION

<https://unclaimedproperty.nd.gov>





Executive Estimate of Board Assets

EXECUTIVE ESTIMATE OF ASSETS
NORTH DAKOTA DEPARTMENT OF TRUST LANDS
As of August 31, 2023

	8/31/2023 Value	MOM\$ 7/31/2023 Value	MOM% Change	YOY\$ 8/31/2022 Value	YOY% Change
Cash	446,460,070	864,002,526		403,227,509	
Investments ^[1]	7,407,662,187	7,483,235,889		6,586,157,072	
Tax Receivables ^[2]	-	-		111,720,730	
Loans ^[3]	37,852,402	37,876,494		40,115,716	
Receivables ^[4]	9,396,582	7,755,851		6,089,238	
Sub-Total Net Assets	\$7,901,371,241	8,392,870,761	-5.86%	\$7,147,310,265	10.55%
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		-	
Total Net Assets	\$11,233,944,058	\$11,725,443,578	-4.19%	\$10,471,879,481	7.28%

[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.

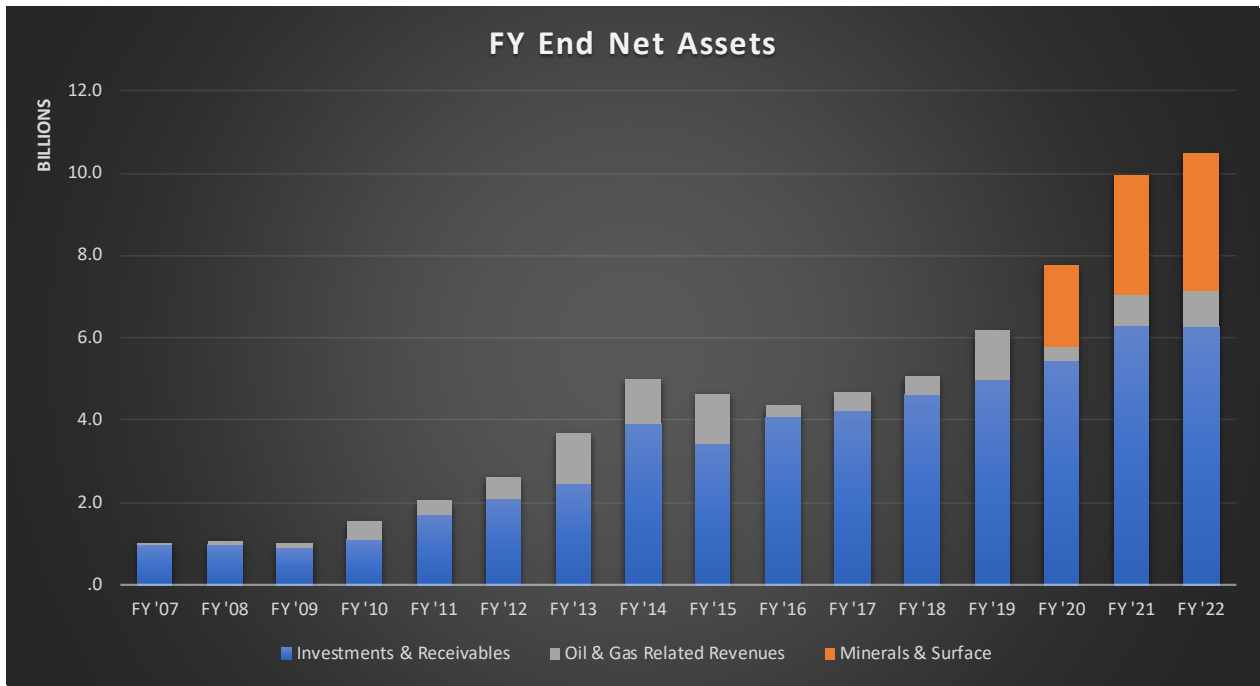
[3] Various loan programs funded with trust assets.

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

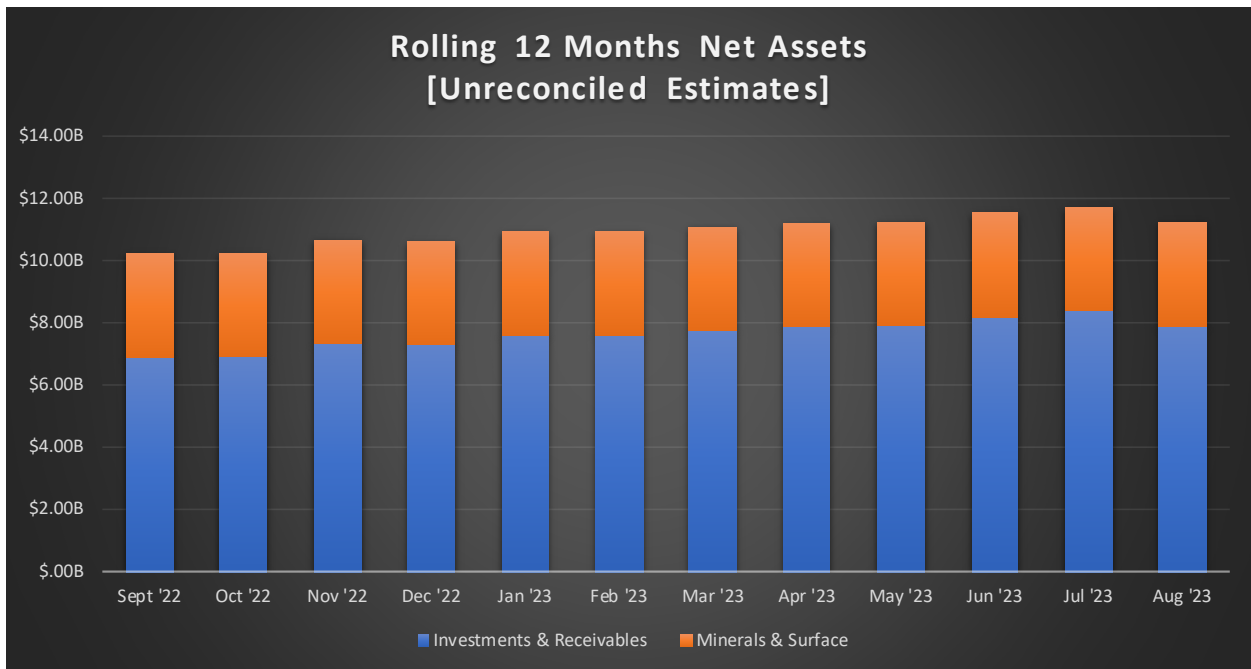
[5] Valued annually via contract with Mineral Tracker. Valuation as of December 31, 2021.

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

[7] Updated 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] 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

LITIGATION

Litigation Update

- 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; on September 12, 2023, Plaintiffs requested a rehearing in front of the full 8th Circuit Court; awaiting court response
- 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 1, 2023.
- 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.
- 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 October
- Leland/Whiting (OHWM river island ownership) – Watford City trial September 12-16, 2022; currently in post-trial briefing stage
- 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.

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:

- **Oil Royalty Settlements**

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		

The Board entered into executive session at 11:36 AM.

(09/29/23)

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
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Chris Suelzle	Minerals Director
Lynn Spencer	Minerals Title Specialist
Jessica Sanchez	Minerals Management Officer
Amanda Parent Dufour	Minerals Management Officer
Adam Otteson	Revenue Compliance Director
Elvedina Papalichev	Paralegal
James Wald	Legal Council

Guests in Attendance:

Ryan Norrell	Office of the Governor
John Reiten	Office of the Governor

The executive session adjourned at 11:52 AM and the Board returned to the open session meeting to rejoin the public. During executive session, the Board reviewed confidential records and discussed negotiating strategy regarding oil royalty settlements. 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 11:52 AM.

Doug Burgum, Chairman
Board of University and School Lands

Joseph Heringer, Secretary
Board of University and School Lands