

NORTH DAKOTA NATURAL RESOURCES TRUST
BOARD OF DIRECTORS MEETING – January 9, 2019
LaQuinta Inn & Suites
2240 N 12th St – Bismarck ND 58501

The North Dakota Natural Resources Trust (Trust) Board of Directors meeting was held Wednesday, January 9, 2019, at the LaQuinta Inn & Suites conference room. Attending the meeting were Directors Randy Renner, Jerry Doan, Marshall Johnson, Vawnita Best, and Duane Hauck, Chair; ex-officio representative Scott Peterson was also present. Trust employees, Keith Trego, Terry Allbee, Jesse Beckers, Rick Warhurst, and Kathy Kirschman. John Hagan and Anthony DiOstilio from SEI were present for the morning session to present to the Board. Damien Reinhart from the Bureau of Reclamation was also present.

9:08am

Chairman Hauck called the meeting to order and asked for any announcements or changes to the agenda. He requested that the “New Business” items requiring Board action be moved to after lunch due to a service he needed to return to Fargo early to attend. He then called for a motion to approve the agenda. Randy moved and Vawnita seconded **“to approve the agenda.”** Motion carried. Minutes were available for review from the August 2018 meeting. Jerry moved and Randy seconded **“to approve the August 2018 meeting minutes.”** Motion carried.

The subject of Election of Officers was introduced. Currently the elections have taken place at the spring Board meeting and a review of the organizational documents revealed that the election should take place “at the first meeting of the calendar year”. Given the need for discussion Marshall moved and Jerry seconded **“to table the discussion until the spring meeting and make a decision.”** Motion carried.

Keith introduced the newest Governor’s appointment to the Board, Vawnita Best. Vawnita gave a brief bio on herself and her family’s operation in the Watford City area. She brings a great new and western ND perspective to the Board having been involved in the McKenzie County Commission and now for the City of Watford City. Keith went on to summarize the Board Orientation meeting the Trust staff, Duane and Vawnita attended the day before the full Board meeting.

John Hagan presented SEI’s analysis to actual from 2018 and a brief summary of the Trust’s portfolio and returns. There has been a reasonable performance in spite market volatility in the 4th quarter. Anthony DiOstilio gave an updated asset allocation study, which the last one was done in 2016. Culminating result was recommended to stay as we are currently invested. A more conservative allocation might yield to reduced asset value, more aggressive could hinder the needed cash flow.

Terry presented the budget to actual from 2018, noting that out of the near \$3 million actually spent, that \$1.6 million went direct to landowners through various OHF and partners program mechanisms. He moved on to the budget for 2019 provided, noting an impressive capital gains sum—the best the Trust has ever had to work with, resulting in the 2019 estimates being the highest that the Trust has offered. Randy requested a motion, which Duane moved and Marshall seconded **“to approve the 2019 budget.”** Motion carried.

Kathy reviewed the outstanding Small Grant Program recipients and the grant status. As part of the 2019 budget, the funding for the Small Grants program was approved to \$75,000—which \$14,500 was already dedicated in the approvals at the May 2018 meeting (\$9,500 to the Jr Duck Stamp Program and \$5,000 to DU’s Wetland Importance Education), leaving \$60,500 to be awarded in the 2019 round. The program documents have been revised and posted on the Board page for their review,

including a promotional flyer. Kathy does outreach to various groups, colleges, and organizations to prompt applications. Deadline for 2019 submissions will be March 29th and applicants for 2019 Small Grant funding will be reviewed for approval at the spring board meeting.

Keith provided information about the Spending Policy that was adopted in 2006 and is no longer representative of the Trust's activities. Randy and Duane expressed that it would be a good policy to update for continuity as the Board or staff might change. It was agreed that the staff would bring an updated version to the next Board meeting for review and approval.

Keith discussed the options to changes to the Trust's insurance coverages. The options included premium rates to increase the Directors & Officers (D&O) coverage from the existing \$1 million to \$2 or \$3 million. Also coverage for a rental car for field use under Hired Auto and an Umbrella policy that would cover the Trust's activities and material goods, with the premium options of \$1 or \$2 million in coverage. After discussion, Marshall moved and Randy seconded to **"elect the Hired Auto coverage and increasing the D&O, adding the umbrella at the \$2 million level"**. Motion carried.

Terry and Keith opened the topic of changing the fiscal year. Currently it is a calendar year and is not set for that in any of the organizational documents, other than the Directors Manual. Terry reviewed the income history, that the bulk of the Trust's income is transferred in December (in the case of 2018, it was 75%) and it might make the budget development easier to have more time to work with the dollars available. Along with that, Keith optioned meeting two times per year instead of three, which was met with some concern about loss of engagement of Board members. More discussion was had about the fiscal year change the request was made to come to the next Board meeting with a recommendation from the staff on potential changes and where they should be documented.

Rick presented background and history on NAWCA and gave some statistics about dollars that have been processed through the program in addition to dollars that have come to North Dakota. Questions were asked about the rate of applications from ND and the impacts of those dollars on the landscape here.

12 noon – Break for lunch. Reconvened at 12:50pm.

Keith reviewed the highpoints of AFWA's summary of the new Farm Bill. Couple points of note were that the Sod-saver requires USDA to report annually on the number of acres of grassland converted to cropland. Second was that the rolling 3-year average on land values has been eliminated.

Jerry provided an update on the ND Grazing Lands Coalition and Clearwater Communications involvement. Off to a bit of a bumpy start served both sides well and things are going well now. The cooperative agreement dollars provided by the partners to shore up NDGLC activities have helped tremendously. They are looking at bringing on a couple of part-time field positions to transition organization handling back to the group, rather than outsourcing, but that's a little way down the road. Overall, things are progressing well.

Jesse gave an update on energy work, primarily on conversations surrounding the Bakken Development and Working Lands Program (BDWLP) that was awarded an Outdoor Heritage Fund (OHF) grant earlier in 2018 and program roll-out should be further underway at the end of January with a webcast to area Soil Conservation District staff and other involved parties. Also spoke regarding conversations with the Dept of Health on potential addition funds dedicated to reclamation sites. Jerry spoke a bit about wind energy in light of the recent decision by the Burleigh County Commission to deny PNE the permit on the Burley Wind Farm southeast of Bismarck. He commented that there's a

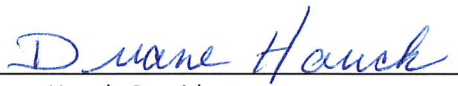
momentum to changing the conversation about wind energy and its impacts that needs to keep growing—called to action for conservation groups and interested parties to keep it moving.

Rick, Terry and Keith offered statistics about the Trust’s applications to the OHF process throughout all 13 rounds—successes and failures. Spotlighted Round 13 for the total applied for and total awarded, which was positive. They also discussed a couple of governance issues with the OHF Advisory Board. Discussions have been going on to modify the OHF language to potentially add representation from the Tribal communities as well as NDGLC for another ag perspective. In addition there are other language adjustments that are being looked at from the originating membership when OHF was first developed. There are a couple of bills circulating in the current legislative session, so this subject will continue to be active.

Next board meeting was suggested for April—exact date and location to be determined, Kathy will send out a poll to narrow the date. Marshall made the motion **“to adjourn the meeting”**, Randy seconded—motion carried.

Submitted by 
Keith Trego, Executive Director

Dated 4/4/19

Approved by 
Duane Hauck, President

Dated 4-4-2019