

NORTH DAKOTA NATURAL RESOURCES TRUST
Board Meeting
Bismarck, North Dakota
December 14-15, 2005

The fall meeting of the North Dakota Natural Resources Trust Board of Directors started at 8:30 a.m., Wednesday, December 14, at the Doublewood Inn, Bismarck, North Dakota. Directors present were Bruce Adams, Dick Kroger, Duane Liffbrig, Jack Olin, Scott Peterson, Genevieve Thompson, and Dean Hildebrand. Trust employees attending were Merle Bennett, Sharon Clancy (Wednesday morning), Arnie Kruse, Keith Trego, Terry Allbee, and Linda Roeder. Merri Meridian, Garrison Diversion Conservancy District; Julie Prescott, State Water Commission; Scott Hettinger, Bureau of Reclamation; Terry Steinwand, ND Game and Fish Department; Dale Tinjum, Association of Soil Conservation Districts; and Dale Frink, State Water Commission, were also present.

Wednesday, December 14, 2005

Dick Kroger called the meeting to order at 8:30 a.m. and announced there would be a grant proposal from Sullys Hill National Game Reserve added to the agenda. Dick called for a motion to approve the agenda if there weren't any other additions or changes. Bruce Adams moved and Scott Peterson seconded **"to approve the agenda."** A voice vote was called and the motion carried 5-0. (Genevieve Thompson was absent.) Jack Olin moved and Bruce Adams seconded **"to approve the minutes of the July 2005 board meeting."** A voice vote was called and the motion carried 5-0. (Genevieve Thompson was absent.)

Recommendations/Special Reports

Terry Allbee reported on the Beginning Farmer program. Terry presented a summary of the program's accomplishments up to 2004. Three contracts were signed in 2005. A total of eight producers were involved with this program. Grassland leases were signed on approximately 7,000 acres. Sixty-three (63) acres were re-seeded. The Trust cost-shared in 86,940 feet of cross and boundary fences. Eight wetland basins and 28 acres of wetland habitat were restored. We coordinated with the ND Game and Fish Department's Beginning Farmer PLOTS program for 2,480 acres of the 7,000 acres in 20- to 30-year agreements. All of the producers have a form of rotational grazing on their property and the majority of them have a NEPA contract with the US Department of Agriculture.

Terry continued with the Midterm Conservation Easement program report. This was a demonstration project to sign up to 12 producers in the program. Ten producers inquired about the program, but only four actually signed up. 7,212 acres of native and wetland habitat were placed anywhere from a 30- to 50-year easement. Terry is currently working with the producers to explore opportunities to transfer those to the US Fish and Wildlife Service for a perpetual option. There are no new funds allocated for this project in 2006.

Dick Kroger and Arnold Kruse gave some background information on the program. Dick requested a wrap-up report on this program and the Beginning Farmer program to summarize accomplishments, etc.

Terry also gave an update on the Kenner Marsh and Maple River property the Trust owns. In July, the Board discussed enrolling the properties into the WRP program. Two applications for both properties have been made. Ranking results will come out in February 2006. Discussion followed.

Arnold Kruse gave a summary report on the Whole Farm and Ranch program. There were a total number of 78 contracts signed, with three contracts cancelled. The average length of the program contracts was over 13 years. Seven contracts are partly completed/closed, and four contracts are still active. Four more contracts are completed but have not been paid, and 60 contracts have been completed and paid. The total acres for this program are over 36,733 with 32,483 upland acres, 18,400 native prairie acres, 3,023 seeded acres, 19,000 HEL acres, over 4,300 wetland acres, over 2,500 wetland basins, and 35 restored wetlands. The contracts have or will complete 167.5 miles of boundary fence, 55.56 miles of barbed cross fence, and 40 miles of electric fence. Stutsman County had the largest number of contracts at 14, with McIntosh County contracts at 13.

Arnold noted the program remains popular. He recommended the Trust may want to look into the expiring CRP contracts and partner with other groups within a short time period to come up with a program to help these people go into grazing systems instead of back to cropping those acres. Arnie suggested working with people who have converted CRP back into grazing systems. Discussion followed. Chairman Kroger asked Arnold to write a summary article on the Whole Farm and Ranch program that could lead into a partners program on CRP.

Arnold reported NDSU is interested in taking over the Trust biomass project after the first year. He also reviewed the budget. Discussion followed.

Sharon Clancy gave an update on the Conservation Agriculture program. A total of 689 final reports were distributed, as well as 200 press packets. Press stories have appeared in eight newsletters/newspapers, one radio program, and one web site. Additional press stories and journal articles are in process in eight other publications. The Conservation Agriculture Advisory Board and congressional aids will be meeting in December to discuss the future of the program. The Soil Conservation Committee, NDASCD president, and Representative Phil Mueller are meeting to initiate ND legislation to support Resource Analysis Teams for beginning farmers. It was suggested the Trust initiate the Resource Analysis Team concept for beginning farmers either through the Beginning Farmer program or through legislative efforts. Sharon thanked the Trust for the opportunity to work on the conservation agriculture project.

Dale Tinjum, Burke County farmer and board member of his local SCD board, spoke to the Trust after the Conservation Agriculture report was given. Dale is also a director on the Board of Directors for the ND Association of Soil Conservation Districts and represents North Dakota as a board member of the National Association of Soil Conservation Districts. He talked about the Conservation Agriculture program and spreading the word about the program, as well as working with the legislative process to initiate legislation at the national level. Discussion followed.

Dick Kroger and Keith Trego presented Sharon Clancy with a plaque of appreciation for all the work she did with the Conservation Agriculture Program and other projects during her years with the Trust. Sharon is retiring at the end of December.

Keith Trego updated the Board on the farm bill. While there isn't much happening at this point in time, discussions and meetings continue on the new farm bill and on issues of the current farm bill. He reviewed the guidelines for re-enrollment in the CRP program. Work will continue with conservation partners on programs that benefit the producers and compliment the farm bill. Discussion followed.

Keith updated the Board on the Missouri River Land Protection project. Two phases have been completed and work continues on Phase III. There is continued and growing interest among landowners that want to become involved in these programs, however, federal money is tight, as well as local dollars. The Phase I project received \$50,000 from the Trust and loaned the partnership \$120,000 so we could close in a timely manner, with the idea that would be paid off. The Trust signed an agreement with the ND Conservation Fund, and they took on the contractual obligation to repay that loan. The agreement expires at the end of the month, with a balance of \$44,000. The Conservation Fund would like to extend the agreement for another two years. An agreement has been signed for the Phase III project with the federal government. The '05 money has been secured and should close in March 2006. Discussion followed. Duane Liffbrig moved **“to extend the agreement with the ND Conservation Fund for two years.”** Jack Olin seconded the motion. A voice vote was taken. The motion carried 5-0. (Genevieve Thompson was absent.)

Merle Bennett reported on the Robert L. Morgan WMA. Work was not completed in 2005 due to the amount of rainfall. Plans are to turn the deed over to the game and fish department sometime this late summer/early fall.

All wetland and grassland restorations were completed on the Walhalla WRP project in October 2005. These lands will be transferred to the game and fish department and managed as a state wildlife management area for the people of North Dakota. Discussion followed.

Merle reported that some work continues on the confluence tract, and other landowners around this project are interested in selling their land. Discussion followed. The Sullivan tract is on schedule.

Dan Devlin discussed the markets, performance, reports and how they are calculated. The investment report was reviewed with the Board. This report is on file at the Trust office in Bismarck. In early spring, SEI recommended and implemented a slight modification to the overall allocation. Eighty-five percent of the total Trust investment is in fixed income, with 80 percent of that in intermediate bond structure and 20 percent moved into short-term bond structures to take advantage of the rising short-term interest rate. The result from that change was a total return of 4.5 percent. The fixed income return was 5.9 percent. Discussion on rate of return and how profit/loss is shown in the report followed. SEI recommended the Board consider changing the allocation from 15 percent equities/85 percent fixed to 40 percent equities/60 percent fixed at this time. Discussion continued.

Bruce Adams gave the Investment Committee report saying they had met with Dan Devlin earlier in the month and went through the same investment information. Bruce thanked Keith for getting the investment change in the Bureau of Reclamation/Trust agreement done. Bruce Adams moved and Duane Liffbrig seconded **“to accept the modification for the ND Natural Resources Trust with special emphasis placed on the investment policy to limit the exposure and risk of the federal contributions comprising the Trust funds. The Trust corpus must be maintained before any distributions are made to carry out the Trust purpose.”** A roll call vote was taken. The motion carried 6-0.

The Committee suggested the Trust should look for requests for proposals for investment advice because of the change in direction. Bruce Adams moved **“since the Trust is changing direction on its investment policies, it would be prudent to have input from several investment management professionals before any change is made. That the Trust would ask for requests for proposals for investment of received federal and state contributions; that this would be acted on at the spring meeting of the Trust.”** Duane Liffbrig seconded the motion. Discussion followed the motion. Genevieve Thompson recommended the Trust draft and adopt a spending policy. Keith Trego reviewed the time frame involved with the last request for proposals. He also suggested updating the investment policy because of the new investment flexibility, developing a spending policy while the Board was together, and look at a six- to eight-month time frame. Other points to consider were how to solicit for the request for proposals and developing a list of questions for the interview process. A roll call vote was taken. Bruce Adams - yes, Dick Kroger - yes, Duane Liffbrig - yes, Jack Olin - no, Scott Peterson - no, and Genevieve Thompson - no. Motion failed 3-3.

Jack Olin moved **“to change our investment direction to the 40/60 effective January 1.”** Scott Peterson seconded the motion. A roll call vote was taken. Duane Liffriig - no, Dick Kroger - yes, Bruce Adams - no, Jack Olin - yes, Genevieve Thompson - yes, and Scott Peterson - yes. Motion carried 4-2.

Bruce Adams moved and Duane Liffriig seconded **“to initiate the RFP process and have the ground work done to act on it at the spring meeting.”** Discussion followed the motion. A roll call vote was taken. Duane Liffriig - yes, Dick Kroger - yes, Bruce Adams - yes, Jack Olin - yes, Scott Peterson - yes, and Genevieve Thompson - no. Motion carried 5-1.

Terry Allbee presented the profit/loss report. The Bureau of Reclamation payment of \$307,000 for 2005 was received. There is one more payment left on the state match with a total of \$53,876. Mahlum and Goodhart will do the audit, and the report will be presented at the summer meeting.

The draft 2006 budget was reviewed. Conservation Agriculture was removed from the budget as completed in December 2005. EIP and EIP/ASAP were combined into one category for 2006. Biomass was added as a new project. Total existing grant liability for 2006 is \$98,020. This does not include any proposals that may be approved at this meeting.

Dick Kroger suggested the strategic plan should be updated in late 2006. It was decided to put the plan on the summer meeting agenda.

Scott Peterson moved **“to adjourn”** and Genevieve Thompson seconded. A voice vote was called and the motion carried 6-0. Dinner at the East 40 Chophouse and Tavern was hosted by SEI, Inc., in honor of retiring Trust staff, Sharon Clancy, Arnold Kruse, and Merle Bennett. Plaques of appreciation were presented to them for their dedication and service, as well as to outgoing ND Game and Fish Department Director Dean Hildebrand.

Thursday, December 15, 2005

Dick Kroger called the meeting to order at 8:00 a.m. Those present were Directors Bruce Adams, Dick Kroger, Duane Liffriig, Jack Olin, Scott Peterson, Genevieve Thompson, Dean Hildebrand, and Terry Steinwand. Also, present were Terry Allbee, Merle Bennett, Arnie Kruse, Keith Trego, and Linda Roeder. Merri Meridian, Garrison Diversion Conservancy District; Randy Hatzenbuhler, Theodore Roosevelt Medora Foundation; Joe Satrom, Ducks Unlimited; Joe Cichy, Trust attorney; Pamela Copenhaver, Wells County SCD; Ron Weiderholt, NDSU Ag Research Center, Carrington; and Bruce Smith, School of Aerospace Sciences, UND, were present.

New Business - Grant Proposals

Kevin Willis, US Fish and Wildlife Service, presented two proposals to the Board. He requested \$20,000 for the Chase Lake VII project and \$20,000 for the Devils Lake Drift Prairie IV project. Funding of these projects would be used to restore 150 prairie pothole wetlands on each project area. Matching funds for both projects would generate from the North American Wetland Conservation Act (NAWCA). Bruce Adams moved and Scott Peterson seconded **“to approve the Chase Lake and Devils Lake proposals as presented for the next two years.”** A roll call vote was taken. Genevieve Thompson - yes, Scott Peterson - yes, Jack Olin - yes, Duane Liffbrig - yes, Dick Kroger - yes, and Bruce Adams - yes. Motion carried 6-0.

Jackie Jacobson, US Fish and Wildlife Service - Audubon NWR, presented her project to the Board, requesting \$8,000 in funding for a youth outdoor education classroom adjacent to an outdoor wildlife learning site. Scott Peterson moved **“to fund as requested at the \$8,000 level.”** Jack Olin seconded. A roll call vote was taken. Scott Peterson - yes, Jack Olin - yes, Duane Liffbrig - yes, Dick Kroger - yes, Bruce Adams - yes, and Genevieve Thompson - yes. Motion carried 6-0.

Rebecca Phillips, University of North Dakota - School of Aerospace Sciences, presented her proposal to the Board. She requested a total of \$44,000 to develop a web-based product by December 2006 using landsat imagery with GIS, covering over 46,000 wetlands with potential enhancement recommendations based on remote sensing application technologies. Bruce Adams moved **“to investigate the website as a link to ours, with them doing all the updating, funding it at \$5,000 this year and \$5,000 next year.”** Genevieve Thompson seconded the motion. Discussion followed. Bruce Adams withdrew his motion. Genevieve Thompson agreed to withdraw her second. Genevieve Thompson moved and Bruce Adams seconded **“to support the Ag Wetland Landscape Conservation Enhancement Program at \$5,000 a year for two years with funds directed as possible to the elements of farmer outreach to increase awareness of potential use of the services.”** A roll call vote was taken. Duane Liffbrig - yes, Dick Kroger - yes, Bruce Adams - yes, Genevieve Thompson - yes, Scott Peterson - yes, and Jack Olin - yes. Motion carried 6-0.

Anne Ehni, Wells County SCD, presented an animal waste composting proposal that would provide producers the opportunity of treating manure as a beneficial crop nutrient. Anne's proposal request was for \$37,500 over a two-year period. Jack Olin moved **“to fund composting machine as recommended (\$10,000 over two years).”** Duane Liffbrig seconded. A roll call vote was taken. Duane Liffbrig - yes, Dick Kroger - yes, Bruce Adams - yes, Jack Olin - yes, Scott Peterson - yes, Genevieve Thompson - yes. Motion carried 6-0.

Sickler Property

Keith Trego talked about the Sickler property (200+ acres) within Theodore Roosevelt National Park. The Trust was asked to help facilitate acquisition of that property somehow to make certain it ends up in public ownership. The Board was asked for a decision to decide what direction the staff should take.

Joe Satrom briefed the Board on the background of this land. The land is owned by Norbert Sickler of Dickinson and lies adjacent to I-94 in the south unit of the Park. The original asking price was \$2,000/acre. The major issue of the property is access. The value of the tract depends on access. An appraisal was done and the land was valued at \$2,000/acre. The Sicklers have since increased their selling price to \$2,500/acre.

Randy Hatzenbuehler briefed the Board on the Theodore Roosevelt Medora Foundation interest in protecting that property. Randy met with Valerie Naylor of the National Park Service, who extended her appreciation to the Trust for their help.

Joe Satrom shared an email with the Trust Board from Randy Sickler, stating Norbert was willing to sell the property to the Trust for \$545,000. Randy Sickler also suggested they would be willing to take an option and continue working with the Trust. Discussion followed. Duane Liffrig moved and Jack Olin seconded a motion that **“the Trust invest \$10,000 as option money for acquisition of the Sickler property at a price of \$400,000 at 120 days option.”** Discussion continued. A roll call vote was taken. Bruce Adams - yes, Dick Kroger - yes, Duane Liffrig - yes, Jack Olin - yes, Scott Peterson - yes, and Genevieve Thompson - yes. Motion carried 6-0.

Grant Proposals (continued)

Paul Halko, Sullys Hill National Game Reserve/Devils Lake WMD, gave his presentation via conference call due to the weather. His project, Sullys Hill Regional Conservation Learning Center, requested \$25,000 for development of four displays with interactive touch pads to include grasslands habitat, wetlands habitat, best management practices agriculture, and a forest/riparian habitat display. Jack Olin moved and Bruce Adams seconded **“to go with the recommendation of \$5,000 each year for two years.”** A roll call vote was taken. Bruce Adams - yes, Dick Kroger - yes, Duane Liffrig - yes, Jack Olin - yes, Scott Peterson - yes, and Genevieve Thompson - yes. Motion carried 6-0.

Tony Boehm, Colfax, North Dakota, was unable to attend the Board meeting due to the bad weather. His proposal was handed out to the Board and his PowerPoint presentation was reviewed. The name of the project is the Abercrombie Natural Resource Learning Center. His request was for \$6,600 to implement an aesthetic and naturally compatible aggregate pathway which will provide a safe and challenge-free path to view the park. This is the last phase of the learning center that began in 2002. Scott Peterson moved **“that we fund it as proposed, \$6,600.”** Genevieve Thompson seconded. A roll call vote was called. Dick Kroger - yes, Bruce

Adams - yes, Duane Liffbrig - yes, Jack Olin - yes, Scott Peterson - yes, Genevieve Thompson - yes. Motion carried 6-0.

Scott Peterson moved **“to approve the budget as presented.”** Genevieve Thompson seconded. Discussion followed. A roll call vote was called. Dick Kroger - yes, Duane Liffbrig - yes, Jack Olin - yes, Scott Peterson - yes, Genevieve Thompson - yes, and Bruce Adams - yes. Motion carried 6-0.

2006 Board meeting dates were set for April 27-28, July 12-13, and December 14-15.

Action Items

- Investment Policy
- Investment RFP Proposal
- Initiate a “Keep it in Grass”
- Strategic Plan Update

Discussion followed on how the Board wanted to handle the RFP proposal process.

Genevieve Thompson moved **“to adjourn.”** Scott Peterson seconded the motion. A voice vote was called and the motion carried 6-0.

Submitted by /s/ Keith Trego
Keith Trego, Executive Director

Dated 4/27/2006

Approved by /s/ Richard Kroger
Richard Kroger, President

Dated April 27, 2006