

NORTH DAKOTA NATURAL RESOURCES TRUST
Board of Directors Meeting
ND Game and Fish Department
100 N. Bismarck Expressway
Bismarck, North Dakota
July 16, 2009

The North Dakota Natural Resources Trust (Trust) Board of Directors summer meeting started at 8:30 a.m., Thursday, July 16, at the ND Game and Fish Department, Bismarck, North Dakota. Attending the meeting were Directors Dick Kroger, Gary Melby, Duane Liffbrig, Scott Peterson, Jack Olin, and Genevieve Thompson. Roger Rostvet attended the meeting for Terry Steinwand, ex-officio member, North Dakota Game and Fish Department. Trust employees Keith Trego, Terry Allbee, Karen Kreil, and Linda Roeder were present. Also present were Merri Mooridian, Garrison Diversion Conservancy District; Joe Cichy, Trust attorney; and Basin Electric Power Cooperative employees Lyle Witham, Steve Tomac, and Ron Rebenitsch; Terry Ellsworth, Fish and Wildlife Service; and Dan Devlin and JP Cavaliere, SEI, Inc.

Thursday, July 16, 2009

Scott Peterson called the meeting to order at 8:30 a.m., and we took roll call. Scott asked for deletions/additions to the agenda and asked for a motion to approve the agenda. Duane Liffbrig moved **"to approve agenda"** and Dick Kroger seconded. A voice vote was taken and the motion carried 6-0. Scott then called for a motion **"to approve the minutes of the April 2009 meeting."** Genevieve Thompson moved and Jack Olin seconded. A voice vote was taken and the motion carried 6-0. Scott asked for a motion **"to approve the minutes of the May 2009 conference call."** Gary Melby so moved and Dick Kroger seconded. A voice vote was taken and the motion carried 6-0.

Keith Trego began the Basin Electric Cooperative Power (Basin) wind project discussion with some background to the project. Keith asked Steve Tomac, Lyle Witham, and Ron Rebenitsch, three Basin employees, to introduce themselves to the Board. Terry Ellsworth of the Ecological Services Division of the Fish and Wildlife Service introduced himself.

A draft copy of the MOU was discussed with the Board. Joe Cichy, Trust attorney, has been working with Keith on the MOU and was also present for the discussion. The MOU is now between RUS, the Fish and Wildlife Service, and the Trust instead of the Trust and Basin and is very close to being finalized.

Jack Olin opened the discussion asking what the Trust would actually do. Keith reviewed the Trust's responsibilities as outlined in the MOU and responded that any work done would be pre-approved by the Fish and Wildlife Service. RUS would designate who would hold or own the easements or other interests in real property purchased under this MOU. Discussion followed with many questions from the Board. Richard Fristik, Sr. Environmental Protection Specialist USDA, Rural Development, Utilities Programs, joined the discussion via telephone. After the discussion ended, Dick Kroger moved and Duane Liffbrig seconded **"to support implementation of the MOU with Keith authorized to sign the MOU even though there might be minor changes that he suggests."** A roll call vote was taken. Genevieve Thompson -

abstain; Scott Peterson - yes; Gary Melby - yes; Jack Olin - yes; Duane Liffbrig - yes; and Dick Kroger - yes. Motion carried 5-1.

Keith Trego reported on the Big Oxbow project. An appraisal was done on the Maurer-Taylor property. General discussions with the Maurer-Taylor Estate representatives about potential valuations of the property were held. A meeting with the landowners is scheduled for July 20 at the confluence center to discuss property values and find out who is still interested in the project. Meetings were held with game and fish and other partners to discuss funding strategies. Keith met with the new Ag commissioner and others to be assured we have their support and help. The Ag commissioner is supportive of this project.

Terry Allbee presented the first half financial report. An available funds statement was also reviewed with the Board.

Dan Devlin, SEI, reviewed the investment report with the Board. This report is on file at the Bismarck office of the ND Natural Resources Trust.

Keith Trego discussed the Dakota Water Resources Act of 2000 (DWRA) language change with the Board. Roger Cockrell of Senator Dorgan's staff has been working with Keith on the language change. The new language would direct the Commissioner of Reclamation to authorize the Trust to expend all or any portion of the funding allocation received pursuant to section 11(a)(2)(B) of the DWRA for the purpose of operations of the Trust whether such amounts are principal or received as investment income. Operational expenses funded from the principal allocation will not exceed 105 percent of the previous fiscal year's operating costs. Appropriate provisions regarding the repayment of any funds that constitute principal from Trust funds must be included in any modified agreement. Discussion followed. Jack Olin moved **"when the money comes in that we exercise the money market account until we get a recommendation."** Dick Kroger seconded. A voice vote was called and the motion carried 6-0.

Recognition was given to Dick Kroger, who will be leaving the Board this summer after 15 years' service. Mike McEnroe will carve a mallard for Dick as a going away gift.

Karen Kreil reported on the grant proposal the Trust submitted to the Renewable Energy Council. The proposal is for Phase 2 of the biomass plot study started by Arnie Kruse. The grant was for \$280,000. Phase 2 involves data collection on biomass yields, chemical composition, and soil quality parameters. Assessment of Best Management Practices (BMP) will be done for biomass production, harvest, and management with focus on wildlife and conservation in North Dakota. NRCS provided funding for Phase 1 of the study and a portion of the funds needed for Phase 2 of the study through their Conservation Innovation Grant (CIG) program.

Great River Energy (GRE) is building a coal-fired power plant at Spiritwood, North Dakota, and is evaluating the feasibility of co-firing with 10 percent biomass. Elements of their study were biomass inventory within a 50-mile radius of plant, delivered costs and suitability for

co-firing, densification options and costs, process schematics for biomass supply chain, prospects for recruiting existing farmland and CRP into dedicated energy crops, and a producer economic model for evaluating alternative cropping scenarios.

The study found the 'top five' biomass types - value and availability - were corncobs, CRP grasses, corn stover, wheat straw, and switchgrass (dedicated energy crop). GRE's executive summary noted co-firing is cost-effective when the cost of delivered biomass is \$40-\$80/ton, and CO₂ cost is above \$25/metric ton. There is significant potential for supplying 100 percent biomass feedstock to cellulosic biofuels or industrial biochemical plants that may elect to locate in North Dakota.

Keith reported there isn't much going on with the Farm Bill and many rules have not been published. WRP and GRP rules are out. All the programs are going forward and the allocation levels are good.

Terry Allbee updated the Board on the partnership to utilize Corps of Engineer (COE) funding to help the Trust fund activities on the main stem of the Missouri River. The US Fish and Wildlife Service (FWS) has agreed to administer those funds for the COE. A cooperative agreement with the FWS was signed in mid-March for \$40,000/year for a five-year period. The Smith Grove acquisition, Big Oxbow project, and the Farm and Ranchland Protection Program are examples of projects where COE funding can be used for project facilitation. COE funds cannot be used for the actual acquisition of property.

Terry also reported on our contract with Natural Resources Conservation Service (NRCS). Keith had visited with JR Flores, the state conservationist, concerning opportunities the Trust could assist with. NRCS was interested in getting an understanding and monitoring of wetland reserve program easements that were signed prior to 2009. They asked the Trust to assist with completing the monitoring on 133 contracts in 32 counties. Discussion followed. Genevieve Thompson moved **"that the Board support the efforts on behalf of the Trust to pursue a contract with NRCS for the WRP evaluations and related activities."** Duane Liffrig seconded the motion and a voice vote was taken. Motion carried 6-0.

Keith recommended to the Board that we not have a grant cycle again this year. Duane Liffrig moved and Gary Melby seconded **"to not have a grant cycle this year."** A voice vote was called and the motion carried 6-0.

Terry reported on the status of the RFP for audit services. A draft RFP was sent to the Finance Committee and the Board for comments, etc. Terry plans to send the RFP out in late August with proposal submission by November 15. A final selection would be done at the December board meeting.

Keith reported on the newsletter stories and associated costs. After several discussions, we proposed to do two articles instead of ten with a smaller distribution list. Mike Dwyer countered with doing four articles and a smaller distribution list. Keith suggested once the Trust's financial challenges are resolved, and we get back into a more normal flow of projects,

we may have enough material for four magazines a year. Duane Liffbrig moved **“to permit what Keith has suggested being done as far as the newsletter is concerned.”** Dick Kroger seconded the motion. Motion carried 5-1.

Genevieve Thompson gave the Performance Evaluation Committee Report. Keith’s evaluation was done on July 15. The overall ranking was 3.7. All notes and individual ranking sheets are on file. Gary Melby moved **“to accept the executive director evaluation report as prepared.”** Jack Olin seconded and the motion carried 6-0.

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

Submitted by /s/ Keith Trego Dated 12/17/09
Keith Trego, Executive Director

Approved by /s/ Scott Peterson Dated 17 Dec 09
Scott Peterson, President