

**NORTH DAKOTA NATURAL RESOURCES TRUST**  
**Board Meeting**  
**Kelly Inn, Bismarck, North Dakota**  
**April 27, 2006**

The spring meeting of the North Dakota Natural Resources Trust (Trust) Board of Directors started at 8:00 a.m., Thursday, April 27, at the Kelly Inn, Bismarck, North Dakota. Attending the meeting were Directors Bruce Adams, Dick Kroger, Duane Liffbrig, Jack Olin, Scott Peterson, and Genevieve Thompson. Terry Steinwand, ex-officio member, was also present. Trust employees Keith Trego, Linda Roeder, Merle Bennett, and Terry Allbee were present. Merri Meridian, Garrison Diversion Conservancy District, also attended.

**Thursday, April 27, 2006**

Dick Kroger called the meeting to order at 8:00 a.m. Keith Trego announced the 2005 Auditor's report would not be available for this meeting. Dick called for a motion **"to approve the agenda."** Scott Peterson moved and Jack Olin seconded. A voice vote was taken and the motion carried 6-0. Genevieve Thompson moved **"to approve the consent agenda"** and Scott Peterson seconded. A voice vote was taken and the motion carried 6-0.

**Recommendations/Special Reports**

Keith Trego had asked Sharon Clancy to summarize what had been accomplished in terms of Conservation Agriculture publications since the December meeting. A handout was provided that listed the press stories and journal articles published, press stories pending, as well as meetings and presentations since the new year. Dick Kroger expressed the importance of the publications and getting the conservation ag information out.

Terry Allbee reported on biomass. Plans for Arnie's biomass project to be moved over to NDSU under Dr. Ken Grafton are underway. The Trust will be entering into a cooperative agreement with NDSU to use funds the Trust has received from other partners. NDSU is in the process of procuring funds through the congressional delegation in the amount of \$750,000 for the switchgrass project. Discussion followed.

Merle Bennett reported on all the WRP projects. The game and fish department is managing the Walhalla project, and the attorney general's office is working on the title transfer. The RLM tract will officially be turned over to the game and fish department this summer. Paul Schadewald is working on the title transfer, as well as the transfer of title to the Ochs property. The Trust is trying to finish up all the restoration work on the RLM. There is a little more seeding to be done that should get finished this summer.

The Sullivan property at the confluence has been set back again. NRCS bid out the appraisal, however, the appraisal did not pass the federal review. The new appraisal should be done by the end of May. An oil company put a well on the section corner with directional drilling to the four different quarters.

The Mauer-Taylor Estate has recreation value only. They have contacted the Trust with interest of selling their land. There are lots of wetlands and many deer. Most or all deer archery hunters are nonresident. Discussion followed.

Keith Trego updated the Board on CRP. Currently re-enrollment/extensions are taking place. Nationally, it seems there is continued, very strong support for the program. Keith was on a conference call with the Great Plains Institute to discuss their white paper, which centers on using native plantings on CRP for alternative fuel source. There was not much support for this idea from North and South Dakota, the American Farm Bureau, and the Federation of the National Farmers Union. They support the CRP very strongly in its current forum.

The Iowa Farm Bureau has become a real leader in working with farmers, putting together carbon contracts to market them on the Chicago Climate Exchange. The ND Farm Bureau has not taken interest, but the ND Farmers Union has done all the background work and will be starting contracts in acres to market on behalf of farmers on the Chicago Climate Exchange. The practices with greatest applicability are no-till, enhanced range management, conversion of crop land back to grassland, and wetlands. Dale Enerson has a white paper, from the farm bill standpoint, on the concept of assisting producers through the farm bill with carbon storage payments in a counter-cyclical model similar to the counter-cyclical component of the current commodity program. Keith suggested if there is any way we could help link producers up with other sources of income, such as Arnie's biomass program, we should continue working on the carbon component also.

Dick Kroger said the Board should be concentrating on the Conservation Security Program because that's what the conservation ag program was for. That should be the basis of the farm bill. All other programs should be supplemental to that. The emphasis has to be on establishing a land-conservation farm bill to make farmers more prosperous than they are now. Then you have a package you can sell, not only to the conservation agencies but also to the farm groups and farmers. We will never be able to compete with cash rent on an annual basis for wildlife. Discussion followed.

Phases I and II of the Wachter easement under the Farm and Ranch Land Protection Program (FRPP) are done. Phase III will close in mid-May, and the Phase IV proposal is due at NRCS May 11, 2006. Other landowners interested in this program continue to contact the Trust, but funding is difficult to find. Discussion followed. Terry Steinwand said the game and fish department is working on an agreement with the Corps of Engineers (COE) for river habitat dollars. Under this agreement, game and fish does the projects and the COE pays. This agreement with the COE could possibly help with FRPP.

West River Grasslands – Eberts Update – The US Forest Service plans to buy the property but they must sell the same amount of acres in Billings County. The property must be

appraised again because of changes to the USDA/NRCS appraisal process. The US Forest Service is very confident the sale will materialize.

Sickler Update – Keith reported to the Board that he has had no further discussion with Norbert or Randy Sickler since December. Lowell Nester, realtor, has the property listed now and visited with Keith. He suggested an offer of \$450,000 to \$500,000 might interest the Sicklers at this time. Valerie Naylor, Theodore Roosevelt National Park, is aware the Sicklers had petitioned the highway department for driving access and their request had been denied. They were also talking to the county zoning board, but nothing had been authorized at this point. Valerie hopes the Trust will keep this sale in mind and stated the Park Service is concerned on how this will turn out.

Keith asked the Board if there is some other direction for us to take, and is it possible for staff to facilitate sale of the property. The Board responded in favor, as long as there is a signed agreement - commitment from the landowners.

Terry Allbee reported that Kenner Marsh and Maple River WRP applications were submitted to NRCS. They were ranked in the top three of all state WRP projects. The new appraisal process may change the offers. Once the WRP easements are on the properties, they will be transferred to the game and fish department.

The Bureau of Reclamation funding of \$364,000 for this year has been received and, to date, the total equals \$1,441,000.

Scott Peterson, Finance Committee, reported that four interviews were held on April 26, 2006, in response to the investment RFP. He recommended to the full Board they select SEI. Scott Peterson moved **“to select a contract with SEI for investment purposes.”** Jack Olin seconded. Discussion followed. Duane Liffrig made a substitute motion **“to delay selection of a manager for two weeks.”** Bruce Adams seconded. Discussion of the substitute motion followed. A roll call vote was taken on the substitute motion. Dick Kroger - yes, Duane Liffrig - yes, Jack Olin - no, Scott Peterson - no, Genevieve Thompson - no, and Bruce Adams - no. Motion failed. A roll call vote was taken on the first motion. Bruce Adams - yes, Dick Kroger - yes, Duane Liffrig - no, Jack Olin - yes, Genevieve Thompson - yes, and Scott Peterson - yes. Motion carried. More discussion followed. Duane Liffrig wants the record to show that he doesn't believe the Board is performing their fiduciary responsibilities. Dick Kroger suggested the Finance Committee should not be disbanded and that we should monitor Trust investments.

Keith Trego reported on the Rocky Mountain Elk Foundation (RMEF) land acquisition in Pembina County, providing the Board with a map of the property. This tract of land was appraised at \$140,000. It was listed with the realtor for \$75,000 and was purchased for \$75,000.

Terry Allbee is working with RMEF on the promissory note. The promissory note for \$43,500 will be finalized by the end of May. Dedication of the property will be sometime this summer, and the Board will be notified.

Keith noted that the attorney general's office made the determination since this was essentially timber land it is not considered agricultural land in North Dakota, so the process required with the advisory committee, public hearings, and governor's approval doesn't apply to this tract.

Keith reported the NAWCA staff position is still being worked on. General discussion is still taking place; not much has changed since the ND Action Group meeting.

Dan Devlin, SEI, joined the Board via conference call to report on the Trust's investments. Dan first reviewed SEI's performance as the leading provider of a manager of managers investment process. He also discussed the investment team with emphasis on their research team style. An overview of capital markets and economics included United States and global markets. Lastly, Dan reviewed the Trust portfolio with investment returns and quarterly highlights.

Scott Peterson, chair, Performance Evaluation Committee, handed out a sheet with the accountability factors for approval. The committee will schedule an evaluation with the executive director prior to the July Board meeting and will then give a report. Jack Olin moved and Genevieve Thompson seconded **"to approve the accountability factors."** A voice vote was taken and motion carried 6-0.

Discussion turned to ideas for the July meeting. It was decided to hold the July Board meeting at Schafer Center, University of Mary, to review and update the Strategic Plan one day and do a tour of the Missouri River to view projects one afternoon.

Duane Liffriig moved **"to re-nominate present officers for another term and that nominations cease."** Jack Olin seconded. A voice vote was taken and the motion passed 6-0.

Bruce Adams returned to a discussion of the Trust's investments and moved **"to take 10 million dollars out of the bond fund and instruct somebody to buy bonds for us, invest it in bonds not in future funds, so we can get some income."** Duane Liffriig seconded. Bruce Adams led a discussion on a buy and hold strategy for government bonds versus the mutual funds style of investment. Bruce Adams and Duane Liffriig withdrew their motion. Bruce Adams made a motion **"to ask an advisor how to invest 10 million dollars in individual bonds (government bonds) for the Trust."** Keith Trego reminded the Board that SEI would buy the bonds any way the Board directed them. Duane Liffriig seconded the motion. The Board asked staff to contact SEI and prepare strategy pros and cons and report back to the Board. A voice vote was taken and the motion carried 6-0. Keith Trego asked for clarification in asking to invest in government

bonds since that was the direction through the Bureau of Reclamation agreement until it was changed not too long ago. Bruce Adams acknowledged that was the question, to invest in government bonds. Discussion continued.

Keith Trego asked Chairman Kroger who was on the Finance Committee. Dick Kroger said Bruce Adams would resume his role on the committee and Jack Olin is dismissed.

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

Submitted by /s/ Keith Trego Dated 7/13/06  
Keith Trego, Executive Director

Approved by /s/ Richard Kroger Dated 7/13/06  
Richard Kroger, President