

NORTH DAKOTA NATURAL RESOURCES TRUST
Board of Directors Meeting
US Fish and Wildlife Service
Bismarck, ND
January 6, 2011

The North Dakota Natural Resources Trust (Trust) Board of Directors winter meeting started at 8:00 a.m., Thursday, January 6, at the US Fish and Wildlife Service, Bismarck, North Dakota. Attending the meeting were Directors Gary Melby, Scott Peterson, Jack Olin, Tom France, and Genevieve Thompson. Duane Liffbrig was absent. Randy Kreil of the ND Game and Fish Department attended the meeting in Terry Steinwand's absence. Trust employees Keith Trego, Terry Allbee, and Merle Bennett were present. Karen Kreil and Linda Roeder were absent. Others present were Mark Morgan, Mark Norcini, and JP Cavaliere, SEI, Inc.; Kimberly Cook, Garrison Diversion Conservancy District; Terry Ellsworth, US Fish and Wildlife Service, and Mike McEnroe, ND Chapter of The Wildlife Society.

Thursday, January 6, 2011

Scott Peterson called the meeting to order at 8:00 a.m., and we took roll call. Scott called for a motion **“to approve the agenda.”** Jack Olin moved and Gary Melby seconded. The chairman called for a voice vote and the motion carried 4-0. Gary Melby moved and Tom France seconded **“to accept the minutes of the July meeting.”** The chairman called for a voice vote and the motion carried 4-0.

Recommendations/Special Reports

Mark Morgan, SEI, led the discussion with introductions of Mark Norcini and JP Cavaliere of SEI, Inc., Chicago, Illinois. A brief overview of the markets was given. The markets are healthier than they have been the past two years.

Mark Norcini reviewed the investment report with the Board. The report is on file at the Trust office in Bismarck.

JP Cavaliere, SEI, presented two investment recommendations for the Trust Board to consider. The first recommendation was for the Board to adopt the Active Asset Allocation to actively manage asset allocation to enhance returns and account for current market conditions. Three changes will occur if the Board approves the recommendation: 1. Implementation of the Dynamic Asset Allocation Fund in the portfolio; 2. Widening the bands around the strategic weights of the portfolio; 3. Approving the use of additional asset classes to improve the return opportunities or mitigate risks as the market environment dictates. The second recommendation by SEI is asset allocation changes to the operating reserve. SEI recommends increasing the allocation in Ultra Short Bond. This would assist in reducing the duration and risk of the portfolio while maintaining similar long-term expected returns. Discussion followed. Prior to the full Board meeting, the Trust Finance Committee met with SEI to discuss the recommendations. Chairman Gary Melby read the committee's recommendation to the full Board. Gary Melby moved and Genevieve Thompson seconded **“that the full Board adopt SEI's recommendations.”** A voice vote was called and motioned carried. Gary Melby then

moved **“to adopt Portfolio #2 as SEI recommended.”** Genevieve Thompson seconded. A voice vote was called and the motion carried. The full report is on file at the Bismarck Trust office.

Keith Trego discussed the investment policy updates that include the changes to the investment strategy. Jack Olin moved **“to approve the new investment policy that includes the new motions by the Board which were included in advance.”** Gary Melby seconded. A voice vote was called and motion carried.

Terry Allbee reviewed the 2010 budget with the Board. The profit-loss statement for 2010 was then reviewed. Review of the 2011 budget was next.

Merle Bennett gave a brief update on the Big Oxbow project. When the acquisition is complete this summer, total acreage will be about 2,856.97.

Keith Trego reviewed the history relating to Basin Electric’s wind energy development. Basin offered up voluntary conservation measures as part of their discussions with the Fish and Wildlife Service to get approval and move things forward with the Rural Utilities Service (a federal entity Basin was getting a portion of their funding through). In October 2009, the Trust entered into an agreement with Basin Electric to deliver the conservation measures. The Trust negotiated the purchase of two projects using the Basin funds. The first was the Puklich property in Kidder County. This is 320 acres directly abutting Long Lake NWR consisting of pasture, cropland, and wetlands. The land appraised at \$720/acre with a total acquisition price of \$224,000. The second project was the Carson property in Wells County. The 537.38 acres appraised at \$576.87/acre; a total acquisition price of \$310,000. The United States of America, US Fish and Wildlife Service, received ownership. Both properties will be managed as waterfowl production areas.

Discussions are taking place with two other wind energy companies. One is Cooperative Power Ventures (CPV) with a project by Ashley, ND. CPV’s project has a federal nexus due to its relationship with the Tennessee Valley Authority (TVA). The second company is enXco doing the Merricourt Project. This project is not using federal monies like Basin and CPV.

Terry Ellsworth, US Fish and Wildlife Service, explained the different ways the wind companies can do voluntary conservation measures. One way, if there is no federal nexus and the potential to take threatened or endangered species is there, is to do a habitat conservation plan and submit that to the Service for an incidental take permit. They would receive a permit that would give them legal protection to take those threatened or endangered species. With a federal agency, the Service does a Section 7. The Service coordinates with the federal agency to do a habitat plan, etc. Discussion followed the presentation.

Keith Trego reported on the farm bill. There isn’t really anything to report at this time.

Terry Allbee reported on WRP. NRCS approached the Trust about the Johnson brothers parcel of land in the Devils Lake Basin near Edmore. The brothers would like to sell the property for conservation. The Trust met with partners to see what kind of interest there was. A standard appraisal was done on the property to find out what the selling price and the WRP payment would be. The WRP payment would be 57 percent of the appraised value. The appraisal is just over two million dollars. The total acreage is close to 1800 acres. It is a good project, but there are many problems that could arise. Discussion followed. Scott Peterson told Keith to pursue coordination of the project. The Board agreed in backing Trust staff.

In 2009 we entered an agreement with NRCS to monitor 120 WRP contracts. NRCS asked the Trust to do them in 2010, but the Trust said they couldn't do the full 120 contracts, but if they were split into thirds it would be doable. Thirty-nine contracts were monitored in 2010. In 2011 the Trust will monitor 40 contracts and another 40 the following year.

Terry Allbee gave an update on the Trust's loss of production payment (LPP) program. The payments are tied to annual rental payments with a particular county tied to a wetland then discounted for the years of the contract. The loss of production payments are tied to US Fish and Wildlife Service wildlife extension agreements, so we deal with all the biologists in the private lands group. Fifteen people have signed up. The LLP payments have ranged from \$84 to \$21,840. We have \$120,000 available through the grant--\$60,000 Trust and \$60,000 state wildlife grant funds.

Terry updated the Board on the Corps of Engineers agreement re-signed in 2010 at \$40,000 per year to do projects along the Missouri River.

Due to Karen Kreil's absence, the Spiritwood project report was not given, but Terry reported we are on the last year of the Renewable Energy Council grant. Discussion followed. Karen will send her report to the Board before the next meeting.

Kevin Willis, state private lands coordinator, US Fish and Wildlife Service, passed out a report on the Partners for Fish and Wildlife Program for 2010. He talked about the North American Wetlands Conservation Act (NAWCA), which provides funding to those who apply for grants. North Dakota ranks number one, two, and three in the total number of grants, total dollars received, and total acres resulting from the grants. The Trust has been a major player/financial partner in nearly all of the 55 separate NAWCA grants done in North Dakota since 1990. Kevin then reviewed a handout on habitat restoration and how the program works.

Mike McEnroe, ND Chapter of the Wildlife Society lobbyist, updated the Board on natural resources legislative issues. Energy development within the state was discussed.

Old Business

The strategic plan was discussed among the Board. The decision was made to schedule a full day at the April meeting dedicated to the strategic plan.

New Business

Discussion was held concerning the NAWCA grants dollars within the budget. Gary Melby moved and Genevieve Thompson seconded **“to approve the budget.”** The motion unanimously passed.

The 2011 meeting dates were discussed. Scott suggested April 27 and 28 for the spring meeting. Randy Kreil will reserve the game and fish auditorium. The 27th and 28th were suggested for the July meeting. The Board talked about touring the oil fields and having the meeting in Medora. Rooms will be needed in Medora for the 26th and 27th. Keith suggested another dedication be held at the confluence next spring. Randy Kreil suggested someone from the Park Service come to the July meeting and talk about the elk hunt held in the park.

Scott Peterson moved **“to adjourn the meeting.”** Tom France seconded. Motion carried by voice vote.

Submitted by /s/ Keith Trego Dated 4/28/11
Keith Trego, Executive Director

Approved by /s/ Scott Peterson Dated 28 April 11
Scott Peterson, President