

NORTH DAKOTA NATURAL RESOURCES TRUST
Board of Directors Meeting
ND Game and Fish Department
July 22-23, 2015

The North Dakota Natural Resources Trust (Trust) Board of Directors summer meeting started at 1:00, Wednesday, July 22, at the ND Game and Fish Department Bismarck office. Attending the meeting were Directors Randy Renner, Tom France, Duane Hauck, and Marshall E. Johnson. Directors Jerry Doan and Gary Melby were absent. Scott Peterson, deputy director of the ND Game and Fish Department, and Trust employees Keith Trego, Terry Allbee, Jesse Beckers, Karen Kreil, and Linda Roeder were present. Mark Norcini, SEI Investments, also attended.

Wednesday, July 22, 2015

After roll call, Chairman Johnson called for a motion to approve the agenda. Randy Renner moved and Tom France seconded **“to approve the agenda.”** Motion carried. Duane Hauck moved and Randy Renner seconded **“to approve the April minutes.”** Motion carried.

Mark Norcini, SEI, presented the Second Quarter Investment Review. The Consolidated Portfolio returns year-to-date (6/30/2015) are 1.9 percent. The market value is \$25.4M. The Operating Portfolio returns year-to-date are 1.2 percent with a market value of \$987K. Global Market Review – SEI believes that global economic conditions continue to improve despite increased volatility from Greece and China. They believe the Fed will raise rates in 2015 and look to be opportunistic in their rate sensitivity positioning because of this volatility. Equity Markets – After a slow start, the US economy continued on a modest pace of growth. However, international markets such as the Eurozone and Japan saw improving economic backdrops. An emphasis on momentum was successful during the second quarter. Internationally, exposure to smaller cap names and allocations to frontier markets contributed to strong outperformance in emerging markets. Selection within Europe continued to help performance across broader mandates. Fixed Income Review – Credit sectors underperformed in the quarter due to a flight to quality following global headline concerns, particularly in June, as well as record issuance. SEI’s nonagency allocations along with short-duration tilts were beneficial in the quarter as rates rose, while their curve flattening position detracted. The board is supportive of SEI making slight asset adjustments to improve investment return. Duane Hauck moved and Tom Francis seconded **“to approve the recommended asset allocation adjustments in the fixed income, equity, and alternative assets as suggested by Mark.”** Motion carried.

Terry Allbee gave the first-half financial report.

Keith Trego introduced Jesse Beckers who took Karen Kreil’s place when she retired. The NAWCA position that Karen also held will be a half-time position. Rick Warhurst will join the Trust as the NAWCA staffer the first of the year.

Terry Allbee reported on the Outdoor Heritage Fund. This was round five of grant applications. On June 3, the OHF Advisory Committee heard presentations from 31 grant

proposals requesting funds totaling \$10,977,870. The Committee recommended funding for 19 grants with a funding total of \$4,464,906. Highlights of round five include the Trust's Beginning Farmer Enhancement grant for \$132,884. Landowners are busy working on projects and lining up contractors. Final work and reports are due the end of 2017.

House Bill 1409 passed, which dealt with a funding increase of \$15M (4 percent of the first one-fifth of oil production tax to \$20M [8 percent]) and policy adjustments. This bill is effective July 1, 2015, with subsection 2 of 54-17.8-05 effective on April 23, 2015, when the governor signed the bill. Discussion followed.

Jesse Beckers updated the board on the Grand Forks County Prairie Project. The core area as defined for the NAWCA small grant application filed by Mike Graue with the US Fish and Wildlife Service (USFWS) was expanded for the application to assure that all The Nature Conservancy (TNC) core areas would be covered and from there determine where easements could be offered. The TNC core areas are identified as being the highest priority land with the greatest intact contiguous grasslands. In total, the USFWS has approximately \$400,000 to purchase grassland easements in the Grand Forks County Prairie Project area within the next two years.

Terry Allbee briefed the board on activities planned for the Painted Woods project field tour on Thursday. Ladd Erickson, McLean County State's Attorney, and Lynn Oberg, McLean County Water Board, will meet with the Trust at 10:30 a.m. at the golf course. The field tour will start at the north end of the project to see what has been happening with flooding and erosion on the riverside. Then we will tour the Painted Woods addition of 250 acres that Bob Landgren would like to have included in the wildlife management area. Appraisal of the 250 acres is \$1,113,000. Funding for this project is included in a Chase Lake NAWCA grant for half match. A stop at a wetland creation in Burleigh County on the Chuck Peterson property will end the field tours. Chuck is a cooperator in the Trust's OHF Water Storage Piggyback program. Discussion followed.

Keith Trego gave some background information and history on the farm bill biologists and concerns from the agricultural organizations. Discussion followed. Easements/ACEP Rules – Under the new farm bill, they combined some programs, but the basics are the same.

Terry Allbee talked about the new SAFE proposals. There was a discussion on habitat for honeybees, monarch butterflies, and the Dakota Skipper.

Keith Trego reminded the board it was time to re-evaluate the Trust's financial advisor. Keith, Scott Peterson, and Terry gave a background history of the process used. Discussion followed. Keith and staff will gather additional information and have others look at it and add that to the January meeting. Marshall offered the assistance of the Finance Committee.

Jesse Beckers updated the board on the Trust's Small Grants. Five of the 2015 grants are signed. Follow-up with the 2014 grantees is proceeding to see how the projects are doing and when invoices may arrive.

Keith Trego talked about consensus building. There are too many options to discuss and staff has not been able to commit the amount of time needed for it.

Tom France finished the paperwork for the executive director evaluation. The Committee will discuss the results and Tom will sum it all up and finalize a report. A conference call was set up for July 28 with the Evaluation Committee and Keith.

The winter meeting was set for 7 January.

Marshall called for a motion to adjourn. Randy Renner moved and Tom France seconded **“to adjourn.”** Motion carried.

A van will be provided for the Painted Woods project and Chuck Peterson’s property tomorrow morning.

Meeting adjourned.

Submitted by /s/ Keith Trego Dated 4-26-16
Keith Trego, Executive Director

Approved by /s/ Marshall E. Johnson Dated 4-26-16
Marshall E. Johnson, President