

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on December 17, 2014 beginning at 11:00 a.m.
Governor's Conference Room

Present: Governor Jack Dalrymple, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also

Present: Lynn Helms, DMR
Alison Ritter, DMR-Oil and Gas Division
Andrea Travnicek, Governor's Office
Bonnie Storbakken, Governor's Office
Jolene Kline, Housing Finance Agency
Pat Nagel, Housing Finance Agency
Members of the Press

Governor Dalrymple called the Industrial Commission meeting to order at 11:00 a.m. and the Commission took up Department of Mineral Resources business.

Mr. Lynn Helms, Department of Mineral Resources Director, presented proposed Order 25856 in Case 21019 which involves a complaint filed by the Commission against Redemption Energy, LLC. Mr. Helms briefed the Commission on the violations that resulted in the filing of the complaint. As noted in the findings of the proposed Order Redemption Energy LLC constructed a salt water disposal site prior to obtaining a permit and also failed to properly dispose of salt-saturated cuttings from the drilling of the saltwater disposal well. The Commission filed the complaint and the case went before the Administrative Law Judge. The Judge recommended that Redemption Energy, LLC be held liable to pay a civil penalty in the amount of \$684,357 and to pay a civil penalty in the amount of \$3,143 for investigatory costs for a total of \$687,500. Mr. Helms stated that they have taken the recommendations from the Judge, placed them in Order 25856 and are recommending the Commission's approval of Order 25856.

Mr. Helms and the Commission members discussed the implications of their adoption of the order--Redemption Energy, LLC will not be able to get a bond and the individuals will not be able to operate under any other company name in North Dakota; he reviewed the steps the staff takes to insure that the company or the individuals are unable to operate in North Dakota including background checks; and Redemption Energy, LLC's right to appeal the Order to the District Court. In response to a question, it was noted if this is the final action in the case there is a good possibility that the company does not have the assets to pay the fine. In response to a question Mr. Helms noted that the violations took place in 2012 and 2013. The reason why it is coming now is that the adjudication process takes time.

Case 21019: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 25856 issued in Case 21019, be approved and effective this 17th day of December, 2014. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously. (A copy of Order 25856 is available in the Commission's files.)

Mr. Helms presented proposed Order 24492 issued in Case 22158 which is an application for a saltwater disposal well to be drilled less than one-quarter mile from the mapped location of the Dry Fork Creek Aquifer which is linked to the Missouri River-Lake Sakakawea Aquifer system

in Williams County. Mr. Helms stated that after soil borings were done and testing and analysis completed the staff determined there was the potential for contamination of the near surface groundwater systems. Therefore, it was the staff recommendation that Order 24492, which denies the application of Buckhorn Energy Services, LLC, be approved.

Case 22158: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 24492 issued in Case 22158 which denies the application, be approved and effective this 17th day of December, 2014. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously. (A copy of Order 24492 is available in the Commission's files.)

Mr. Helms presented proposed Order 25854 issued in Case 21755 which is an application to establish the appropriate spacing for the Vibe #1-26H1 well in Burke County. Mr. Helms stated that the Vibe #1-26H1 well is currently in a 1280-acre spacing unit. However, the applicant experienced difficulty in drilling this well--encountered a drilling hazard--and the applicant was unable to fully drill the lateral the length needed to drain the entire 1280-acres. The applicant indicated that they will further develop the 1280-acre spacing unit but probably not for five to ten years. The applicant would not commit to drilling a horizontal well that would justify the standup 1280-acre spacing unit in a reasonable time frame. He noted that there were some small tracts that had expiring leases. It is the staff recommendation that in order to protect the rights of the mineral owners in the 1280-acre spacing unit that the applicant be allowed until the end of 2015 to drill a horizontal well which justifies the 1280-acre spacing unit but if after that deadline a well is not drilled then another hearing would be scheduled and the Commission would consider reducing the size of the spacing unit.

Case 21755: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 25854 issued in Case 21755, be approved and effective this 17th day of December, 2014. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously. (A copy of Order 25854 is available in the Commission's files.)

Mr. Helms presented proposed Order 25855 issued in Case 22847 which is an application to establish three 1920-acre spacing units and authorizing the drilling of seven horizontal wells on each 1920-acre spacing unit. (A copy of the proposed Order 25855 is available in the Commission's files.) Mr. Helms indicated that there currently were standup 1280-acre spacing units which would be terminated if the Commission adopted the Order as proposed. There were no horizontal wells currently permitted to or producing from these spacing units. He stated that the reason for going to 1920-acre spacing units was because of the topography and the difficulty the applicant was having in finding good surface locations for the well pads--this is a prairie pothole area, the CO₂ pipeline goes through the area, Highway 5 and the City of Noonan and other public infrastructure all have to be taken under consideration. He noted that a landowner had appeared at the hearing and discussed a number of issues which were discussed in the proposed order. He stated it was the staff's recommendation that 1920-acre spacing be established as outlined in proposed Order 25855.

Governor Dalrymple stated that if the Commission is going to establish a larger unit, there needs to be some public benefit to going to a larger unit. He knows that in many cases landowners may be fine with it and mineral owners have not complained but he wanted to see more information and justification for establishing larger than normal spacing units. He noted in this case that Mr. Helms had stated the larger unit would have less impact on the environment because it is in a prairie pothole region--it may reduce the number of roads and other infrastructure that would impact the wetlands but he hadn't seen any aerial photos that showed him that the larger spacing unit would be better for the surface.

In response to a question regarding the ability and technology to fracture an extra 5,000 feet, Mr. Helms said one of the requirements for any unit larger than 1280 acres is that the geologists must show the staff that there are no known abnormal structural/geologic features, faults or changes in thickness that would hinder mineral owners from being treated fairly. He stated that the applicant had testified that based on what they know there is a consistent thickness and structure across the spacing units. This is, however, on the fringe of the formation and there is not a great deal of data in this area. Based on what they know, the geology is very consistent and continuous across these 1920-acre spacing units. He stated that the applicant does have the technology to drill three mile laterals – there is no question they can do that. The applicant indicated that they plan to add fifty percent more fracture stages to compensate for the larger spacing unit but the jury is still out on whether or not you can actually get a fifty percent incremental recovery from a well on 1920-acre spacing or how long that recovery might take. This completion technology needs to be approached with a great deal of caution. He stated that he likes this proposal because it minimizes the environmental impacts on the surface because of the difficult terrain and the infrastructure in the area. Mr. Helms stated that he agrees with the Governor that establishing spacing units larger than the normal 1280 acres need to be done on an exception basis with the applicant having to show strong evidence why the larger spacing unit is really needed and really beneficial. He noted that he does not have aerial photos of all the acreage being discussed but has looked at aerial photos of the one proposed spacing unit consisting of Sections 3, 10 and 15 and is convinced it will be beneficial to the surface owners and overall infrastructure of that 1920-acre spacing unit. Technologically the applicant can develop these 1920-acre spacing units; they have indicated they will add fracture stages to their completion of the wells and geology wise, with the data we have, developing the acreage on 1920-acre spacing units protects correlative rights.

In response to a question regarding if the applicant intended to spud right away or would it be detrimental if the Commission took this up at a later meeting and had an opportunity to look at aerial photographs, Mr. Helms said this order did not have an expedited request so the Commission could postpone their decision for a later meeting and additional information could be gathered regarding the 1920-acre spacing.

Attorney General Stenehjem said Governor Dalrymple makes a good point that the Commission should make it clear that approving the larger than normal (1280 acre spacing units) are exceptions and the applicant will have to present reasons for the exceptions.

In response to a question regarding the drilling of the three-mile laterals under the lake and how they turned out, Mr. Helms said this has been done under the lake and they are able almost without question to drill the well bore and complete the wells. However, those wells are pretty new and at this point it hasn't been shown as to whether the operators are going to get fifty percent more recovery from the well and how long that recovery will take. The wells are still too new to state that. He thinks this type of concept should be reserved for places where it significantly reduces the footprint in an environmentally sensitive area or where there is public infrastructure that must be avoided. There are going to be cases in the future where operators will want to drill under the City of Williston and there are very limited spots the operators can drill from. In those cases, there is a strong benefit to everyone to drill the longer laterals. He did not think there was any real harm in postponing the decision on this case for a few weeks.

Governor Dalrymple requested Mr. Helms to provide the Commission with his thoughts on the oversight or perhaps something stronger than just oversight of gathering lines in the oil fields. There has been considerable discussion about the need for gathering lines and he is anticipating that this topic will be discussed during the upcoming legislative session. He would like to see what Mr. Helms' approach on oversight of gathering lines would be and give us something to discuss.

Mr. Helms said he would plan to bring some ideas or concepts to the January 9 meeting. He stated that he has been holding discussion with the Public Service Commission who sites transmission lines and it has brought to light several differences between the way gathering lines and transmission lines are constructed that could create barriers to the conversion of a gathering line to a transmission line. Those discussions have given him some ideas of what the Oil and Gas Division can do different in terms of the Commission's gathering line oversight. He will bring some ideas to the January 9 Commission meeting.

Governor Dalrymple requested a history of the fines that the Commission had levied over the past two years - 2013 and 2014. He asked that the information include what the initial proposed fine was, what the outcome was for which the operator was fined and if the fine was reduced by what amount in the final settlement. Commissioner Goehring noted that it may be difficult metric to show but a lot of what we are trying to do is change behavior. If we have repeat offenders, it would be important to know that. If the approach we are using is changing behavior then we need to know that. He noted that in issuing fines for the programs he oversees, the goal is to change behavior. The Governor indicated that this would be useful background information for the Commission members to have in the coming months.

Being no further Department of Mineral Resources business, Governor Dalrymple adjourned this portion of the meeting at 11:30 a.m. and the Commission took up Housing Finance Agency business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

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Also

Present: Andrea Travnicek, Governor's Office
Bonnie Storbakken, Governor's Office
Jolene Kline, Housing Finance Agency
Pat Nagel, Housing Finance Agency
Eric Hardmeyer, Bank of North Dakota
Wally Erhardt, Bank of North Dakota
Members of the Press

Governor Dalrymple called the Housing Finance Agency portion of the Industrial Commission meeting to order at 11:30 a.m. following completion of Department of Mineral Resources business.

Ms. Jolene Kline, Housing Finance Agency Executive Director and Mr. Pat Nagel, Housing Finance Agency CFO, discussed the North Dakota Housing Finance Agency Housing Finance Program Bonds Home Mortgage Finance Program 2015 Series A - \$53,920,000 Bond Resolution. Mr. Nagel said typically the Agency has a two-day order period. There were a lot of bonds in the market but surprisingly demand was also high. The Agency received just under \$125 million in orders and the Agency actually did just a one-day order period because demand was so high. The only thing that stands out on this transaction is that it is a fixed rate transaction; twenty-year bonds with thirty-year assets backing them which within the series will cause some shortfalls but it becomes part of the 94 General Resolution and within that Resolution there is more than a sufficient revenue stream to cover those shortfalls. The overall cost of funds on this issue is just under 2.6 percent. The proceeds will be used to fund the First Home Program.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem to adopt the follow resolution:

STATE OF NORTH DAKOTA
NORTH DAKOTA HOUSING FINANCE AGENCY
HOUSING FINANCE PROGRAM BONDS
HOME MORTGAGE FINANCE PROGRAM
2015 SERIES A - \$53,920,000

**SUPPLEMENTAL
GENERAL AUTHORIZATION RESOLUTION**

WHEREAS, the Industrial Commission of North Dakota (the "Commission"), acting in its capacity as a state housing finance agency, i.e., the North Dakota Housing Finance Agency (the "Agency"), is empowered by the provisions of the North Dakota Century Code Chapter 54-17 (the "Act") to establish and has established a home mortgage finance program to contract to purchase from lenders mortgage loans made to persons or families of low or moderate income

to finance the purchase or substantial rehabilitation of owner occupied, residential dwelling units; and

WHEREAS, the Commission adopted the Housing Finance Program General Bond Resolution of 1994, on July 21, 1994, as amended (the "General Resolution") wherein Wells Fargo Bank, National Association, Minneapolis, Minnesota, was appointed trustee (the "Trustee"), which General Resolution was accepted by the Trustee, and which General Resolution is hereby ratified and confirmed; and

WHEREAS, the General Resolution authorizes the issuance and sale of the captioned 2015 Series A Bonds (the "Bonds") pursuant to the Act, the application of the proceeds of which will provide funding for the captioned Home Mortgage Finance Program (the "Program") contemplated by the Act in furtherance of the Program for the providing of decent, safe, and sanitary housing for persons and families of low or moderate income; and

WHEREAS, the Commission acting as the Agency, pursuant to those General Authorization Resolutions adopted by the Commission on December 19, 2013 and December 17, 2014 (the "General Authorization Resolution"), regarding the authorization of and the negotiation and sale of the Bonds, appointed as its agents the Executive Director, the Director of Homeownership Programs, and the Chief Financial Officer of the Agency (the "Authorized Officers") for the purpose of negotiation of the terms of sale of the Bonds, subject to the limitations set out in the General Authorization Resolution, and to sign such agreements as are required for the issuance of the Bonds on behalf of the Commission after such terms of sale had been negotiated and to sign such certificates and other documents as are necessary and customary to complete the sale of the Bonds and to enter into an agreement for their sale by the Agency and purchase by the Underwriters (as hereinafter defined, and which are so designated by an Authorized Officer); and

WHEREAS, the Authorized Officers did negotiate the sale of the Bonds on December 10, 2014 within the limitations set out in the General Authorization Resolution as to maximum principal amount, final maturity and maximum interest rate; and

WHEREAS, in furtherance of the above stated objectives, the Commission, the Agency and RBC Capital Markets, LLC, Morgan Stanley & Co. LLC, Northland Securities and Isaak Bond Investments, Inc., as the purchasers of all or portions of the Bonds (the "Underwriters"), have caused to be prepared and presented to the Commission for adoption after the sale of the Bonds pursuant to the terms of the Purchase Contract, but prior to delivery of the Bonds, the following documents in final form (unless otherwise indicated) (collectively, the "Closing Financing Documents"):

- A. 2015 Series A Bond Resolution in substantially final form, attached hereto as Attachment A;
- B. 2015 Series A Purchase Contract dated December 10, 2014, attached hereto as Attachment B by and between the Commission and the Underwriters;

- C. Preliminary Official Statement dated December 1, 2014 attached hereto as Attachment C; and
- D. Official Statement, in substantially final form, dated December 10, 2014, attached hereto as Attachment D.

WHEREAS, it appears that each of the Closing Financing Documents is in the appropriate and final form and is an appropriate document to be approved or executed and delivered by the Commission or the Agency, as may be necessary for the purpose intended; and

WHEREAS, in the judgment of the Commission, it is advisable that the Agency by its Executive Director, its Director of Financial Programs, or its Chief Financial Officer, jointly or severally, be authorized, and are hereby so authorized, to do all things necessary to complete the transaction described herein, and in the Closing Financing Documents.

NOW BE IT HEREWITH RESOLVED:

1. The execution and delivery of the Closing Financing Documents and the sale of the Bonds to the Underwriters in accordance with the terms set out in the Purchase Contract, is hereby authorized and the officers, agents and employees of the Commission and the Agency are hereby authorized, empowered and directed to take any actions required to effect the transactions contemplated therein and to execute any instruments and take any actions required to effect the issuance of the Bonds, to apply the monies received by the Commission from the bond proceeds in such manner as is necessary to give effect to the Program, and pending such application to invest such monies in Investment Obligations.
2. All prior acts of the officers, agents and employees of the Commission and the Agency which are in conformity with the purpose and intent of the General Resolution, the General Authorization Resolution and this Supplemental General Authorization Resolution in furtherance of the sale of the Bonds shall be and the same hereby are in all respects approved, ratified and confirmed.

On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Jolene Kline said during the November meeting the Commission had directed the Agency to go out for an RFP for the remaining flood impact money of just under \$1.5 million. They did that and received one proposal from the City of Minot for the acquisition of existing blighted homes and the demolition of those homes. The Agency issued a conditional commitment to the City of Minot after having a call with the finance manager; their proposal as submitted, however, indicated that they would utilize those funds by December 31, 2015. The \$1.5 million as it came out of the Legislature was biennium funding so it will expire on June 30, 2015. The city will be contacting a local legislator and ask that they sponsor a bill to extend that deadline to the end of 2015 to allow them sufficient time. They anticipate being able to acquire somewhere between six and ten homes with that \$1.5 million.

In response to a question regarding if the project is approved and the City can't get the appropriation changed are they just out the money, Ms. Kline said correct; the money stays in the General Fund, it does not get spent. She said it is very tough for the existing homeowners to pull the plug and let go – there is a lot of sentimentality in leaving their homes. The City is concerned they will not be able to spend the funds by June 30, 2015 so they do need some additional time.

In response to a question regarding the HIF Fund in the upcoming biennium – is there any governing language anywhere on the funding recommendation or is it just going to be in their budget bill or do we need anything, Ms. Kline said there is nothing in the Agency budget dealing with HIF at all because the Agency is a special fund agency.

In response to a question regarding if the language or policy sunsets or continues, Ms. Kline said the program sunsets on June 30, 2015 so the Legislature will have to act on a reauthorization. Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, said that reauthorization will be part of the Industrial Commission appropriation bill.

Being no further Housing Finance Agency business, Governor Dalrymple adjourned this portion of the meeting at 11:36 a.m. and the Commission took up Student Loan Trust business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

A handwritten signature in blue ink, appearing to read "Karlene Fine".

Karlene Fine, Executive Director and Secretary

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Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also

Present: Andrea Travnicek, Governor's Office
Bonnie Storbakken, Governor's Office
Eric Hardmeyer, Bank of North Dakota
Wally Erhardt, Bank of North Dakota
Members of the Press

Governor Dalrymple called the Student Loan Trust portion of the Industrial Commission meeting to order at 11:36 a.m. following completion of Housing Finance Agency business.

Mr. Eric Hardmeyer, Bank of North Dakota President, discussed the Bank of North Dakota's request for transfer of funds from the North Dakota Student Loan Trust to the North Dakota Student Loan Guarantee Program and approval of the Resolution of Transfer. He said the Bank is requesting a transfer of \$5 million to put in reserves as a preemptive action for the significant growth in the DEAL Program – particularly the DEAL One Program which is the consolidation program. The numbers have been impressive. As of today, the Bank has done \$129 million in loans totaling nearly 3,000. Some of these loans are of significant size; in some cases well over \$100,000. Where the Bank is consolidating debt for medical students the numbers are well in excess of \$200,000 to \$300,000. One of the provisions with the Program's loan features is that in the case of a disability or a significant health issue or a death, these loans are forgiven. This feature was patterned after the federal loan program. As the Bank considers what level of reserves they should have, those features needed to be considered. The Bank thinks, after looking at some actuary tables, it is prudent given that these loans are larger and extend for a much longer period of time – normally a student loan is ten years, these are twenty to twenty-five years – to put additional money into the Guarantee Agency reserve which is an eligible use of money from the Student Loan Trust. The Trust itself has \$40 million in net asset value so it has the liquidity to make the transfer. He is recommending that they make the transfer from the Student Loan Trust to the Guarantee Agency.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem to adopt the follow resolution:

RESOLUTION APPROVING TRANSFER OF FUNDS
TO STATE GUARANTEE PROGRAM PURSUANT TO
SECOND GENERAL BOND RESOLUTION

RECITALS

WHEREAS, the Industrial Commission of North Dakota (the "Industrial Commission" or "Commission") on June 19, 1996, authorized and approved a Second General Bond Resolution (the "1996 General Bond Resolution"); and

WHEREAS, the 1996 General Bond Resolution created certain funds and accounts, including the Revenue Fund in Section 5.2 and in Section 5.4 set forth the use and disbursements of the Revenue Fund Moneys; and

WHEREAS, the Industrial Commission on June 24, 1998 adopted the Third Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution which amended Section 5.4(A) (1) (viii) of the Second General Bond Resolution. This amendment set forth in part that balances in the Revenue Fund may be applied by the Commission for the purpose of funding a Guarantee Agency's Guarantee Program if a Guarantee Agency commences operations in the State under certain conditions; and

WHEREAS, the Guarantee Agency has commenced operations in this state and a request has been made to transfer funds from the Revenue Fund of the 1996 General Bond Resolution in the amount \$5,000,000 in order to maintain the reserve requirement for projected alternative loan guarantees,

NOW, THEREFORE, be it resolved by the Industrial Commission of North Dakota:

1. That all conditions required for the transfer of funds from the Revenue Fund of the 1996 General Bond Resolution, and particularly Section 5.4 thereof, have been satisfied to permit a transfer of a portion of the Revenue Fund balance to the Guarantee Agency's Guarantee Program.
2. That the amount of \$5,000,000.00 is hereby authorized and approved to be transferred from the Revenue Fund to the Guaranty Agency's Guarantee Program. The Authorized Officer and the Trustee are authorized to take any and all actions necessary to effectuate the transfer authorized by this Resolution.
3. That any moneys transferred to the Guarantee Agency may be transferred back to the Revenue Fund to the extent such funds are no longer needed by the Guarantee Agency to fund the Guarantee Program.
4. That this Resolution is effective immediately.

Mr. Hardmeyer said they did this back in 2012 so this is a repeat.

On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Being no further Student Loan Trust business, Governor Dalrymple adjourned this portion of the meeting at 11:40 a.m. and the Commission took up Bank of North Dakota business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

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Also

Present: Andrea Travnicek, Governor's Office
Bonnie Storbakken, Governor's Office
Eric Hardmeyer, Bank of North Dakota
Wally Erhardt, Bank of North Dakota
Members of the Press

Governor Dalrymple called the Bank of North Dakota portion of the Industrial Commission meeting to order at 11:40 a.m. following completion of Student Loan Trust business.

Mr. Eric Hardmeyer, Bank of North Dakota President, indicated that this issue had just come to the Bank's attention. The ABLE legislation passed Congress yesterday and the President is expected to sign it. It is basically patterned after the 529 Savings Program that the Bank administers for college savings. This allows families of individuals to save for disability related expenses of a disabled individual in a federal tax advantage account.

In response to a question regarding if you are a relative of a disabled person you could make such a contribution, Mr. Hardmeyer stated yes.

Mr. Hardmeyer said the Bank would not normally promote this as a service of the Bank. However, since the Legislature authorized the Bank to administer the 529 program he would like some direction from the Commission as to whether or not the Bank should pursue it in the upcoming legislative session. Although they don't have all the details yet it will more than likely require a state agency to offer to the program. That is what happened back in 1999 when the Legislature approved College SAVE and designated BND to administer the program.

There was discussion with Mr. Hardmeyer and Mr. Wally Erhardt, Bank of North Dakota, as to what the impact for workload would be to the Bank, how the tax exemption under this new program works, and how similar it was to the 529 program.

It was the consensus of the Commission that the Bank should pursue getting authority to administer this program--it seems comparable to the College SAVE Program, it is public spirited and it doesn't appear to be competing in any significant way with anyone else.

Mr. Hardmeyer indicated he would talk to a couple of legislators about submitting a bill.

Being no further Bank of North Dakota business, Governor Dalrymple adjourned this portion of the meeting at 11:45 a.m. and the Commission took up Administrative business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

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Present: Andrea Travnicek, Governor's Office
Bonnie Storbakken, Governor's Office
Eric Hardmeyer, Bank of North Dakota
Wally Erhardt, Bank of North Dakota
Members of the Press

Governor Dalrymple called the Administrative portion of the Industrial Commission meeting to order at 11:45 a.m. following completion of Bank of North Dakota business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, discussed proposed legislation regarding the State Mill. (A copy is available in the Commission files.) She said there is a letter from the Northern Crops Institute stating an interest in having the State Mill as a permanent member of the Northern Crops Council. They have talked with Mr. Taylor who thinks it would be a very good idea and will enable him to make contacts as well as to be involved more in what the Mill has to offer to those groups involved with the NCI. They would be responsible for introducing the legislation--finding a legislator-- but they wanted to know if the Commission was okay with them proceeding on that basis. It would not be a state agency bill.

Commissioner Goehring said he serves on this Council and Mark Webber has asked him what he thought about this. The Commissioner indicated that Mr. Taylor could bring expertise to the board from the milling side of the business along with the other expertise he has in doing business with farmers and the Mill's customers. He thought it was a good idea.

Governor Dalrymple said it makes sense. Mr. Taylor has gone on many trade missions and he has great knowledge of export potential for North Dakota and that is really what the NCI is all about – connecting with foreign buyers. Ms. Fine said she would convey that information to Mr. Taylor.

Ms. Fine discussed her recommendation for compensation of North Dakota Mill President and General Manager as follows:

RE: Vance Taylor Compensation

Fiscal Year 2014 was another good year for the State Mill. Profits were \$13,351,343, the second highest year in the Mill's history.

When Vance Taylor was hired by the Industrial Commission his compensation package included an annual bonus opportunity based on performance—up to 30% of base salary. Thirty percent of his base salary would be \$62,482.00 (Vance's base salary for FY 2014 was \$208,272.)

The Commission has previously determined that the 30% bonus payment be determined with 20% based on what had been distributed to Mill employees under the gain sharing plan and 10% based on other criteria—achieving goals outlined in the strategic plan, etc.

The gain sharing payout for FY 2014 for Mill employees was 18.09%. The FY 2014 gain sharing payment was 3% for certain criteria (one of the goals was not reached) and 15.09% based on profits. If all the goals had been met based on the gain sharing payout portion, Vance could have received \$41,657. However, because not all the goals of the gain sharing plan were achieved I am recommending his payout, based on the Commission's directive, be reduced to \$41,032

As to the remaining 10% of his 30% bonus potential (\$20,825), Vance and the Mill achieved a number of goals that were established by the Commission last year in the Mill's strategic plan—successful completion of union negotiations, increase in export sales, continued to develop relationships with foreign customers including participation in a Trade Office mission, added new customers, continued work with Dakota Pride and oversaw completion of capital projects. In addition Mr. Taylor had additional issues that had to be dealt with regarding rail transportation issues. I am recommending he receive a bonus of \$61,857 for FY2014.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approves a bonus for Mr. Vance Taylor of \$61,857 for FY2014. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Being no further Administrative business, Governor Dalrymple adjourned the meeting at 11:52 a.m.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary