

Minutes of Meetings of the Industrial Commission of North Dakota
Held on September 26, 2016 beginning at 2:00 p.m.
Mill Conference Room
1823 Mill Road, Grand Forks, ND

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

Also
Present: Vance Taylor, ND Mill
Ed Barchenger, ND Mill
Eric Hardmeyer, BND
First Lady Betsy Dalrymple
Bonnie Storbakken, Governor's Office

At 2:00 p.m. on September 26, 2016 the Industrial Commission participated in the dedication of the expansion of the Wilson M. Laird Core Library on the University of North Dakota campus in Grand Forks, North Dakota.

Following the Core Library dedication the Commission traveled to the North Dakota Mill and at approximately 4:00 p.m. took part in the North Dakota Mill Ribbon Cutting for the G-Mill at 1823 Mill Road, Grand Forks, North Dakota.

After the Ribbon Cutting the Industrial Commission held a meeting at the North Dakota Mill with Governor Dalrymple calling the Commission meeting to order at 4:50 p.m. The Commission thanked Mill management for an excellent program.

Mr. Vance Taylor, North Dakota Mill President and General Manager, presented the North Dakota Mill FY 2016 Fourth Quarter Report and Year-End Report as follows:

**North Dakota Mill
Review of Operations
4th Quarter Ended June 30, 2016
Pre-Audit
SUMMARY**

Operations in the 4th Quarter led to a profit of \$2,674,649 compared to a profit of \$2,375,500 in last year's 4th Quarter. For the year we had a profit of \$9,336,618 compared to \$16,675,348 last year.

	<u>Quarter</u>		<u>Year-to-Date</u>	
	<u>6/16</u>	<u>6/15</u>	<u>6/16</u>	<u>6/15</u>
Profits	2,674,649	2,375,500	9,336,618	16,675,348
Sales	67,390,128	75,029,970	273,637,401	305,574,443
Cwt. Shipped:				
Spring	3,041,895	2,996,336	11,921,855	11,554,192
% to Total	91.6%	92.2%	91.8%	92.1%
Durum/Blends	<u>279,412</u>	<u>253,953</u>	<u>1,070,813</u>	<u>996,014</u>
Total	<u><u>3,321,307</u></u>	<u><u>3,250,289</u></u>	<u><u>12,992,668</u></u>	<u><u>12,550,206</u></u>
Bag Shipments	623,536	632,993	2,589,012	2,687,654
% to Total	18.8%	19.5%	19.9%	21.4%
Tote Shipments	31,011	22,724	126,013	109,528
% to Total	0.9%	0.7%	1.0%	0.9%

Family Flour				
Shipments	40,795	46,463	259,804	300,578
% to Total	1.2%	1.4%	2.0%	2.4%
Organic Flour				
Shipments	51,707	32,389	189,473	110,436
% to Total	1.6%	1.0%	1.5%	0.9%
Wheat Purchased:				
Spring	5,969,066	6,236,823	24,096,167	24,809,365
Durum	<u>527,553</u>	<u>622,629</u>	<u>1,999,219</u>	<u>1,946,079</u>
Total	<u>6,496,619</u>	<u>6,859,452</u>	<u>26,095,386</u>	<u>26,755,444</u>

SALES

4th Quarter

Sales for the 4th Quarter were \$67,390,128 compared to \$75,029,970 last year. Shipments of 3,321,307 cwts. are 71,018 cwts. above last year's 4th Quarter. Bag shipments for the 4th Quarter are 623,536 cwts. compared to 632,993 cwts. last year. Tote shipments are 31,011 cwts. compared to 22,724 cwts. last year. Family flour shipments of 40,795 cwts. is 12.2% below last year's 4th Quarter. Organic flour shipments of 51,707 cwts. is 59.6% above last year.

Year-to-Date

Sales for the fiscal year came in at \$273,637,401. This is 10.5% under last year. The reduction in sales dollars is due to the \$1.32 per bushel decrease in the price grain settled. Shipments of 12,992,668 cwts. are 442,462 cwts. above last year. Year-to-date bag shipments are 2,589,012 cwts. or 98,642 cwts. below last year. Year-to-date tote shipments are 126,013 cwts. compared to 109,528 cwts. last year. Family flour shipments for the year are 259,804 cwts., which is a 13.6% decrease from last year. Organic flour shipments are 189,473 cwts. compared to 110,436 cwts. last year.

OPERATING COSTS

4th Quarter

Operating costs for the 4th Quarter are \$7,472,249 compared to \$6,958,674 last year, an increase of 7.4%. Operating cost per cwt. of production is \$2.42 compared to \$2.25 last year, an increase of 7.6%.

Year-to-Date

Year-to-date operating costs are \$27,047,530 compared to \$27,375,789 last year, a decrease of \$328,258. Operating costs per cwt. of production for the year is \$2.20 compared to \$2.21 last year.

PROFITS

4th Quarter

For the 4th Quarter we experienced a profit of \$2,674,649 compared to a profit of \$2,375,500 last year. Gross margins as a percent of gross sales for the Quarter was 15.2% compared to 12.5% last year, an increase of 2.7%.

Year-to-Date

For the year we had a profit of \$9,336,618 compared to profits of \$16,675,348 last year. Gross margins as a percent of gross sales for the year were 13.4% compared to 14.5% last year, a decrease of 1.1%.

Risk Management Position

The table below shows our hedge ratio by futures month going forward. A hedge ratio shows the relationship between our net cash position and our futures position. As the table shows each futures month listed shows we are closely matched in each period. The mill does remain at risk for the basis.

Position Report
30-June-16

Period	Hedge Ratio
Sep-16	1.0
Dec-16	1.1
Mar-17	1.0
May-17	1.0
Jul-17	1.0
Net Position	1.1

Mr. Taylor presented the 2017 Strategic Plan with the changes from the prior year noted as overstrikes and underscores. (A copy of the Plan with the noted changes is available in the Commission files.) He indicated that the plan has five main strategic issues. The main goal for the coming year is getting the G-Mill running and increasing volume to meet customer needs.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the North Dakota Mill & Elevator Strategic Plan for FY2017 be approved as follows:

**North Dakota Mill & Elevator
Strategic Plan FY 2017**

Strategic Issue 1

Promote and Support North Dakota Agriculture, Commerce and Industry

A. Develop and Market New Agricultural Products

1. Identify and promote new spring wheat and durum products
2. Develop and market new white wheat products
3. Evaluate retail mixes
4. Evaluate industrial mixes

B. Increase State Mill Demand for Conventional and Organic Spring Wheat and Durum

1. Continue to grow our conventional spring wheat and durum business
2. Continue to grow our organic spring wheat and organic durum business
3. Focus on continuing to grow the whole wheat business
4. Assist current customers in the growth of their business and seek out new customers

C. Work with the Dakota Pride Cooperative, NCI, and other Agricultural Organizations

1. Assist Dakota Pride with identity preserved projects and Ag Identity joint ventures.
2. Facilitate Dakota Pride exports through the ND Trade Office
3. Explore additional partnerships for Dakota Pride Cooperative members
4. Identify and develop projects with other North Dakota agricultural organizations
5. Identify and promote synergies within NDM and NCI initiatives

D. Identify and Target New Export Opportunities

1. Increase export sales to current customers
2. Identify new conventional and organic export customers

Strategic Issue 2

Identify and Respond to Emerging Issues in the Flour Mill Industry

- A. **Respond to Changing Grain Market Conditions and Increased Volatility**
 - 1. Investigate ways to refine our grain market risk management procedures
 - 2. Develop risk measurement calculations
- B. **Develop a Strategy to Meet Grain Purchasing Needs with Our Increased Milling Capacity**
 - 1. Implement strategies to originate grain from more distant North Dakota sources cost effectively
 - 2. Continue to develop additional contacts across North Dakota for sourcing wheat and durum
- C. **Manage Transportation Costs to Maintain Competitiveness**
 - 1. Work to maximize truck rate efficiencies
 - 2. Work to maximize rail rate efficiencies
 - 3. Respond to BNSF marketing program changes
 - 4. Evaluate transload sites for cost and efficiency
- E. **Address Customer Issues**
 - 1. Stay abreast of changing consumption patterns and react accordingly
 - 2. Stay abreast of emerging food safety issues
 - 3. Evaluate the potential addition of a food safety manager position
- F. **Focus and Rapidly React to Current Critical Issues**
 - 1. Continue to monitor state and federal GMO labeling issues
 - 2. Work with NDSU and others on developing critical wheat disease issues
 - 3. Work with NCI to develop milling techniques to handle vomitoxin wheat

Strategic Issue 3
Increase Profitability

- A. **Increase Gross Margins**
 - 1. Leverage our superior quality and brand recognition
 - 2. Reduce causes and costs of problem shipments
- B. **Minimize Plant Costs**
 - 1. Minimize energy costs
 - 2. Effectively manage overtime
 - 3. Decrease unscheduled downtime
- C. **Minimize Freight Costs**
 - 1. Right size the rail car fleet for increased production capacity
 - 2. Maximize rail car loading weights
 - 3. Minimize demurrage costs
- D. **Upgrade Technology**
 - 1. Implement the Visi-Ship transportation management system
 - 2. Evaluate designs for a new flour distribution system
 - 3. Evaluate increasing packaging capacity
- E. **Improve Infrastructure**
 - 1. Explore increasing the grain storage capacity of the elevator to facilitate shuttle receiving
 - 2. Complete construction of the high speed rail/truck receiving system
 - 3. Evaluate the potential purchase of additional property to receive wheat shuttles
- F. **Explore Expansion Opportunities**
 - 1. Investigate possible acquisitions
 - 2. Evaluate continued expansion of existing milling units
 - 3. Evaluate options to increase whole wheat milling capacity

Strategic Issue 4
Grow our Customer Base

- A. **Maintain a Consistent High Quality Product**

1. Emphasize high quality when purchasing wheat and durum
2. Optimize milling and blending procedures
3. Evaluate in house lab testing procedures and requirements

B. Continue to Improve our High Level of Customer Service

1. Continue to increase the exchange of information through electronic means
2. Continue to visit customers to improve relationships
3. Stress continued training for customer service and sales employees
4. React to increased customer demand.

C. Identify and Target New Customers & Markets

1. Identify and target new potential dedicated spring wheat customers
2. Target new markets and consumer warehouse outlets to grow the retail business
3. Grow the bag and tote business

D. Maintain and Leverage our FSSC 22000 Certification

1. Continue to focus on continuous improvement
2. Stay informed on FSSC 22000 certification program changes
3. Pass our FSSC 22000 certification surveillance audit
4. React to the upcoming FSMA laws

E. Review and Revise Marketing Strategies as Necessary

1. Review advertising media to optimize promotional opportunities for all industrial and retail products
2. Promote the functional differences between our products and those of competition
3. Promote our industry leading level of customer service

Strategic Issue 5

Invest in our Employees

A. Promote Workplace Safety

1. Create awareness and instill safe work practices for all employees through orientation training and supervision
2. Conduct weekly department safety meetings
3. Correct all safety issues as soon as possible

B. Improve the Retention of our Workforce

1. Review and recommend market based compensation
2. Promote job satisfaction through recognition
3. Provide opportunities for upward mobility and job enrichment
4. Utilize the employee recruitment and retention plan

C. Recruit Quality People

1. Insure that compensation, working conditions and future opportunities compete with other similar companies
2. Actively seek out quality employees
3. Maintain professional hiring practices
4. Evaluate staffing needs due to business growth and attrition
5. Annually review the leadership succession plan

D. Enhance Workplace Communications

1. Promote communications between management and staff
2. Conduct annual performance reviews with employees
3. Improve communications with legislators and agricultural organizations/groups

E. Improve Job Performance Through Training

1. Emphasize the importance of growth and training during employee orientation
2. Review career objectives and identify training needs to achieve employee objectives

3. Record training activity and obtain employee feedback on training sessions
4. Train employees on all new software as appropriate

In response to a question regarding evaluating the federal and state GMO labeling issue, Mr. Taylor said Mill management is happy to see the federal law covering that issue – it would have been a nightmare to have a different labeling law in every single state. Having the federal law was what the milling industry really wanted to see. Essentially there is no GMOs in wheat right now. Mill management is going to continue to watch that issue and hopefully have just the one labeling law to comply with. It was indicated that there is some movement to having hybrid wheats.

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

Mr. Taylor presented the 2017 Gain Sharing Program. He said the Mill had a successful gain sharing program in FY 2016. He indicated that the plant employees pay close attention to the gain sharing goals throughout the year and work hard to achieve all four of the four goals. He stated that the FY 2016 gain sharing payout was 21.84 percent (about \$13,600 per employee) compared to the average gain sharing payout over the last ten years of 13.2 percent. He stated that the proposed 2017 Gain Sharing Program will continue to motivate employees--hourly and salaried--to work together as a team, which is a big key to maximizing results and work safety. The FY 2017 Gain Sharing Program has been changed to not pay out any bonus if profits do not exceed \$2 million on the goals and to not pay out on the profit portion of the program unless the Mill exceeds \$4 million. This is double from the previous levels which were set at \$1 million and \$2 million. The 2017 Gain Sharing Program also increases the cwt per man hour goal to 34.5 which is a 4.5% increase to allow for the increase in efficiency provided by the recent capital projects. The cost per cwt goal has also been increased to \$2.15 which is a 2.4% increase to make it achievable by allowing for the increased costs of energy, labor costs and inflation. The yield goal has not been changed--it is a tough goal to make. The safety goal has been increased to 165 points to allow for the increase in total employees over the years. When the safety goal was originally set at 150 points in 2003, the Mill had 121 employees. With the G-mill expansion, the Mill will now have 147 employees. In order to make the goal achievable the number needed to be increased – it is the toughest goal to make.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the North Dakota Mill Gain Sharing Program for FY 2017 be approved as follows:

**NORTH DAKOTA MILL
GAIN SHARING PROGRAM
FY 2017**

- Eligibility – all full-time employees on June 30, 2017 that worked a minimum of 1,000 hours during the program year are eligible.
- No pay out of any bonuses if profit before gain sharing expense accrual does not exceed 2.0 million dollars.
- No payout on the profit part of the plan if profit before gain sharing expense accrual does not exceed 4.0 million dollars.
- Payout will be calculated as a percent of earnings from July 1, 2016 to June 30, 2017.
- Goal numbers were set to reflect current realities for the new plan year.
- Goal numbers were set by the General Manager and are attainable with effort.

The plan consists of two independent parts. 4% potential payout is from exceeding gain sharing goals and an uncapped potential payout is from profits.

For the year ending June 30, 2017 the goals are as follows:

Gain Sharing 1st Part - 4% Bonus Potential*

Goals

Cwt./man-hour	(includes all hours)	34.5
Cost per cwt. (before gain sharing exp.)		\$2.15
Yield		77.2%
Safety Record		165 Points

*4% bonus potential if all numbers are met or exceeded. Each goal is worth 1% of the 4%.

Gain Sharing 2nd Part - Uncapped Bonus Potential

Profits (before gain sharing expense accrual):

2.0 million	= 0.0% bonus pay out
4.0 million	= 4.0% bonus pay out
Each additional 1.0 million in profits = 1.0% additional bonus payout.	

NOTE: The 1st Part of the gain sharing goals begin to payout at a profit (before gain sharing expense accrual) level greater than \$2.0 million. The 2nd Part of the Gain sharing Goals begin to payout at a profit (before gain sharing expense accrual) level greater than \$4.0 million.

EXAMPLE #1:

The mill makes \$2.0 million profit (before gain sharing expense accrual) and we exceed the goal for cwt./man-hour and cost/cwt. but not the safety record or yield. The total bonus received would be 2% for goals + 0% for profit = 2.0%.

EXAMPLE #2:

The mill makes \$4.0 million profit (before gain sharing expense accrual) and we exceed the goal for cwt. /man-hour, cost/cwt., and the safety record but not the yield. The total bonus received would be 3% for goals + 4.0% for profit = 7.0%.

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

Mr. Taylor presented the report on 2016 Capital Projects as follows:

**NORTH DAKOTA MILL
 Capital Expenditures for FY 2016**

Capital Expense Item	Approved / Remaining Budget	Net Capital Cost	Under / (Over)	Completed Project Cost
Plant				
Electrical Power Distribution Upgrade	151,663	142,919	8,744	\$2,746,256
Retail Bag Packing Upgrade	71,663	64,826	6,837	753,163
Old Warehouse Roof Upgrade	115,000	114,312	688	114,312
Propane Mixer System	271,425	233,414	38,011	271,989
E-Mill High Pressure Filter	75,000	61,414	13,586	61,414
*G Mill Expansion Project	27,206,885	21,406,527	5,800,358	
* Flour Tank Expansion	4,390,000	1,329,372	3,060,628	
Paperless ECM System	150,000	139,936	10,064	139,936
* High Speed Rail/Truck Wht Unloading System	9,300,000	215,868	9,084,132	

* Pellet Mill	440,000	369,427	70,573	
* Rail Cleaning Shed Extension & Doors	360,000		360,000	
Payloader	280,000	242,383	37,617	242,383
* Rail Track Refurbishment	275,000	108,852	166,148	35,000
Falling Number Analyzer (2)	35,000	35,000	-	
Computers/Technology				
Systems Improvements, Replacements, and Upgrades	150,000	144,012	5,988	
Storage Device	31,459			31,459
Replication Software	13,096			13,096
Server Room Rewire	6,278			6,278
FOSS NIRSDS2500	82,345			82,345
Palo Alto Security Appliance	10,833			10,833
Other				
Filter Explosion Suppression WW Mill	72,794			72,794
Filter Explosion Suppression WW Mill Clean Hse	36,397			36,397
Filter Explosion Suppression A Mill Clean Hse	36,397			36,397
Filter Explosion Suppression C Mill Clean Hse	36,397			36,397
Palo Alto Spare Security Appliance	5,313			5,313
Falling Numbers Machine	20,770			20,770
Office Transformers	8,685			8,685
Metal Detector	24,047			24,047
JD Tractor, Loader, Mower	21,750			21,750
Spare Transformer	25,358			25,358
Hoist	31,460			31,460
Total Capital Expenditures	\$ 43,671,636	\$ 24,927,630	\$ 18,744,006	\$ 4,827,832

* Carried over to Fiscal Year 2017

Mr. Taylor said all of the projects being carried over should be completed by the end of the 2017 fiscal year.

Mr. Taylor presented the following descriptions of the 2017 Capital Plan projects:

Old Warehouse Roof:

The old warehouse roof has deteriorated to the point where replacement is required. Total square foot area is approximately 30,000. **\$325,000**

Weather Canopy over new Grain Inspection Building:

This 80'X46' protective cover is required to prevent rain or snow damage on grain when the truck trailer is being probed for testing. **\$315,000**

K-Mill Patent Flour Infestroyer:

Past upgrades to the K-mill and the resulting increase in capacity rendered the existing infestroyer obsolete. The installation of a new Infestroyer to handle the capacity increase is necessary to prevent of insect contamination. **\$125,000**

Grain Separator Upgrade:

The existing Golfetto grain separators on the A, B & D mills are worn out to the point where replacement is required. **\$425,000**

Storm Sewer/Drainage Upgrade:

This project is needed to correct various drainage issues we are currently dealing with due to several old partially collapsed drainage pipes. Most of the current storm sewer system dates back to the original construction of the mill. **\$450,000.**

Two-way radio Communication Upgrade:

Many of our two-way radios are worn out and obsolete. This would upgrade us to the current short-wave system and would improve system reliability. **\$170,000**

Lab Equipment:

Purchase and install the necessary lab equipment for the new grain inspection building. Purchase and install one additional farinograph in the main lab to test additional samples as required. **\$220,000**

In response to a question Mr. Taylor explained what an infestroyer is, what it does and how it works.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the North Dakota Mill Capital Plan for FY 2017 with carryover capital expenditures of \$18,541,838 and new capital expenditures of \$2,580,000 for a total of \$21,121,838 be approved as follows:

**NORTH DAKOTA MILL
 Capital Plan for FY 2017
 September 26, 2016**

Capital Expense Item	Remaining Budget
Carryover from FY 2016	
Plant	
G Mill Expansion Project	\$ 5,800,358
Flour Tank Expansion	3,060,628
High Speed Rail/Truck Wht Unloading System	9,084,132
Pellet Mill	70,573
Rail Cleaning Shed Extension & Doors	360,000
Rail Track Refurbishment	166,148
Total Carryover Capital Expenditures	\$ 18,541,838
FY 2017 Capital Expense Item	
Plant	
Old Warehouse Roof Upgrade	325,000
Grain Inspection Building Canopy	315,000
K Mill Patent Flour Infestroyer	125,000
Grain Separator Replacement	425,000
Storm Sewer/Drainage Upgrade	450,000
Two-radio Communication Upgrade	170,000
Lab Equipment	220,000
Computers/Technology	
Systems Improvements, replacements, and upgrades	150,000
Other	400,000
Total New Capital Expenditures	\$ 2,580,000
Total Capital Expenditures	\$ 21,121,838

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

In response to a question, Mr. Taylor indicated that the items on this list are essential items. Governor Dalrymple said in regards to capital expenditures and projected profits the financial outlook for the 2017-2019 biennium is going to be extremely difficult for the General Fund. As you know, agencies are being asked to present 90% budgets and even at that, it is going to be challenging. It is hoped that the Mill can do its part to help the General Fund in 2017-2019; probably more so than ever before. Mr. Taylor indicated that Mill management understands that. It appears that they will have a great crop to work with this year and are hopeful their profits will be up -- the more they make the more they can contribute to the General Fund.

Mr. Taylor discussed amendments to North Dakota Mill Employee Travel & Business Entertainment Policy as follows:

**NORTH DAKOTA MILL
EMPLOYEE TRAVEL & BUSINESS ENTERTAINMENT POLICY**

<u>INDEX</u>	<u>PAGE</u>
A. SUMMARY.....	2
B. REQUEST FOR REIMBURSEMENT.....	2
C. EMPLOYEE MEALS.....	2
D. EMPLOYEE TRAVEL BY VEHICLE.....	3
E. AIRLINE TRAVEL.....	4
F. CAR RENTAL.....	4
G. LODGING.....	5
H. ENTERTAINMENT.....	5
I. SPOUSE TRAVEL.....	6
J. TAXI & CAB FARES.....	6
K. TRAVEL ADVANCES.....	6
L. PHONE CALLS.....	6

**NORTH DAKOTA MILL
EMPLOYEE TRAVEL & BUSINESS ENTERTAINMENT POLICY**

A. SUMMARY

The North Dakota Mill will reimburse its employees for reasonable, customary and necessary expenses incurred while conducting North Dakota Mill business. North Dakota Law and OMB Policy will govern unless there is specific Mill policy. If, after reading this policy, you have any questions about what expenses are covered and/or what constitutes reasonable, customary and necessary business expense you should check with your Supervisor, Accounting or the General Manager. You will not be reimbursed for expenses that are considered unreasonable, uncustomary or unnecessary or that were not authorized prior to incurring the expense. If you are not sure you should ask.

B. REQUEST FOR REIMBURSEMENT

Request for reimbursement of expenses is to be submitted on an expense report form available in the office. The expense report must be prepared and signed in ink. Only one week is to be submitted on an expense report. Supporting documentation as defined below must be attached to the expense report. The expense report will be submitted to the General Manager's Secretary, who will review it for compliance with current policy and procedures. Improperly prepared reports will be returned to the employee. The General Manager or the

Controller/Finance Manager will approve properly prepared expense reports. The General Manager's expense report must be approved by the Controller/Finance Manager and vice versa.

The expense report must provide adequate explanation for the business expense. For meetings, conventions, etc. a copy of the registration should be attached. This establishes duties, purpose, location, etc.

C. EMPLOYEE MEALS

The State Policy lists the per diem allowance for meals. Meals incurred by an employee traveling out of the office for the day are not normally reimbursable. However, a meal may be reimbursed to an employee who is required to be in the office the next day, who spends considerable more than 8 hours on business that day and who had prior approval. No reimbursement is allowed for alcoholic beverages.

Employees traveling together will each submit their own expenses.

Employees will not be reimbursed for any business meal where only employees attended unless this has prior approval of the General Manager. Employees are not authorized to take other employees out to lunch to "discuss business."

Reimbursement will follow the guidelines established by Office of Management and Budget (OMB).

Employees will not be reimbursed for the first quarter allowance if travel began after 7 a.m.

Those persons engaged in travel outside of the continental United States shall be reimbursed for meals as follows:

- The allowance for meals in noncontinental United States and overseas nonforeign areas, including Alaska, Hawaii, and Guam, is equal to the per diem meals rate in the city of which a claim is made on that day as established by rule for federal employees established by the United States per diem committee.
- The allowance for meals outside the United States is equal to the per diem meals rate in the city for which a claim is made on that day as established by rule for federal employees established by the United States Department of State.
- To find the applicable meal rates outside the contiguous 48 states, use the following website <http://www.gsa.gov/portal/category/21287>.
- The standard rate for the continental United States is \$46. To find domestic per diem rates that are above this rate, use the following website:
http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_BASIC&contentId=17943.

D. EMPLOYEE TRAVEL BY VEHICLE

State law requires that a state-owned vehicle be used whenever possible when traveling on State business. See the Secretary for information on use of State vehicles.

When an employee drives a State fleet vehicle, the State's liability coverage is primary should an accident occur. If an employee drives a personal vehicle on State business, the employee's personal insurance is primary. If an employee must drive a personal vehicle because no State fleet vehicles are available, then the State would have primary responsibility.

If an employee is allowed to use a personal vehicle, reimbursement will be made according to the rates established by OMB.

If a personal vehicle is used in lieu of air, for the employee's convenience, meals and motel expenses will be allowed for a maximum of one day each way.

This policy assumes that, generally, personal vehicles are used for out-of-state travel for reasons of personal convenience.

Traffic, parking, etc. tickets/fines are the expense of the employee and will not be reimbursed by the North Dakota Mill.

E. AIRLINE TRAVEL

You should work hard through the travel agency to book all airline flights, as far in advance as possible at the lowest cost that is practical. Saturday stayovers will typically produce lower airfares. We will not require you to stay over Saturday if you have family obligations, however, we would encourage you to do so when the savings are substantial and your personal schedule allows.

Employees may either pay for their ticket or charge it to the North Dakota Mill. In either case the passenger receipt coupon must be attached to the expense report as a receipt.

The itinerary or a copy must be attached. This establishes date, time and cost. If you charged the ticket to the North Dakota Mill you are still required to show the cost on your expense report. However, circle the amount and indicate, "paid by North Dakota Mill." Do not indicate the amount in any totals.

If you charge the ticket to the North Dakota Mill it is your responsibility to approve the invoice and forward to accounts payable. Accounts payable will cross-reference this charge to your expense report. If you change or cancel your airline travel you are responsible for documenting this and the cost or savings on your expense report.

If you are on company business and plan to travel to a destination close by using vacation you must have proper documentation from the travel agency, before your trip, to show the cost of what the travel would be for the business portion of your trip and the cost of your personal business. It is preferred that you keep company business and personal business separate, but if you can get a better deal for travel this will be allowed as long as proper documentation is attached to your expense report.

F. CAR RENTAL

The North Dakota Mill will reimburse an employee for car rental if the employee used an aircraft to get to their destination, and if the use of the vehicle is sufficient to justify that mode of travel instead of a taxi.

It is generally the policy to discourage car rentals unless their cost effectiveness is self-evident.

Payments will be reimbursed to the individual only; charges may not be made to the State.

The State provides insurance coverage and you should decline any insurance coverage.

Traffic, parking, etc. tickets/fines are the expense of the employee and will not be reimbursed by the North Dakota Mill.

If you are at a convention and everything is being held in one location there is no need to rent a car. Taxis can be used to and from the airport to the hotel. Exceptions to this would be for customer relations.

G. LODGING

Allowable lodging reimbursement for in-state is covered by State policy. Reasonable lodging cost will be reimbursed for out-of-state lodging. Reasonable lodging will take into consideration the city, location of the business being visited, airport, etc. Always remember to ask for the government rate when making reservations.

The room must be a normal or regular type of room. Suites, rooms with Jacuzzis, etc. are not considered reasonable, customary or necessary. Reimbursement will not be made for extra services such as use of an exercise room, movies, etc.

The detailed lodging bill must be submitted as support. Any other charges on the bill must be listed as separate items on the expense report provided they are reimbursable expenses.

The in-state lodging allowance will follow the rate set by OMB plus any applicable state and local taxes on lodging. When making reservations ask for the state rate to verify you are getting the state rate. There may be instances where the state rate cannot be obtained such as a business convention. The higher rate will be allowed provided you have it approved in advance by the General Manager.

H. ENTERTAINMENT

The reasonable cost of entertainment for customers and/or other business associates will be allowed.

In general, reasonable entertainment is defined as meals and beverages at a moderate type-dining establishment. As a guideline the total cost including tip should not exceed \$50 per person. Amounts expected to be greater than this must have been preauthorized by the General Manager.

The following types of entertainment will not be reimbursed unless preapproved by the General Manager. Sporting events, alcoholic beverages, gifts, giving a business associate tickets to entertainment and similar types of expenditures.

The purpose of the entertainment (meals and beverages) is to conduct business and therefore the location, time, etc. should be conducive to this end.

The expenditure must be supported by a receipt showing the name of the place, date and total charge, including tips if any. The names of the person or persons, the business name or relationship, and the nature of the business must be written on either the receipt or the expense report.

I. SPOUSE TRAVEL

There may be times when spouses may be encouraged to travel with you to specific customer functions and/or conventions. Expense reimbursement for spouses will only be paid with prior approval from the General Manager.

If your spouse travels with you and it is unrelated to business you must make sure no personal expenses are included in your expense report. For example, if the hotel has both a single and double occupancy rate then you must show that and only include the single rate on your expense report. The same would apply to a rental car if you took some personal days before or after the business days.

J. TAXI & CAB FARES

Receipts should be attached for taxi and cab fares. Receipts must be attached for fares over \$10.

K. TRAVEL ADVANCES

Advances for meals and lodging may be allowed provided the travel would be in excess of 5 days per month, whether or not consecutive and provided the funds advanced do not exceed 80% of estimated expense for the period.

L. PERSONAL TELEPHONE EXPENSES WHILE TRAVELING

When an employee is away on official company business and long-distance tolls would apply for the employee to call the employee's city of residence, the employee is entitled to make at least one long-distance call per day at company expense.

Mr. Taylor said these revisions change the Mill's policy to automatically mirror OMB's policy for the per diem and mileage reimbursement amounts as they change periodically – we have been doing that for several years; we just wanted to change the handbook to state that practice.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the North Dakota Mill Employee Travel & Business Entertainment Policy be amended to reflect that the reimbursement rates to be used for employee meals, employee travel by vehicle and lodging shall be the current North Dakota Office of Management and Budget rates. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Taylor updated the Commission on the High Speed Rail Unloading Project. It is well underway. He indicated that they have some issues with BNSF -- they are currently working on ten different agreements with BNSF. He stated that the Assistant Attorney General assigned to the Mill has been a big help; he has been great to work with. Mill management is hopeful that the project will be completed by the end of the year as there is a significant pay back on demurrage abatement on the project.

In response to a question regarding if he is satisfied with what BNSF is stating for rates, Mr. Taylor said he didn't know if he was ever satisfied with the BNSF rates but they believe they have negotiated the best deal that the Mill is going to get. BNSF is currently providing great service; service is the best it has been in the last 10+ years.

Mr. Taylor said the G-Mill has been running for about ten days and it is running well. They have made some runs that are almost 24 hours long already which is amazing for a brand new mill. Four rail cars of flour were shipped out just yesterday.

Being no further North Dakota Mill business, Governor Dalrymple adjourned the meeting at 5:12 p.m. Following the meeting Attorney General Stenehjem, Agriculture Commissioner Goehring, Karlene Fine and Mill management took a tour of the G Mill and the High Speed Rail/Truck Wheat Unloading System project.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

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

Karlene Fine, Executive Director and Secretary