

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on September 14, 2018 beginning at 10:00 a.m.
Governor's Conference Room
State Capitol

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

Also Present: Lt. Governor Brent Sanford
Leslie Oliver, Governor's Office
Reice Haase, Governor's Office
Jessie Pfaff, Agriculture Department
Other attendees are listed on the attendance sheet available in the Commission files
Members of the Press

Governor Burgum called the Industrial Commission meeting to order at 10:00 a.m. and the Commission took up Industrial Commission administrative business.

INDUSTRIAL COMMISSION ADMINISTRATION

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission July 27, 2018 non-confidential meeting minutes be approved as presented. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

HOUSING FINANCE AGENCY (HFA)

Ms. Jolene Kline, HFA Executive Director, presented a Supplemental General Authorization Resolution and the 2018 Series D Bond Resolution authorizing the issuance of \$125,000,000 of North Dakota Housing Finance Agency Home Mortgage Finance Program Bonds for consideration. Ms. Kline reported on the August 9th bond sale, which will close the week of September 17, 2018. Of the \$125 million, \$90 million is already reserved. August was a record breaking month. There were 257 purchased loans; the historical average is closer to 100 loans. Ms. Kline indicated that she expects some slow down with reservations.

It was moved by Attorney General Stenehjem and seconded Commissioner Goehring by that the following resolution be approved:

**\$125,000,000
STATE OF NORTH DAKOTA
NORTH DAKOTA HOUSING FINANCE AGENCY
HOUSING FINANCE PROGRAM BONDS
HOME MORTGAGE FINANCE PROGRAM
2018 SERIES D**

**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”) under which Wilmington Trust, National Association, Minneapolis, Minnesota, was appointed successor 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 2018 Series D 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 that 2017 Supplemental General Authorization Resolution adopted by the Commission on December 14, 2017 (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 agreements 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 August 9, 2018, 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, Fidelity Capital Markets, J.P. Morgan Securities LLC and Wells Fargo Bank, N.A. as the purchasers 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 described below, but prior to delivery of the Bonds, the following documents in final form (unless otherwise indicated) (collectively, the “Closing Financing Documents”):

- A. 2018 Series D Bond Resolution, in substantially final form, attached hereto as Attachment A;
- B. Purchase Contract, dated August 9, 2018 by and between the Commission and the Underwriters, attached hereto as Attachment B;
- C. Preliminary Official Statement, with respect to the Bonds, dated August 2, 2018, attached hereto as Attachment C; and

D. Official Statement, in substantially final form with respect to the Bonds, dated August 9, 2018, attached hereto as Attachment D.

WHEREAS, it appears that each of the Closing Financing Documents is in the appropriate and final form (or substantially final form, subject to determination of the final terms of the Bonds in accordance with this Supplemental General Authorization Resolution) 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 Homeownership 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, as specified in and in accordance with the terms set out in the 2018 Series D 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 finalize the terms of and execute any instruments (including any continuing disclosure agreement and tax certificates or forms) and take any actions required to effect the issuance of the Bonds, and to apply the monies received by the Commission from the bond proceeds in such manner as is necessary to give effect to the Program.**
- 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 Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Kline stated that the Housing Finance Agency Advisory Board recently made some recommendations for changes to the construction loan program to fit better to meet the need for entry-level single family homes. Changes included: increase of the maximum number of guarantees available in a community, and increase of the maximum loan size. The first funding round was held on August 31, 2018 and no applications were received. Some feedback indicated that a roadblock is the low FHA limits. It is a struggle to find builders that will build at that price point. They are still able to build higher priced homes and find a market. Governor Burgum stated that the changes were beneficial and indicated the school enrollment is increasing in some communities by 300 students. Ms. Kline indicated that twin homes may be a solution moving forward.

Ms. Kline noted that the Agency had recently rolled out the Opening Doors Landlord Risk Mitigation program. This program enables landlords to rent to tenants with poor or no credit history. Hopefully this will help individuals that find it difficult to obtain housing.

DEPARTMENT OF MINERAL RESOURCES

Mr. Lynn Helms, Department of Mineral Resources (DMR) Director, presented the proposed Order 29396 for Case 26693 and proposed Order 29397 for Case 26694 (Orders are available in the Commission files.) These orders are based on legal issues. In both cases, the applicant raises lease issues. In reviewing the law, that is outside of Commission jurisdiction. These are court claims. While risk penalty claims are within the Commission's jurisdiction, their claims are not ripe for consideration for what is being requested. Revocation of permits was requested. However, they did not specify which permits and so it is outside the Commission's scope. These orders would dismiss the cases without prejudice, which would allow claims that are within the Commission's jurisdiction to come back.

In response to a question, Mr. Helms stated that the orders spell out where the jurisdiction lies so that the parties know where they can go for relief. Governor Burgum thanked Hope Hogan and staff for the clarity we provided.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order No. 29396 issued in Case 26693 dismissing Case 26693 without prejudice and Order No. 29397 issued in Case 26694 dismissing Case 26694 without prejudice be approved this 14th day of September, 2018. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Helms presented a notice of intent to consider amending North Dakota Industrial Commission Order No. 25417 Paragraph 2 (d) and 5. He provided some background information and stated that Order 25417 was approved in 2015. Data has been accumulated for the past three and a half years of regulation of oil conditioning under the existing order (charts available in Commission files.) Based on the 60,000 vapor pressure data points or tests that have been collected in that time frame the data demonstrates that with one rare exception due to a problem with equipment, is that in the early and late winter there is a struggle to meet the vapor pressure requirements. When the average temperature ranges between 40° F to 20° F, something happens with the propane and the butane that causes concerns with vapor pressure as it relates to oil that may be transported by rail cars.

In response to questions, Mr. Helms indicated that 60,000 vapor pressure tests were taken. Approximately 1 in 1,000 have an issue and with the exception mentioned earlier, it always happens in the 40° F to 20° F temperature range.

In response to a question, Mr. Helms stated that EERC is researching this along with the Sandia Labs.

Mr. Helms stated that because of the Commission's focus on this issue and the research that has been completed, ASTM has reviewed their standards. This is a proposal to post for comment the consideration of amending paragraphs 2(d) and 5 so that there is flexibility to allow for the utilization of most recent ASTM standards. The proposed amendment would allow this to be regulated through a guidance policy that enables the Oil and Gas Division to be proactive vs. reactive after looking at the data. If the Commission approves the proposed notification of the comment period, it would be published in the newspaper and posted on the Department's website. A hearing could be requested during the comment period. After all the comments are collected, any proposed amendments and changes to regulations would be presented to the Commission for their consideration.

Commissioner Goehring stated that based on the significant amount of data that has been collected, resources could be preserved by focusing on the priority times when there is higher variability. Mr.

Helms agreed that collecting the data utilizes significant resources. The comment period will be beneficial in hearing from individuals that may have other information.

Case 23084: It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission publish the following notice of intent to amend North Dakota Industrial Commission Order No. 25417 Paragraph 2 (d) and 5:

A motion of the Commission to amend NDIC Order No. 25417 paragraphs 2 (d) and 5 in Case No. 23084 regarding oil conditioning standards for the Bakken, Bakken/Three Forks, Three Forks, and Sanish Pool Field Rules. A full description of the amendments the Commission will consider adopting and the supporting documentation for the proposed amendments can be found at: <https://www.dmr.nd.gov/oilgas/> or by request from the Commission. The Commission will accept and consider written comments on this motion if received no later than 5:00 pm CDT October 1, 2018. The Commission does not intend to hold a hearing on this motion. A request for hearing must be in writing and received no later than 5:00 pm CDT October 1, 2018.

In response to a question, Mr. Helms stated that after the comment period the results of the comments along with a proposed amended order and the policy to implement that order will be brought before the Commission. Any comments received will be available after the comment period closes.

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

Mr. Ed Murphy presented the Geological Survey quarterly report. (A copy of the report is available in Commission files.) His report included information on the following topics:

- Wilson M. Laird Care and Sample Library
- Williston Basin Petroleum Conference
- Rare Earth Elements
- Sand and Sandstone Potential for Proppant
- New Plesiosaur Exhibit
- Regulatory Programs
- Publications This Quarter
- Presentations This Quarter

Mr. Murphy noted that the highest reported concentration of rare earth elements in the nation have been found in southwestern North Dakota. Generally, 300 parts per million (ppm) is the threshold. Rare earth elements in North Dakota lignite has ranged from 600 ppm to 1,145 ppm. However, there has not been consistent high concentrations that would lead to an exploration model. Because of this, more research is being done.

In response to questions, Mr. Murphy indicated that samples can be dug as deep as one foot. A drill with an auger is used to gather most of the samples. The goal now is to determine a model that will guide where to look for rare earth elements. Many of the samples came from state and federal lands with some from private lands.

Mr. Murphy noted that sandstone samples had previously been analyzed in 2011 to determine if they could be used for proppant. At that time, the standards were very strict and North Dakota samples were

below industry standards. Industry has recently lowered their standards, and so additional samples were collected this spring and previous samples were reanalyzed. Now sandstone is again being researched. Preliminary results indicate that there could be potential, but that will not be determined until the samples have been thoroughly analyzed.

In response to a question, Mr. Murphy indicated that the use of ceramic proppant is way down. There may be some mixing, but the usage is much less than in the past.

Mr. Helms and Mr. Murphy indicated that they would bring some rare earth and sandstone samples to a future meeting along with some fossils that were collected during this year's public digs. Governor Burgum remarked that he enjoyed his experience on a fossil dig earlier this year.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2 the Industrial Commission close the meeting to the public and enter executive session for the purpose of attorney consultation. The purpose of the executive session will be to consult with the Commission's attorney(s) regarding adversarial proceedings in the following matter: Case No. 09-2018-CV-00089, Sorum, et al v. State of North Dakota, et al. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Governor Burgum reminded the Commission members and those present in the executive session that the discussion during executive session must be limited to the announced purpose for entering into executive session which is anticipated to last between 15 and 30 minutes.

Governor Burgum stated that the Commission was meeting in executive session to consult with the Commission's attorney(s) regarding Case No. 09-2018-CV-00089 and noted that any formal action by the Commission would occur after it reconvened in open session.

Commission members, their staff, DMR staff, and Special Assistant Attorney General(s) and their staff remained but the public was asked to leave the room. The executive session began at 10:48 a.m.

EXECUTIVE SESSION

Members Present:

Governor Doug Burgum
Attorney General Wayne Stenehjem
Commissioner Doug Goehring

Others in Attendance:

Leslie Oliver	Governor's Office
Lt. Governor Sanford	Governor's Office
Riece Haase	Governor's Office
Jessie Pfaff	Agriculture Department
Lynn Helms	Department of Mineral Resources
Bruce Hicks	Department of Mineral Resources - Oil and Gas Division
Ed Murphy	Department of Mineral Resources - Geological Survey
Katie Harsager	Department of Mineral Resources
Daniel Gaustad	Pearson Christensen Law Firm
Andrea Pfennig	Industrial Commission Office
Karlene Fine	Industrial Commission Office

The Industrial Commission reconvened in open session at 11:04 a.m. and the public was invited to return to the meeting room. Governor Burgum noted that during its executive session the Commission consulted with its attorney regarding Case No. 09-2018-CV-00089.

Governor Burgum noted that the US EIA had announced earlier in the week that the United States is the number one oil producer in the world and North Dakota's role in achieving number one was noted in that announcement. He also commented on recent meetings he had participated in with Japanese officials and other Midwestern Governors and the discussions he had about North Dakota's oil and gas resources. He believes there are significant opportunities for the oil and gas industry to pursue with Japan. Mr. Helms noted that he had discussions earlier in the week with representatives from the states of Wyoming, Colorado and Utah about potential opportunities to move LNG to the west coast. There will continue to be discussions on these issues.

PIPELINE AUTHORITY

Mr. Justin Kringstad, Pipeline Authority Director, presented the Pipeline Authority Transportation Update and Industry Outlook. (A copy of his presentation is posted on the Pipeline Authority website and is available in the Commission files.) His report included information on the following topics:

- Economics
- Understanding Current and Future Oil Production
 - Pricing Update
 - Activity
 - Oil Forecasts
- North Dakota Natural Gas Production
 - Flaring and Gas Capture
 - Interstate Transmission
- Pipeline Construction Update

Mr. Kringstad stated that one of the questions most often asked is how long we can expect drilling in the Bakken. After analysis of the Bakken and Three Forks formation, it is expected that at today's price point there is 20-60 years' worth of drilling inventory.

In response to a question, he stated that this model is only considering the Bakken and Three Forks. Associated with this would be the gas. However, gas is not going to drive the economics.

Mr. Kringstad noted that the Brent-WTI spread has been ramping up. When it exceeds \$5, more oil moves on rail. This depends on what is happening domestically. When Cushing OK gets oversupplied, the spread increases. Mr. Helms stated that the world supplies are being strained by the Iranian sanctions and the Venezuela situation.

Mr. Kringstad stated that natural gas well performance has continued to improve because of technology. As the play pushes out of the core area, well performance will decrease. Wells further out from the core will not perform as well compared to those in core, and that has been accounted for in the model. The challenge has been creating a pipeline system that has adequate consumption with appropriate assumptions, but industry keeps outperforming the assumptions. This results in a shortage of gathering and processing infrastructure. There needs to be another large oil pipeline constructed to keep up with the production.

It was noted that \$1.3 billion is currently being invested by industry (7 announced projects) in infrastructure for the processing of natural gas.

Mr. Kringstad indicated that while North Dakota liquefied natural gas (LNG) may not be shipped overseas, the displacement caused by exporting LNG that is produced nearer to the coast will make room for North Dakota LNG in the US midwestern market.

In response to a question, Mr. Kringstad stated that natural gas liquids (NGLs) will have an entirely different infrastructure system. There is no chemical advantage to ND natural gas in respect to other plays for NGLs.

Mr. Kringstad pointed out that overall pipeline construction miles are up slightly from 2016 but still down from the peak. This is consistent with prior ratios of number of well completions to pipelines constructed.

Oil and Gas Research Program (OGRP)

Ms. Fine presented the Oil and Gas Research Program Financial Report. (A copy is available in the Commission files.)

Mr. Brent Brannan, Oil and Gas Research Program Director, presented the OGRP Council's recommendation for the following project:

G-047-01: History of the North Dakota Oil and Natural Gas Industry; Submitted by North Dakota Petroleum Foundation; Total Project Cost \$607,000; Amount Requested: \$295,500; 3-year project. (A copy of the application is available in the Commission files.)

Mr. Brannan provided the following summary of the project: North Dakota Oil History Project will be dedicated to preserving and maintaining the history of the oil and gas industry in our state and honoring the men and women – both past and present – who helped build it. North Dakota Oil History project will be a multi-year project that will live online and include both written historical accounts and “mini-documentaries.” These mini-docs will be 2- to 3-minute videos that tell the story of key events, people, technologies, developments and more. All content will be prepared to be shared via social media, including Facebook, YouTube, Twitter, Instagram, and other channels. In the first year, at least 12 people – some of the industry's oldest pioneers – will be interviewed on camera and videos and written content will be produced from each. Additional means of sharing of produced content through the Talking Trail application; include mobile app platforms and iBeacon technology creating interactive content in both temporary and/or permanent exhibits.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the Oil and Gas Research Council's recommendation to fund the grant application “History of the North Dakota Oil and Natural Gas Industry” and to authorize the Industrial Commission Executive Director and Secretary to execute a contract with the North Dakota Petroleum Foundation to provide a total of not to exceed \$295,500 in funding (education) with the contingency that the Advisory Committee that is to be established as outlined in the application include a representative of the State Historical Society. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Helms indicated that there will be a challenge for the industry to meet the gas capture requirements, which increase to 88% on November 1, 2018. In an attempt to find a solution to the problem, there have been discussions with the Energy and Environmental Research Center to utilize some of the OGRC funds that have been set aside for “emerging issues” to conduct research regarding the temporary storage of

natural gas in the Broom Creek formation and other formations. It is his recommendation to have this research done at a cost of \$140,000 and that a report be delivered to the Commission by the end of the year regarding the feasibility of temporary storage and recovery of natural gas, where it is best to do that, and can a pilot project be put together quickly to be followed with some long term plans.

In response to a question, Mr. Helms stated that some guidelines on the regulatory process for a demonstration project have already been approved for the industry. A hearing will be required. It will be a 60-90 day timeframe to get a project up and running. It will be discussed at the Petroleum Council's annual meeting in 10 days.

In response to a question, Mr. Helms stated that the Little Missouri 4, which was supposed to come online in the last quarter of this year, had workforce shortages and they have not been able to complete the facility.

Mr. Helms stated that if successful, North Dakota could be the first state to utilize its geology to store gas and relieve pressure on both industry segments. If enhanced oil recovery works, these issues will disappear, but it is too soon to tell. It may be months or years before we know if enhanced oil recovery will work.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that \$140,000 of Contract G-000-004 with the Energy & Environmental Research Center be used for a Technical and Economic Evaluation of Subsurface Produced Gas Injection with a final report detailing the findings of the evaluation provided to the Industrial Commission by December 31, 2018.

In response to a question, Mr. Helms stated that the process would be to either perforate one of the existing well bores in the Broom Creek and use it as the injection/recovery well or to drill a new well in a geologically promising location. It looks like a \$3-4 million well would be capable of taking all of the surplus gas. It would be a 2 year injection cycle and a 3 year recovery period.

Commissioner Goehring stated that we need to be cautious to not de-incentivize industry to process gas and continue to invest in gathering and processing. Mr. Helms acknowledged that it will not be an easy balancing act. However, the first step is to do the research. He also noted one issue will be that pore space does not belong to the mineral owners; it belongs to the surface owners.

Governor Burgum stated that he appreciates the work to innovatively address a problem early on.

Mr. Helms indicated that the Permian Basin flaring is up about 150%. Volume-wise, they are dwarfing what is being flared in North Dakota. Other basins will adopt this if it is successful. There have been processed gas storage facilities for decades. This will be the first time aquifer storage for produced gas is researched.

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

OUTDOOR HERITAGE FUND (OHF)

Ms. Fine provided the Outdoor Heritage Fund Financial Report, indicating that \$13,657,380.32 is available for funding. (A copy is available in the Commission files.).

Mr. Melchior, OHF Advisory Board Chairman, provided the Commission with a list of the 14 applications that had been received for Grant Round 12 which totaled \$5,653,793.85. He indicated that the Board, after reviewing the applications and hearing the presentations from the applicants, recommended the following 6 applications totaling \$648,345.23 for the Commission's consideration:

1. 12-03 (B) McLean County Water Resource Board: Painted Woods Lake Flood Damage Reduction Project, Recommended Amount: \$211,732 (reduced from their request of \$218,132.12); Total Project Costs: \$636,500
2. 12-04 (B) Bowman-Slope SCD: Bowman-Slope SCD Grazing Conservation Program, Recommended Amount: \$112,354; Total Project Costs: \$187,257
3. 12-05 (D) Northern Plains Botanic Garden Society: Northern Plains Botanic Garden Edible Forest, Recommended Amount \$33,601; Total Project Costs: \$84,801
4. 12-07 (D) Bismarck Parks & Recreation District: Hay Creek Bank Stabilization, Recommended Amount \$98,370.73; Total Project Costs: \$219,327.64
5. 12-08 (C) ND Resources Trust: Livestock & Wildlife Dams - Creation & Enhancement, Recommended Amount: \$138,850; Total Project Costs \$277,700
6. 12-10 (D) Turtle Mountain Band of Chippewa: Sky Chief Park Restroom Facilities Project: Recommended Amount: \$53,437.50; Total Project Costs \$71,250

Mr. Melchior noted that half of the projects recommended by the Advisory Board were under Directive D. The six projects are all good projects.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendations of the Outdoor Heritage Fund Advisory Board and approves funding of the following six projects in the total amount of \$648,346 and authorizes the Industrial Commission Executive Director and Secretary to enter into contracts with the applicants as noted below:

- 1. McLean County Water Resource Board - "Painted Woods Lake Flood Damage Reduction Project" - \$211,732 (reduced from their request of \$218,132.12)**
- 2. Bowman-Slope SCD - "Bowman-Slope SCD Grazing Conservation Program" - \$112,354**
- 3. Northern Plains Botanic Garden Society - "Northern Plains Botanic Garden Edible Forest" - \$33,601**
- 4. Bismarck Parks & Recreation District - "Hay Creek Bank Stabilization" - \$98,371**
- 5. ND Resources Trust - "Livestock & Wildlife Dams - Creation & Enhancement" - \$138,850**
- 6. Turtle Mountain Band of Chippewa - "Sky Chief Park Restroom Facilities Project"- \$53,438**

Governor Burgum noted that the Water Commission also provided substantial funds on one of the projects. At a future date, the Water Commission may want to consider their definition of local match. Currently, applicants may use OHF funds as their local match for Water Commission funds, which could result in using state funds for the entirety of projects. He indicated that this is an issue for the Water Commission to consider. Mr. Melchior noted that the applicant reduced the request because they received more than anticipated from the Water Commission.

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

Mr. Melchior provided the Commission with Outdoor Heritage Advisory Board recommendations on two amendments to previously approved projects:

1. Request from Morton County Parks for a no-cost amendment that would change the scope of work of the Graner Park Bank Stabilization Phase 2 Project to include the purchase and planting of 48 10-foot trees
2. Request from the Barnes County Soil Conservation District for a no-cost amendment that would change the scope of work of the Sheyenne River Sedimentation Reduction Project Phase II to install a canoe/kayak launch

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accepts the recommendations of the Outdoor Heritage Fund Advisory Board and authorizes the Industrial Commission Executive Director and Secretary to amend two contracts as follows:

- **Contract No. 011-119 with Morton County Parks for a no-cost amendment that would change the scope of work of the Graner Park Bank Stabilization Phase 2 Project to include the purchase and planting of 48 10-foot trees**
- **Contract No. 005-071 with Barnes County Soil Conservation District for a no-cost amendment that would change the scope of work of the Sheyenne River Sedimentation Reduction Project Phase II to include the installation of a canoe/kayak launch**

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

Ms. Fine and Ms. Andrea Pfennig, Industrial Deputy Executive Director and Secretary, provided the Advisory Board's proposed revisions to the OHF application reflecting changes to the program's policies and procedures. Ms. Fine noted that the Commission had previously discussed these changes at an earlier meeting and had delayed action to allow more time to consider the proposed changes. Changes of particular note included:

- The exclusion of the construction or refurbishment of: indoor/outdoor ice rinks, indoor/outdoor athletic courts and sports fields and other substantially similar facilities.
- The exclusion of projects requesting less than \$2,500.
- Costs for seeding, fencing, pipelines, wells, and cover crops cannot exceed NRCS Field Office Tech Guide without justification. Projects involving perimeter fencing must follow NRCS eligibility standards.

Ms. Fine and Ms. Pfennig discussed further proposed revisions prepared by staff to provide clarity to Directive D, including:

- The exclusion of infrastructure that is not part of a comprehensive conservation plan. (This is similar to the provision that is in law regarding buildings.)
- A goal that a minimum of 15% of the funding received for a biennium will be given priority for recreation projects that meet Directive D.

In response to a question, Mr. Melchior stated that he thought the bullet regarding infrastructure was a fine addition. He stated that part of Directive D is the conservation component. However, he has concerns about prioritizing one directive over the others. Historically, the Advisory Board has been funding Directive D at about 13.5%, indicating that the 15% goal is unnecessary. He stressed the importance of conservation for all the projects that are considered for funding from the Outdoor Heritage Fund.

Attorney General Stenehjem noted that since there is only one more grant round before the legislative session begins, there isn't any harm in approving the language. This program will most likely be discussed during the legislative session.

Mr. Melchior stated that some people may view this as a mandate in which the funds would be carried over to the next biennium. Governor Burgum clarified that it would be a goal and give the Advisory Board and Commission flexibility in selecting projects.

In response to a question, Mr. Melchior stated that trails are considered part of Directive D and many trails have been funded as long as they are not paved.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Outdoor Heritage Fund Advisory Board and adopts the amendments to the Outdoor Heritage Fund Grant Application Form as proposed on Pages 1, 4 & 5 and the amendments to the Review, Scoring and Approval Process and Application Process documents as presented and further amends the Application Form to state:

The following projects that are not eligible for funding, unless there is an exceptional circumstance, include:

- **Construction or refurbishment of: indoor/outdoor ice rinks, indoor/outdoor athletic courts and sports fields and other substantially similar facilities.**
- **Projects not meeting a minimum funding request of \$2,500.**
- **Infrastructure that is not part of a comprehensive conservation plan.**

And the Commission further adopts the goal that at a minimum 15% of the funding received for a biennium will be given priority for recreation projects that meet Directive D.

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

Governor Burgum thanked the OHF Advisory Board for their diligence with the OHF.

STUDENT LOAN TRUST

Ms. Fine, Student Loan Trust Authorized Officer, presented a Resolution of Intent for the issuance of education loan revenue bonds for the Commission's consideration. She indicated that the Bank of North Dakota had requested that the Trust put together a financing team that would be able to sell bonds if the Bank decided to sell a portion of their student loan portfolio to the Trust. That financing team has been assembled and this Resolution is needed so that any loans acquired by the Bank during the next 18 months would be eligible under the IRS Code for a sale to the Student Loan Trust using bond proceeds.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the following resolution be approved:

RESOLUTION OF THE INDUSTRIAL COMMISSION OF NORTH DAKOTA

WHEREAS, the State of North Dakota (the "State") acting by and through the Industrial Commission of North Dakota (the "Commission") from time to time, pursuant to N.D.C.C. Ch. 54-17 is the issuer of education loan revenue bonds and notes (the "Bonds") to finance and refinance education loans for post-secondary education for residents of the State and for nonresidents of the State who are

attending, or are parents of students attending, post-secondary educational institutions in the State (collectively, "Education Loans") originated or acquired by the Bank of North Dakota (the "Bank"); and

WHEREAS, the Commission desires to determine, declare and establish its intent to issue such Bonds on a tax-exempt and/or taxable basis to fund Education Loans in an amount of up to \$350,000,000.

BE IT RESOLVED BY the Industrial Commission of North Dakota this 14th day of September, 2018 as follows:

Section 1. The Commission hereby determines, declares and establishes the intent of the Commission to issue up to \$350,000,000 of Bonds on a tax-exempt or taxable basis, the proceeds of which would be used to acquire Education Loans from the Bank.

Section 2. The Bonds may be issued from time to time in one or more series as needed to fund the financing and refinancing of Education Loans. Proceeds of the Bonds may also be used to finance the funding of debt service reserve funds, interest on the Bonds, administrative costs and costs of issuance.

Section 3. Kutak Rock LLP, the Commission's Bond Counsel, and the officers and employees of the Commission, are authorized to prepare from time to time such documents as are necessary or desirable for the issuance of the Bonds and related actions with respect thereto.

Section 4. The adoption of this Resolution does not obligate the Commission to enter into a bond purchase agreement with any investment banking firm or to issue the Bonds without further action by the Commission.

Section 5. This Resolution shall take effect immediately upon its adoption and be effective for 18 months of the date hereof.

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

PUBLIC FINANCE AUTHORITY (PFA)

Ms. DeAnn Ament, PFA Executive Director, presented the following Drinking Water State Revolving Fund Program loan for the Commission's consideration:

City of Carson - \$1,500,000. Ms. Ament stated that this loan is to remove and replace existing cast-iron pipes, service lines and associated valves and fire hydrants to meet today's needs and standards. Loan forgiveness has been approved for this project resulting in a net loan of \$375,000. The City has requested a 30-year term and with the water rate increases that have been made and what the City is planning to implement they will meet the 120% net operating coverage requirement. The PFA Advisory Committee recommended approval.

In response to a question, Ms. Ament stated that the federal government requires a certain percentage of funding be used for loan forgiveness. The Department of Health determines the policies for prioritizing the loan forgiveness amounts and need is one of the top priorities. This project was the most competitive.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the following Resolution be approved:

**RESOLUTION APPROVING
LOAN FROM DRINKING WATER STATE REVOLVING FUND**

WHEREAS, the Industrial Commission has heretofore authorized the creation of a Drinking Water State Revolving Fund Program (the “Program”) pursuant to N.D.C.C. chs. 6-09.4, 61-28.1, and 61-28.2; and

WHEREAS, the State Revolving Fund is governed in part by the Master Trust Indenture dated as of July 1, 2011 (the "Indenture"), between the North Dakota Public Finance Authority (the “NDPFA”) and the Bank of North Dakota (the “Trustee”); and

WHEREAS, the City of Carson (the “Political Subdivision”) has requested a loan in the amount of \$1,500,000 from the Program for water distribution improvements; and

WHEREAS, NDPFA’s Advisory Committee is recommending approval of the Loan; and

WHEREAS, there has been presented to this Commission a form of Loan Agreement proposed to be adopted by the Political Subdivision and entered into with the NDPFA;

NOW, THEREFORE, BE IT RESOLVED by the Industrial Commission of North Dakota as follows:

- 1. The Loan is hereby approved, as recommended by the Advisory Committee.**
- 2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form on file and the Executive Director is hereby authorized to execute the same with all such changes and revisions therein as the Executive Director shall approve.**
- 3. The Executive Director is authorized to fund the Loan from funds on hand in the Drinking Water Loan Fund established under the Indenture upon receipt of the Municipal Securities described in the Political Subdivisions bond resolution, to submit to the Trustee a NDPFA Request pursuant to the Indenture, and to make such other determinations as are required under the Indenture.**
- 4. The Commission declares its intent pursuant to Treasury Regulations '1.150-2 that any Loan funds advanced from the Federally Capitalized Loan Account shall be reimbursed from the proceeds of bonds issued by the NDPFA under the Indenture.**

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

City of Munich - \$1,430,000. Ms. Ament presented a Capital Financing Program loan for the City of Munich in the amount of \$1,430,000. She stated that the purpose of this project is to replace bituminous and gravel surfacing and aggregate base with geotextile fabric along some of their streets--street improvements. This loan will be repaid from special assessments. The PFA Advisory Committee recommended approval of the loan. In response to a question she stated that the City held a special public hearing and there were less than five objections to the project. The City does not have to have a vote.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the following Resolution be approved:

**INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA PUBLIC FINANCE AUTHORITY
RESOLUTION APPROVING
LOAN AND PURCHASE OF MUNICIPAL SECURITIES
WITH FUNDS HELD IN THE CAPITAL FINANCING PROGRAM
GENERAL BOND RESOLUTION OPERATING ACCOUNT**

WHEREAS, the City of Munich (the "Political Subdivision") has requested a loan in the amount of \$1,430,000 (the "Loan") from the North Dakota Public Finance Authority (the "NDPFA") to finance a bituminous surfacing project; and

Whereas, the Political Subdivision will issue improvement bonds payable with special assessments to repay the loan;

Whereas, upon a review of the loan application, the NDPFA's Advisory Committee is recommending approval of the Loan; and

NOW, THEREFORE, BE IT RESOLVED by the Industrial Commission of North Dakota as follows:

1. The Loan is hereby approved.

2. The Executive Director is authorized to fund the Loan as an eligible investment with funds available under the NDPFA's Capital Financing Program General Bond Resolution Operating Account, upon receipt of the Municipal Securities described and authorized to be issued in the Resolution to be adopted by the Political Subdivision's governing body.

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

Ms. Ament presented a Series Resolution for the issuance of up to \$5,000,000 of North Dakota Public Finance Authority Capital Financing Program Bonds, Series 2018A for consideration. She anticipates the size of the bond issuance will be around \$1.4 million.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the following resolution be approved:

**SERIES RESOLUTION FOR
UP TO
\$5,000,000
NORTH DAKOTA PUBLIC FINANCE AUTHORITY
CAPITAL FINANCING PROGRAM BONDS
SERIES 2018A**

WHEREAS, the Industrial Commission of the State of North Dakota (the "Commission"), acting pursuant to provisions of the North Dakota Public Finance Authority Act, Chapter 6-09.4, North Dakota

Century Code (the “Act”), and pursuant to the General Bond Resolution adopted by it on March 2, 1990, as amended March 16, 1990, March 30, 1992, and May 13, 1998 (the “General Bond Resolution”), desires to authorize and direct the issuance by the North Dakota Public Finance Authority (the “Authority”) (formerly the North Dakota Municipal Bond Bank) of a Series of its Capital Financing Program Bonds (the “Bonds”);

WHEREAS, the General Bond Resolution authorizes the issuance of Bonds in one or more Series pursuant to a Series Resolution authorizing each Series;

WHEREAS, the Industrial Commission of North Dakota has determined that it is necessary and expedient that the Authority issue at this time a Series of Bonds to be designated “North Dakota Public Finance Authority Capital Financing Program Bonds, Series 2018A” (the “Series 2018A Bonds”) to provide moneys to lend to the City of Munich to purchase approximately \$1,365,000 improvement bonds to finance its 2018-01 street improvement project and to lend to other Political Subdivisions requesting loans prior to the issuance of the Series 2018A Bonds (the “Municipal Securities”), all pursuant to the General Bond Resolution;

WHEREAS, the Reserve Requirement for the Bonds will be provided by the Political Subdivisions and/or a letter of credit to be issued by the Bank of North Dakota pursuant to the Capital Financing Program Reserve Fund Master Letter of Credit and Reimbursement Agreement (the “Reimbursement Agreement”) between the Bank of North Dakota and Authority; and

WHEREAS, the Municipal Securities are expected to mature on June 1 of each of the years and in the principal amounts determined by the Executive Director, not exceeding an aggregate of \$5,000,000 and having a final maturity not later than June 1, 2038.

WHEREAS, the Commission has received and reviewed a report of PFM Financial Advisors LLC, financial consultants to the Commission, describing the estimated costs to certain above-named entities (the “Political Subdivisions”) of borrowing for their projects through the Capital Financing Program as compared to the costs of borrowing through other alternatives available to such Political Subdivisions, copies of which are on file in the offices of the Commission.

NOW, THEREFORE, BE IT RESOLVED by the Industrial Commission of North Dakota as follows:

ARTICLE I

Authority, Definitions and Findings

Section 1.01. Series Resolution. This Series Resolution is adopted in accordance with the provisions of Section 2.02 of the General Bond Resolution and pursuant to the authority contained in the Act.

Section 1.02. Definitions. All terms defined in Article I of the General Bond Resolution or in the Act shall have the same meanings, respectively, in this Series Resolution and with respect to the Series 2018A Bonds as such terms are given in said Article I of the General Bond Resolution or the Act.

Section 1.03. Findings. The Commission hereby determines with respect to the Political Subdivisions for which reports were received that the reasons for the Authority’s involvement in the bond issue through the Capital Financing Program are that (a) the net borrowing costs for the Political Subdivisions for the financings are expected to be lower under the Capital Financing Program than they

would be under any other borrowing method available to the Political Subdivisions, (b) issuance costs and reserves required to be funded by the Political Subdivisions are lower than would be the case under other methods so that the aggregate amount required to be borrowed by the Political Subdivisions is less than other competitive means of borrowing, and (c) the Political Subdivisions voluntarily requested financing through the Authority's Capital Financing Program.

ARTICLE II

Authorization of Series 2018A Bonds

Section 2.01. Authorization of Series 2018A Bonds. Pursuant to the General Bond Resolution, a Series of Capital Financing Program Bonds to be designated as the "Series 2018A Bonds" is hereby created and authorized to be issued in the aggregate principal amount of up to \$5,000,000; provided that the terms of the Series 2018A Bonds may be established or revised to provide for any additional obligations authorized by the Commission or for the reduction in the amount of the Municipal Securities.

Section 2.02. Purposes. The Series 2018A Bonds are being issued to provide funds to be loaned to the Political Subdivisions by purchasing such Municipal Securities to be issued by the Political Subdivisions as are approved by this Commission pursuant to the Act. In the event any Political Subdivision receiving such approval fails to issue its Municipal Securities as contemplated by December 1, 2018, proceeds of the Series 2018A Bonds allocated for such purpose may be used for the purchase of any other Municipal Securities subsequently approved by the Commission or for the redemption of Series 2018A Bonds as provided in Section 2.04. It is hereby found and determined in accordance with Section 2.11 of the General Bond Resolution that the Municipal Securities will be in an amount and will mature and bear interest at rates sufficient to pay the principal of and interest on the Series 2018A Bonds when due.

Section 2.03. Date, Payment Dates, and Maturities. The Series 2018A Bonds shall be dated as of a date determined by the Executive Director to be appropriate, except that Series 2018A Bonds issued on or subsequent to the first interest payment date shall be dated as of the most recent date to which interest has been duly paid or provided for. The Series 2018A Bonds shall bear interest from their date, payable semiannually on June 1 and December 1 in each year, commencing June 1, 2019. The Series 2018A Bonds shall mature, or at the option of the purchaser be subject to mandatory redemption, on June 1 in each of the years and in the principal amounts determined by the Executive Director to be necessary to accommodate the needs of the Political Subdivisions. The Series 2018A Bonds may be issued in any amount not more than \$5,000,000 and maturing in amounts on each June 1 as determined by the Executive Director.

Section 2.04. Redemption. The Series 2018A Bonds maturing on or after June 1, 2029, are subject to redemption and prior payment at the option of the Authority at par plus accrued interest on June 1, 2028, and any date thereafter, in whole or in part in such order as the Executive Director may determine. The Series 2018A Bonds are also subject to mandatory redemption on April 1, 2019, at the amortized issue price as determined by the Executive Director plus accrued interest, in whole or in part in such order as the Authority may determine, to the extent that the net proceeds of such Series exceeds the net proceeds of the Municipal Securities which have been purchased by the Authority with the proceeds thereof on or prior to February 1, 2019.

Section 2.05. Interest Rates. The Series 2018A Bonds shall bear interest at such rate or rates as the Executive Director may approve based on the public sale procedure described in Section 2.08, provided that the net interest rate for the Series 2018A Bonds shall not exceed 5.00% per annum.

Section 2.06. Denominations, Numbers, and Letters. Each Series 2018A Bond shall be in an integral multiple of \$5,000 and shall be numbered separately from R-1 consecutively upwards in order of issuance.

Section 2.07. Registrar and Paying Agent. The principal of the Series 2018A Bonds shall be payable upon presentation and surrender thereof at the main office of the Bank of North Dakota, Bismarck, North Dakota, which is hereby appointed Registrar and Paying Agent under the General Bond Resolution. Interest on the Series 2018A Bonds shall be payable by wire transfer or by check or draft mailed to the registered Owners of record as of the 15th day of the month preceding each interest payment date at their registered addresses.

Section 2.08. Sale of Series 2018A Bonds. The Series 2018A Bonds shall be sold at public sale pursuant to and in accordance with the Official Terms of Offering which shall be prepared by the Executive Director in customary form and shall be mailed to prospective bidders in advance of the sale. Upon receipt and acceptance of a bid conforming to the Official Terms of Offering, the Executive Director is authorized to execute the bid form submitted by the successful bidder in acceptance thereof and to return the good faith deposits of the unsuccessful bidders.

Section 2.09. Official Statement. A Preliminary Official Statement of the Authority in respect of the Series 2018A Bonds, similar in form to previous official statements shall be prepared by the Executive Director and made available to members of the Commission, and a final Official Statement shall be distributed with such changes, omissions, insertions and revisions as the Executive Director shall deem advisable in order to make such Official Statement a complete and accurate disclosure of all material facts to prospective purchasers of the Series 2018A Bonds. The Executive Director shall sign one or more copies of such final Official Statement on behalf of the Authority, and at least one such signed copy shall be filed with the permanent records of the Commission.

Section 2.10. Loan Agreement. The forms of Loan Agreement proposed to be entered into between the Authority and the Political Subdivisions are hereby approved in substantially the form on file and the Executive Director is hereby authorized to execute the same with all such changes and revisions therein as the Executive Director shall approve.

ARTICLE III

Use of Proceeds of Series 2018A Bonds

Section 3.01. Reserve Fund Deposit; Letter of Credit. Upon or prior to the issuance and sale of the Series 2018A Bonds and as a condition to the delivery thereof, the Authority shall have received a letter of credit provided by the Bank of North Dakota in accordance with the Reimbursement Agreement (the "Letter of Credit") in an amount equal to the largest amount of money required by the terms of the Series 2018A Bonds to be paid on maturing principal of and interest on the Series 2018A Bonds in any period of 24 consecutive months (the "Series Reserve Fund Requirement"), less such amounts as may be deposited in the Reserve Fund from the proceeds of the Series 2018A Bonds as directed by the Executive Director or from funds deposited by the Political Subdivisions. The Executive Director is authorized to deposit up to one half of the Reserve Fund Requirement into the Reserve Fund from Series 2018A Bond proceeds. The proceeds of any draw on the Letter of Credit are pledged to the Reserve Fund and may be applied only for the purposes for which the Reserve Fund may be applied. The Authority shall make a draw on the Letter of Credit at any time funds thereunder are necessary to pay principal of or interest on Bonds issued under the General Bond Resolution when due. In the event of a draw on the Letter of Credit which has not been reimbursed by legislative appropriation, the Authority shall reimburse the Bank of

North Dakota only after payment of the Series 2018A Bonds and solely from amounts on deposit in the Series 2018A Account of the Reserve Fund, subject and subordinate to the prior pledge to the holders of Bonds under the General Bond Resolution.

Section 3.02. Deposit to Costs of Issuance Fund. Upon receipt of the proceeds of sale of the Series 2018A Bonds, the Authority shall deposit in the Costs of Issuance Fund from the proceeds of the Series 2018A Bonds the sum determined by the Executive Director to be used to pay Costs of Issuance of the Series 2018A Bonds in accordance with the provisions of the General Bond Resolution.

Section 3.03. Deposit to Series 2018A Account of Loan Fund. The Authority shall deposit all other proceeds derived from the sale of the Series 2018A Bonds which are not deposited in the Reserve Fund or Cost of Issuance Fund in the Series 2018A Account of the Loan Fund, which is hereby created, to be applied to the making of loans to the Political Subdivisions through the purchase of the Municipal Securities at the prices corresponding to the percentages of par bid for the Series 2018A Bonds plus accrued interest for the period from the date of the Series 2018A Bonds to the date of purchase; provided that such accrued interest shall not in any event exceed the amount of accrued interest received from the sale of the Series 2018A Bonds plus all interest earnings on the amounts deposited in the Series 2018A Account of the Loan Fund under the General Bond Resolution.

ARTICLE IV

Form, Execution and Other Details of Series 2018A Bonds

Section 4.01. Form of Series 2018A Bonds. The Series 2018A Bonds, the Registrar's Authentication Certificate and the form of assignment shall be in substantially the form set forth in Exhibit A to the General Bond Resolution, with all such insertions as may be consistent with this Series Resolution and the successful bid. The approving legal opinion of bond counsel may be printed on the reverse side of the Bonds and certified by the Executive Director.

Section 4.02. Execution and Delivery. The Series 2018A Bonds shall be executed by the facsimile signatures of the Chairman and Executive Director and delivered as provided in the General Bond Resolution.

ARTICLE V

Special Covenants

The Commission and the Authority covenant and agree with the persons who at any time are Holders and Owners of the Series 2018A Bonds that so long as any Series 2018A Bonds remain outstanding and unpaid:

Section 5.01. Observe General Bond Resolution, Series Resolution, and Loan Agreement. The Commission and the Authority will faithfully keep and observe all the terms, provisions and covenants contained in the General Bond Resolution, this Series Resolution and the Loan Agreements.

Section 5.02. Maintenance of Tax-Exempt Status. Neither the Commission nor the Authority shall take, or permit the Political Subdivisions to take, any action that would cause the Series 2018A Bonds to be "private activity bonds" (other than "qualified 501(c)(3) bonds") within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended. The Commission and the Authority shall comply with all the rebate requirements imposed under Section 148(f) of the Internal Revenue Code of 1986, as amended, and regulations thereunder, which are necessary to preserve the tax exempt status of

the Series 2018A Bonds, including (if applicable) the requirement to make periodic calculations of the amount subject to rebate thereunder and the requirement to make all required rebates to the United States. The Authority agrees to use any moneys on deposit in any Fund or Account maintained under the General Bond Resolution to pay any such rebate (or penalty in lieu thereof) when due. In addition, the Authority shall make no investment of funds or take or permit any Political Subdivisions to take any action that would cause the Series 2018A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations thereunder. All terms used in this Section 5.02 shall have the meanings provided in the Internal Revenue Code of 1986, as amended, and regulations thereunder. The Executive Director shall execute any certificates as may be necessary or appropriate to establish the tax exempt status of the Bonds.

Section 5.03. Continuing Disclosure. The Continuing Disclosure Certificate proposed to be executed and delivered in connection with the Bonds is hereby approved and the Authority’s undertaking therein shall be a contractual obligation of the Authority for the benefit of the holders of the Bonds.

ARTICLE VI

Book-Entry Bonds

Section 6.01. Depository. The Bonds shall be initially issued in the form of a separate single typewritten or printed fully registered bond. Upon initial issuance, the ownership of each such Bond shall be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, and its successors and assigns (“DTC”). Except as provided in Section 6.03 hereof, all of the outstanding Bonds shall be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the registration books kept by the Bond Registrar in the name of Cede & Co., a nominee of DTC, the Authority, the Bond Registrar and the Paying Agent shall have no responsibility or obligation to any broker dealers, banks and other financial institutions from time to time for which DTC holds Bonds as securities depository (the “Participants”) or to any other person on behalf of which a Participant holds an interest in the Bonds, including but not limited to any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person other than a registered owner of Bonds, as shown by the registration books kept by the Bond Registrar, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a registered owner of Bonds, or any amount with respect to principal of, premium, if any, or interest on the Bonds. The Authority, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium, if any, and interest on the Bonds only to or on the order of the respective registered owners, as shown in the registration books kept by the Bond Registrar, and all such payments shall be valid and effectual to fully satisfy and discharge the Authority’s obligations with respect to payment of principal of, premium, if any, or interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner of Bonds, as shown in the registration books kept by the Bond Registrar, shall receive a certificate Bond evidencing the obligation of the Authority to make payments of principal, premium, if any, or interest pursuant to this Bond Resolution. Upon delivery by DTC to the Executive Director of a written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record dates, the words “Cede & Co.” shall refer to

such new nominee of DTC; and upon receipt of such a notice, the Executive Director shall promptly deliver a copy of the same to the Bond Registrar and Paying Agent, if the Bond Registrar or Paying Agent is other than the Executive Director.

Section 6.02. Letter of Representations. The blanket Representation Letter submitted to DTC, which is on file with the Executive Director, is hereby confirmed. Any Paying Agent or Bond Registrar appointed by the Authority with respect to the Bonds shall agree to take all action necessary for all representations of the Authority in the Representation Letter with respect to the Bond Registrar and Paying Agent, respectively, to at all times be complied with.

Section 6.03. Discontinuance of Book-Entry. In the event the Authority, by resolution of the Industrial Commission, determines that it is in the best interest of the persons having beneficial interests in the Bonds that they be able to obtain Bond certificates, the Authority shall notify DTC, whereupon DTC shall notify the Participants, of the availability through DTC of Bond certificates. In such event the Authority shall issue, transfer and exchange Bond certificates as requested by DTC and any other registered owners in accordance with the provisions of this Bond Resolution. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law. In such event, if no successor securities depository is appointed, the Authority shall issue and the Bond Registrar shall authenticate Bond certificates in accordance with this Series Resolution and the provisions hereof shall apply to the transfer, exchange and method of payment thereof.

Section 6.04. Payments and Notices. Notwithstanding any other provision of this Series Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

ARTICLE VII

Miscellaneous

Section 7.01. Amendments. This Series Resolution may be amended as provided in the General Bond Resolution.

Section 7.02. Effective Date. This Series Resolution is effective immediately.

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

Ms. Ament presented a memorandum regarding loans approved by the PFA Advisory Committee for the following entities: (A copy of the memorandum is available in the Commission files.)

1. City of Grand Forks - CWSRF - increase of \$700,000 bringing total loan amount to \$9,000,000
2. City of Arthur - CWSRF - \$204,000
3. City of Larimore - DWSRF - \$119,500
4. City of Rugby - DWSRF - \$285,000
5. Jamestown Regional Airport Authority - CPF - \$126,500

BANK OF NORTH DAKOTA

Mr. Eric Hardmeyer, Bank of North Dakota President, provided the non-confidential Bank of North Dakota Advisory Board June 21 and July 19-20, 2018 meetings minutes.

Pursuant to N.D.C.C. 6-09-35, the Industrial Commission entered into executive session. Governor Burgum reminded the Commission members and those present in the executive session that the discussion during executive session must be limited to those items listed on the agenda which is anticipated to last between 15 and 30 minutes. It was noted that any formal action by the Commission would occur after it reconvened in open session. Commission members, their staff, and BND staff remained but the public was asked to leave the room. Governor Burgum closed the meeting at 12:34 p.m. pursuant to N.D.C.C. 6-09-35 to discuss the following items:

- Consideration of a Bank of North Dakota loan application
- Concentrations of Credit as of June 30, 2018
- Problem Loan Update
- Presentation of confidential Bank of North Dakota Advisory Board June 21 and July 19, 2018 meetings minutes

EXECUTIVE SESSION

Members Present:

Governor Doug Burgum
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Bank of North Dakota Personnel Present:

Eric Hardmeyer Bank of North Dakota
Tim Porter Bank of North Dakota
Kirby Evanger Bank of North Dakota

Others in Attendance:

Lt. Governor Brent Sanford
Leslie Oliver Governor's Office
Riece Haase Governor's Office
Jessie Pfaff Agriculture Department
Andrea Pfennig Industrial Commission Office
Karlene Fine Industrial Commission Office

The meeting reconvened in open session at 12:45 p.m. Governor Burgum invited the public to return to the meeting room. Governor Burgum stated that during executive session the Commission considered a Bank of North Dakota loan application and it had been moved and seconded that the Bank of North Dakota be authorized to participate in a loan identified as Attachment 28. **On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

It was noted that because of limited time the Concentration of Credit Report was not taken up during the executive session but will be presented at a future meeting.

NORTH DAKOTA MILL

Mr. Vance Taylor, North Dakota Mill (Mill) President and CEO, presented the following Fourth Quarter Report and fiscal year-end report unaudited.

North Dakota Mill Review of Operations 4th Quarter Ended June 30, 2018

Pre-Audit

SUMMARY

Operations in the 4th Quarter led to a profit of \$4,169,484 compared to a profit of \$1,577,968 in last year's 4th Quarter. For the year we had a profit of \$14,188,276 compared to \$9,719,163 last year.

	<u>6/18</u>	<u>Quarter</u>	<u>6/17</u>	<u>Year-to-Date</u>	<u>6/17</u>
Profits	4,169,484		1,577,968	14,188,276	9,719,163
Sales	84,301,118		73,644,681	338,852,593	87,986,843
Cwt. Shipped:					
Spring	3,533,476		3,316,341	14,164,287	13,100,785
% to Total	93.1%		91.0%	92.6%	
91.2%					
Durum/Blends	<u>261,152</u>			<u>329,856</u>	<u>1,125,490</u>
Total	<u>3,794,628</u>		<u>3,646,196</u>	<u>15,289,777</u>	<u>14,363,592</u>
Bulk Shipments	3,115,164			2,999,236	12,591,227
11,544,272					
% to Total	82.1%			82.3%	82.4%
80.4%					
Bag Shipments	644,572		619,696	2,552,832	2,675,452
% to Total	17.0%		17.0%	16.7%	
18.6%					
Tote Shipments	34,891		27,264	145,718	143,867
% to Total	0.9%			0.7%	0.9%
1.0%					

Family Flour Shipments	64,899		52,912	341,084	273,459
% to Total	1.7%			1.5%	2.2%
1.9%					

Organic Flour Shipments	40,534	31,554	156,413	147,439
% to Total	1.1%	0.9%	1.0%	1.0%
Wheat Purchased:				
Spring	7,341,000		6,320,769	30,715,866
27,151,373				
Durum	<u>639,631</u>		<u>696,903</u>	<u>2,598,732</u>
<u>2,484,539</u>				
Total	<u>7,980,631</u>		<u>7,017,672</u>	<u>33,314,598</u>
<u>29,635,912</u>				

In response to a question Mr. Taylor stated that the organic market is growing approximately 5% a year and the Mill is keeping on target in maintaining our share of the market. Last year the Mill had difficulties in sourcing organic grain. This year it appears like there will be enough grain to grow the Mill's market share of the market. He noted that there are additional costs for the farmers to grow the grain and are rewarded for those costs -- recently \$17-\$18 a bushel for spring wheat organics. The production costs are approximately double for organics. Organic flour has the highest margins of any of the products the Mill sells, roughly double the margins on conventional products. It is good business worth pursuing.

He noted that nearly 8 million bushels of wheat were purchased in the quarter with over 33.3 million bushels purchased for the full year which was a record.

Under operating costs Mr. Taylor noted that operating cost per cwt. of production for the 4th quarter were \$2.68 compared to \$2.52 last year -- an increase of 6.3%. Full year operating costs were \$2.34 compared to \$2.25 last year. The increase was due to increases in labor, energy and pension costs. The Mill was able to just barely meet the gainsharing goal on production costs.

Under profits, Mr. Taylor stated that gross margins as a percent of gross sales for the quarter were 17.3% compared to 14.6%. For the year the numbers were 15.0% compared to 14.7%.

In response to a question, Mr. Taylor noted that the Mill saw increased demand during the year. He stated that weather in the northeast/east coast impacts the Mill's sales--they are closely watching what happens with the hurricane hitting the east coast--the Mill has several customers in that area.

Mr. Taylor stated that the Mill had profits of \$14,188,276 compared to profits of \$9,719,163 last year. This is the third best year in the Mill's history. Transfers were made to AgPUC and the General Fund in the total amount of \$10,818,560 for FY 2018. This equaled 76.25% of the Mill's profits for the year.

Mr. Taylor indicated that in 2019 they are expecting another good year. The crop looks good with nice protein and test weights. The Mill staff will be working to fill the Mill's production capacity.

Mr. Taylor presented the FY 2019 Gain Sharing Plan for consideration. He first noted that the 2018 gain sharing plan was successful and played a key role in motivating employees. They met all four goals and the Mill experienced increased profitability. The payout was 20.82% and the avg. payout to employees was \$14,321. The average over the last 10 years was 16.24%. Mr. Taylor reviewed the proposed changes to the 2019 Gain Sharing Plan. He stated that the goals will be challenging to meet and will require extra

effort by all the employees. The plan will continue to motivate hourly and salary employees to work together as a team to maximum results and work safely. (A copy of the proposed plan with noted changes is available in the Commission files.)

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approves the following North Dakota Mill Gain Sharing Program for Fiscal Year 2019:

**NORTH DAKOTA MILL
GAIN SHARING PROGRAM
FY2019**

- Eligibility – all full-time employees on June 30, 2019 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 3.0 million dollars.
- No payout on the profit part of the plan if profit before gain sharing expense accrual does not exceed 5.0 million dollars.
- Payout will be calculated as a percent of earnings from July 1, 2018 to June 30, 2019.
- 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 un-capped potential payout is from profits.

For the fiscal year ending June 30, 2019 the goals are as follows:

Gain Sharing 1st Part – 4% Bonus Potential*

<u>Goals</u>	
Cwt./man-hour (includes all hours)	38.5
Cost per cwt. (before gain sharing exp.)	\$2.24
Yield	77.8%
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

<u>Profits (before gain sharing expense accrual):</u>	
3.0 million	= 0.0% bonus pay out
5.0 million	=5.0% 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 \$3.0 million. The 2nd Part of the gain sharing goals begin to payout at a profit (before gain sharing expense accrual) level greater than \$5.0 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 \$6.0 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 + 6.0% for profit = 9.0%.

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

Mr. Taylor presented the report on 2018 Capital Expenditures with \$8,155,422 expended. (A copy of the report is available in the Commission files.) He stated that the major projects completed were the High Speed Rail/Truck Wheat Unloading System-Phase I. CompuWeigh System, Pellet Mill, Automated Flour Packing System, and Grain Separator Replacement. There is \$25.3 million of projects that are being carried over to FY2019 with the majority of that being the Phase II Shuttle Track & Grain Storage Project.

Mr. Taylor presented the 2019 Capital Plan for consideration and reviewed each of the projects. He noted that the list of new projects is \$2,495,000. The number is low because of the number of projects that are being carried over from FY2018.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approves the North Dakota Mill FY 2019 Capital Plan as follows:

NORTH DAKOTA MILL

Capital Plan for FY 2019

September 14, 2018

Capital Expense Item

Carryover from FY 2018	Remaining Budget
Plant	
Grain Receiving Land & Engineering	\$ 1,445,026
Transfer Conveyors & Grain Cleaner	471,989
Yield Management Systems Upgrade	26,440
Roll Corrugation Equipment	42,345
Rail Leg Conveyor	30,555
Phase II Shuttle Track & Grain Storage	23,302,365
Total Carryover Capital Expenditures	\$ 25,318,719

FY 2019 Capital Expense Item	Plan
Plant	
Transformers and Electrical Room	450,000
A, B, and K Mill Sieve Replacement	290,000
Power Factor Correction Capacitors	260,000

A and B Mill Wheat Tempering Systems	225,000
Warehouse Loading Dock Upgrade	160,000
Forklifts (3)	105,000
Packing Systems Upgrades	155,000
Rail Track Upgrades and Drainage Improvement	150,000
Computers/Technology	
Systems Improvements, replacements, and upgrades	300,000
Other	400,000
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Total New Capital Expenditures	\$ 2,495,000
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Total Capital Expenditures	\$ 27,813,719
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Capital Projects for Consideration FY 2019

1. Transformer and Electrical Room - \$450,000

A new transformer and electrical room is needed in the K Mill to handle increasing electrical distribution requirements. The new enclosure will be installed at the north end of the 8th floor of the K Mill.

2. A, B and K mill sieve replacement - \$290,000

The replacement of 20 sections of sifter sieves with new style Nova sieves will increase sifter screen surface areas dramatically and will result in a yield and capacity increase on the A, B and K mills.

3. Power Factor Correction Capacitors - \$260,000

With the addition of power factor correction capacitors to our main electrical power supply system a significant cost savings of 3% to 5% can be obtained.

4. A and D Mill Wheat Tempering Systems - \$225,000

The existing moisture controls and dampening mixers on the A and D Mills are worn out to the point where replacement is required. Purchase and install the appropriate equipment to insure reliable operations and consistent flour moisture levels.

5. Warehouse Loading Dock Upgrade - \$160,000

Replace and upgrade 5 existing loading dock locks that are worn out to the point where replacement is required for safe operations.

6. Forklifts (3) - \$105,000

2 forklifts are worn out to the point where replacement is required and an additional forklift is needed in the new warehouse buildings purchased from Minnkota.

7. Packing systems upgrades – \$155,000

Purchase and install a new package labeling system for the Fawema Packer, a bag take-away unit replacement for the Buhler Packer and 4 bag trimming removal systems (one for each packer). These packing system upgrades are necessary to insure reliable operation and meet customer requirements.

8. Rail Track Upgrades and Drainage Improvement - \$150,000

Several upgrades are needed to existing onsite rail switches, turnouts, rail and ties to prevent rail car derailments and insure reliable operations.

9. Computers / Technology - \$300,000

Several systems improvements, replacements and upgrades are required on our management information system.

10. Other Capital – \$400,000

Individual capital expenditures of \$200,000 or more will be submitted in writing to the Industrial Commission for approval.

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

In response to a question, Mr. Taylor provided an update on the Phase II project and indicated that it is going well and is on schedule with completion expected early next year.

Mr. Taylor also presented revisions to the Purchasing Policy for the Commission's consideration. He noted that these changes reflect the new OMB guidelines.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the following revised North Dakota Mill & Elevator Association Purchasing Policy be approved:

**North Dakota Mill & Elevator Association
Purchasing Policy**

The purchasing policy establishes guidelines to direct all employees in the purchasing of goods and services. The policy will accomplish the following:

1. Establish levels of responsibility for expenditures and approvals.
2. Provide reasonable assurance that the best price/value item is being purchased.
3. Establish and review procedures to ensure that these policies and procedures are being followed.

Purchase Orders

The purpose of a purchase order is to establish the price and quantity of the item(s) being ordered. When the item(s) that was ordered arrives, the purchase order provides a mechanism to review the packing sheet and the invoice to ensure that we are being provided what was ordered at the price agreed upon when that order was placed.

A purchase order is required for all purchases over \$1,000. If the Corporate Purchasing Card is used this limit is increased to \$2,000. Purchase orders may be completed for items less than \$1,000. It is required that a purchase order be completed at the time the order is placed. The mill employee will enter the purchase order into the computer system using Great Plains Dynamics. In addition to the items and cost, the expense coding is also entered at the time the purchase order is created. If the employee is authorized

to approve the purchase order, they should do so at the time of entry, otherwise they will need to contact the supervisor or manager who is authorized to approve their purchase orders. No changes should be made to the purchase order after it is has been approved and the item(s) ordered.

A purchase order or purchase order number must be given to the supplier at the time the order is placed. This gives the supplier a reference number to use on their packing list and invoice that we can track. If the supplier requests a copy of the purchase order, the purchasing agent will fax or email a copy to them.

Several purchases of less than \$1,000 (\$2,000 if the Corporate Purchasing Card is used) in an effort to avoid this policy, will be considered a violation of this policy. All purchase orders will list the quantity, price, and other pertinent information.

Competitive bids should be obtained whenever possible. In some instances, this is not always practical because of product quality, single source supply, etc. When competitive bidding is not used, the department supervisor or manager is responsible to provide a reason as to why competitive bidding was not used in a note attached to the purchase order and when required an alternate procurement will be completed.

Purchases must be from state approved suppliers whenever possible.

Commitment Authority

Only those people delegated by the President and CEO are authorized to commit the Company for materials, equipment, supplies, and services. Grain procurement is the responsibility of the Grain Department and transportation is the responsibility of the Traffic Department.

The buyer and assistant buyer are responsible for ordering items classified as essential to operations such as flour bags, shipping supplies, enrichments, etc. Competitive bids will be obtained for these items and recommendations presented to the CFO and President and CEO for review and approval.

The Office Assistant and Executive Assistant will have the authority to purchase office supplies and other miscellaneous items for the office.

Sales people have the authority to approve the outside warehousing expenses and the promotional allowances for customers. The Vice President Sales will approve all sales commissions paid to brokers.

Front line supervisors have the authority to approve purchase orders up to \$10,000. The supervisor should work closely with the buyer or assistant buyer to get the best value on these items.

Vice Presidents/Department Heads have the authority to approve purchase orders up to \$20,000. The Vice Presidents/department heads may work closely with the buyer or assistant buyer to get the best value on these items.

Assistant Managers/Department Heads have the authority to approve purchases in their respective departments in absence of the Vice President/Department Head following the same guidelines set for the Vice President/Department Head.

The President and CEO or the Vice President Sales will approve purchases of promotional items used for customer and employee appreciation and retention.

The President and CEO must approve any purchase order exceeding the above limits. In addition, the President and CEO must approve all purchases of products that are bought for the purpose of resale by the Mill such as flour, millfeed, beans, etc. and donations. The President and CEO will also approve all purchase orders for capital items above \$20,000. In his absence, the CFO may approve the purchases.

Receiving and Payment

Items that are received which have a packing sheet that references our purchase order number will be cross referenced with the purchase order to see if all items ordered were received. If not all items listed on the purchase order were received, the purchasing department will keep the purchase order in an open status until the remaining items are received or cancelled.

Invoices that reference a Purchase Order go to the Buyer to be distributed to the appropriate supervisor/manager for confirmation of delivery. Should a discrepancy between the invoice and the purchase order exist (other than a freight cost) the mill employee will provide an explanation as to why a discrepancy exists and attach that to the purchase order and provide the correct amount to pay the vendor. All other invoices received from vendors with the exception of outbound for freight invoices, will be forwarded to accounts payable and scanned into the paperless system. Accounts payable will distribute the invoices through the paperless system to the appropriate mill employee for approval.

Invoices for outbound freight are received by the traffic department, approved or corrected, and forwarded to accounts payable for payment.

Invoices that are not tied to purchase orders such as utility bills must be approved by the appropriate supervisor or department head.

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

Mr. Taylor reported that the Mill had submitted their 2019-2021 budget to the Office of Management and Budget. It was presented with the 10% cut as outlined in the budget guidelines. In the optional packages they are requesting reinstatement of the 10% and an increase including the addition of 4 FTE's to deal with the higher requirements for food safety and sanitation.

Because of time constraints the Commission did not go into closed session and did not act on the proposed Strategic Plan for 2019. It will be considered at a future meeting.

LIGNITE RESEARCH COUNCIL

Attorney General Stenehjem provided a report on the lawsuit with Minnesota. An agreement has been reached in which Minnesota will give up their right to appeal and pay North Dakota what is owed. Because the rate of interest on a federal judgement is .06% each year, this is a more advantageous arrangement. Minnesota will pay \$360,000 now and the remaining \$1,050,000 by July 31, 2019 after they get approval from the legislature. In return, North Dakota gave up the right to collect attorney fees which was approximately \$90,000. The State's share is 50% with our partners receiving 50%. The payments will go to the attorneys and it will be divided among the partners. The payment to the State will be placed in the Lignite Research Fund.

With no further business, the meeting adjourned at 1:20 p.m.

A handwritten signature in blue ink, appearing to read "Karlene Fine". The signature is fluid and cursive, with the first name "Karlene" and the last name "Fine" clearly distinguishable.

Karlene Fine, Executive Director and Secretary