

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on June 20, 2019 beginning at 12:00 p.m.
Governor's Conference Room
State Capitol

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

Also Present: 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 approximately 12:00 p.m. and the Commission took up Fire and Tornado reinsurance contract business.

FIRE AND TORNADO REINSURANCE

Mr. Jeff Bitz, Director for the State Fire and Tornado Fund, North Dakota Insurance Department, presented a recommendation from the Insurance Commissioner regarding bids for the Excess Loss Reinsurance and Equipment Breakdown Coverage, State Fire and Tornado Fund for consideration as follows. In the memorandum from the Insurance Commissioner the following information was provided:

BACKGROUND

The State Fire and Tornado Fund provides property insurance coverage to 1,160 policyholders with over \$14.7 billion worth of public property for the State of North Dakota and its political subdivisions. Currently the Fund has excess loss reinsurance for claims over \$1 million up to \$250 million. The current premium paid on this reinsurance is approximately \$2.9 million per year, based on \$15 billion dollars of property values as of 08/01/18, which translates to a rate of .0192 per one hundred dollars of value. The Fund's current excess loss reinsurance with Lexington Insurance Company has been in place since August 2016. At that time the Fund was successful in securing a three-year rate guarantee. Lexington has been the Fund's excess loss reinsurer since 2003.

The last reinsurance claim the Fund experienced was back on July 10, 2016. This claim involved eight policyholders with wind and hail damage to multiple buildings in the Killdeer area. The Fund paid out loss expenses of \$1,347,852.37 for the property damaged. In August 2007 the Fund experienced its largest catastrophic loss and recovered \$7.8 million through reinsurance. That was for property damage related to the Northwood tornado.

N.D.C.C. 26.1-22-21 requires the Insurance Commissioner to procure excess loss reinsurance to pay for claims in excess of the Fund's retention, currently \$1 million, with the approval of the Industrial Commission. The Fund's current excess loss reinsurance treaty expires midnight, July 31, 2019. The new reinsurance treaty would commence on August 1, 2019.

REINSURANCE QUOTES

The Fund's Broker of Record approached 33 markets for the Fund's commercial property program and received five proposals. All quotes are based on values reported at the time of bid specifications, those being \$15.5 billion. The reinsurance market for government, municipalities and universities is limited and for those reinsurers that specialize in insuring public entities, Lexington was recognized as the dominant leader in this sector. With that said, the Fund received notice in November of 2018 that Lexington was exiting much of the public sector market and would not renew or bid on the Fund's 2019 reinsurance

program. Lexington's exit left a huge void in the public entity market with substantial firming on pricing for the remaining reinsurance carriers in this sector.

There are several items the Fund needs to address within the next year or two in its reinsurance program strategy to counteract today's reinsurance market realities.

1. The Fund's total insured value is becoming too high for a single reinsurer to underwrite the catastrophic limit the Fund needs for its risk exposure.
2. The high concentration of property in several counties, particularly in Burleigh, Cass and Grand Forks has become a catastrophic loss concern for wind and hail.
3. The Fund needs to look at raising its loss retention to make its primary layer of risk more marketable. The Fund's current retention is \$1 million.

During our reinsurance marketing, the Fund received notification from Fargo Public Schools of their interest in rejoining the Fund and requested a coverage quote. FPS was last with the Fund in 1998. Based on this notification, the Fund sought coverage options for \$300 million limits due to the additional \$500 million in property values FPS would add to the Funds Total Insurable Values (TIV) and the increased concentration of property in Fargo.

Of the five proposals received, Travelers is the best option for the Fund. Travelers quoted four options - \$250 million and \$300 million excess \$1 million or excess \$2 million. Travelers proposal is for one year. No carrier would offer a two- or three-year rate guarantee. The list of proposals offered is available in the Commission files.

Option One:

\$250 million excess \$1 million any one occurrence. Rate .02814 per \$100 of TIV. This represents a 47% increase in rate over the expiring rate.

Option Two:

\$250 million excess \$2 million any one occurrence. Rate .02428 per \$100 of TIV. This represents a saving of approximately \$600,000 on Option 1.

Option Three:

\$300 million excess \$1 million any one occurrence. Rate .02866 per \$100 of TIV.

Option Four:

\$300 million excess \$2 million any one occurrence. Rate .02480 per \$100 of TIV

RECOMMENDATION

The Fund received notice from Fargo Public Schools on June 12 that they were going to pass this year on participating in the Fund but will be revisiting this option after January 1, 2020. Based on this, it is my recommendation we accept Travelers' Option 2, which provides an attachment excess \$2 million up to \$250 million for a premium of \$3,642,000, based on \$15 billion TIV. This represents a 21% increase over the expiring rate and a \$600,000 savings on Option One.

Travelers' proposal is identical to the Fund's current reinsurance program, except for the attachment point. It protects the Fund should it experience any number of catastrophic losses, by providing an attachment (retention) level of excess \$2 million up to \$250 million. The last time the Fund had a \$2 million attachment level was back in 2001. The Fund can handle the higher attachment with its expected surplus of \$21.57 million after runoff of current business as of June 30, 2019.

The terms and conditions are the same as our current program and follow the Fund's forms. Travelers' options include coverage for terrorism, domestic and foreign, and loss control inspections on high value properties we choose. This helps the Fund address risk concerns on buildings like the Capitol.

Excess loss reinsurance continues to have a significant financial impact to the Fund, but this coverage is paramount for proper claims management and the Fund's financial soundness and stability. Claims history shows that this safety net is one that will be tapped into, as it has in the past. The Fund's total insured value have increased by \$3.2 billion in the past three years and will continue to increase due to new construction projects and increases in construction material and labor cost on existing properties insured at replacement cost. In addition, the concentration of property in various locations around the State, like the Capitol complex and our 11 universities and college campuses require the Fund to have adequate insurance limit to recover from a catastrophic event such as a tornado.

The Fund maintains critical building property data on approximately 9,945 records, an increase of 164 from three years ago, to help make its portfolio of risk more attractive to the reinsurance market. This includes construction type and occupancy, number of stories, square footage, unique features, and building specification on the more expensive building property. We continue to work closely with the State Fire Marshall's office, for they inspect all public buildings and provide the Fund with copies of their Fire Inspection Reports. This provides us with an opportunity to promote our policyholders well maintained buildings and address deficiencies. This relationship we believe has helped reduce the Fund's exposure to catastrophic losses, such as fires.

Mr. Bitz stated that insurance rates skyrocketed in 2001 due to issues with hurricanes. In addition, the Fund had some unfavorable loss conditions including some school fires and a hail storm in the Bismarck-Mandan area which sustained losses in excess of \$3 million. Reinsurance came in and made us whole above the \$1 million retention. At that time, because of the market hardening, a \$2 million retention was required to make it favorable for reinsurance rates. Since 2001 the market became favorable again. We were able to drop the retention back to \$1 million. We are back to where we were at 2001. The market is starting to harden, and companies are moving out, including Lexington. The company is moving out of the public sector which has created a change in the market conditions. Because of this, we are seeing an increase in rates.

In response to a question regarding the structure of self-insurance, Mr. Bitz stated the reinsurance premium payment is made from our 1,160 policy holders. Part of the premiums that they pay to the Fund is used to buy the reinsurance. We are self-insured up to \$1 million and then over \$250 million. In terms of a surplus, if we took everything off our books today, we'd be at roughly \$21.3 million. As of July 1, we'll have the \$21.3 plus \$5 million from premiums. This will go towards paying our reinsurance costs.

The question was raised if there a way to negotiate time frames. Mr. Bitz responded that currently, there is not a carrier in the market that will go beyond a year. The State will have to go back to the market in January.

It was moved by Attorney General Stenejem and seconded by Commissioner Goehring that the Industrial Commission accept the recommendation of the North Dakota Insurance Commissioner regarding the Excess Loss Reinsurance Coverage of Property provided by the State Fire and Tornado Fund (public property with total insured values of \$15 billion) and approve Option Two offered by Travelers which will provide an attachment (retention) level of excess loss reinsurance for claims over \$2 million for any one occurrence up to \$250 million for a premium of \$3,642,000 for one year. This is based on a rate of .02428 per \$100 of TIV.

In response to a question, Mr. Bitz clarified that the State would essentially be self-insuring up to \$2 million. There is a \$250 million limit of liability in our reinsurance to protect us from catastrophic losses, but then we're basically self-insuring again above \$250 million.

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

Mr. Bitz indicated that he believes this topic should be reviewed legislatively to bring down reinsurance costs. Some possibilities include self-insuring above \$2 million and revisiting the \$12 million floor in the law.

It was the consensus of the Commission that it would be beneficial to revisit the issue in the future to discuss potential statutory changes as well as how things could be restructured. It was requested that the Insurance Department return with a few examples from the private sector.

The Commission thanked Mr. Bitz for the information on the reinsurance issues.

BANK OF NORTH DAKOTA

Pursuant to N.D.C.C. 6-09-35, the Industrial Commission entered 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 12:16 p.m. pursuant to N.D.C.C. 6-09-35 to discuss the following items:

- Consideration of loan applications
- Problem Loans
- Other Bank of North Dakota confidential business (as defined under N.D.C.C. 6-09-35)

BND 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

Todd Steinwand Bank of North Dakota

Others in Attendance:

Leslie Bakken Oliver Governor's Office

Reice Haase Governor's Office

Andrea Pfennig Industrial Commission Office

Karlene Fine Industrial Commission Office

The meeting reconvened in open session at 12:42 p.m. and Governor Burgum invited the public to return to the meeting room. He noted that during its executive session, the Commission made two motions

regarding two Bank of North Dakota loan applications. **On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. Both motions carried unanimously.**

DEPARTMENT OF MINERAL RESOURCES
CONFIDENTIAL BUSINESS

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 potential litigation in response to the passage of State of Washington Senate Bill 5579 and adversarial proceedings in 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 30 and 45 minutes.

Governor Burgum stated that the Commission was meeting in executive session to consult with attorneys regarding potential litigation in response to the passage of State of Washington Senate Bill 5579 and Case No. 09-2018-CV-00089. He noted that any formal action by the Commission will occur after it reconvenes in open session.

Commission members, staff, DMR staff, and Special Assistant Attorney General(s) and counsel with the Attorney General staff remained, but the public was asked to leave the room. The executive session began at 12:43 p.m.

DMR EXECUTIVE SESSION

Members Present:

Governor Doug Burgum
Attorney General Wayne Stenehjem
Commissioner Doug Goehring

Others in Attendance:

Leslie Bakken Oliver	Governor's Office
Reice Haase	Governor's Office
Bruce Hicks	Department of Mineral Resources
Daniel Gaustad	Pearson Christensen Law Firm (participating by phone)
Andrea Pfennig	Industrial Commission Office
Karlene Fine	Industrial Commission Office

The Industrial Commission reconvened in open session at 12:56 p.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 attorneys regarding the passage of State of Washington Senate Bill 5579 and Case Number 09-2018-CV-00089.

It is moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission approve an appeal to the North Dakota Supreme Court of any decision, order

and/or judgment, or part thereof, issued by the district court that is contrary to the Defendants in the case of Sorum et. al. v. The State of North Dakota, et. al., Cass County District Court, East Central Judicial District, Case No. 09-2018-CV-00089. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Attorney General Stenehjem reminded everyone that North Dakota won the majority of the case but there is one provision of concern. It is anticipated that the other party will also be appealing the case. Because of this we are asking the North Dakota Supreme Court to address the case in its entirety.

HOUSING FINANCE AGENCY (NDHFA)

Ms. Karlene Fine, Industrial Commission Executive Director, presented a Resolution of Appreciation for Jolene Kline for the Commission's consideration.

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

Resolution of Appreciation

Whereas, Jolene Kline began her career at the Housing Finance Agency in 1985 and over the past 34 years served in several capacities including her current position as Executive Director; and

Whereas, Jolene has been dedicated to the Agency's mission of assisting North Dakotans in homeownership and meeting the challenge of having affordable housing available across the state; and

Whereas, Jolene has been diligent in partnering with communities, developers, lenders, and state agencies in identifying, developing and implementing programs that leverage federal and state dollars; and

Whereas, under Jolene's leadership the successful Housing Incentive Fund was created and taxpayer contributions to the Fund have been invested in the development of affordable multi-family housing; and

Whereas, Jolene has now decided that it is time to retire and focus her attention on her elderly parents and spend more time with her grandchildren,

Now, therefore, the Industrial Commission hereby expresses deep gratitude to Jolene Kline for her 34 years of service to the citizens of North Dakota and wishes her the very best in her retirement.

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

Ms. Kline stated that it has been a pleasure serving under the Commission, and the Housing Finance Agency has made a difference in the State. Attorney General Stenehjem stated that Ms. Kline has a lot of success to look back on. Commissioner Goehring noted that Ms. Kline's passion shows. Ms. Kline replied that housing will stay a passion for her. Governor Burgum thanked Ms. Kline on behalf of all the people in North Dakota that she has helped get into homes.

Ms. Fine presented a recommendation to name Dave Flohr as the Acting Housing Finance Agency Executive Director effective July 2, 2019. Mr. Flohr has worked for the Agency for over 35 years and during this time has worked with lenders across the state.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the Executive Director's recommendation and name David Flohr, Homeownership Division Director, as the Acting Executive Director effective July 2, 2019 and authorize the Industrial Commission Executive Director to negotiate the salary for Dave as he serves as Acting HFA Executive Director. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Fine indicated that the next step will be to name a search committee. The committee will have the opportunity to review job duties. Ms. Fine will coordinate with OMB to review salary requirements.

RENEWABLE ENERGY PROGRAM

Ms. Fine provided a financial report for the program, indicating that there is currently \$2.4 million available for funding projects.

Ms. Andrea Pfennig, Industrial Commission Deputy Executive Director, provided the Renewable Energy Council's Grant Round 40 recommendation for consideration as follows:

R-040-B: "Enterprise Autonomy – Secure, Remote, Autonomous, Multi-Drone Operations within the Renewable Energy Sector"; Submitted by Evolve Analytics, LLC; Total project costs: \$1,403,256; Amount requested: \$500,000; Council recommendation \$500,000 with stipulations.

This project will help develop Airtonomy, an autonomous, multidrone operations solution that will be installed onsite in a custom drone housing unit. It will be powered by solar energy and operated remotely. The project includes development of both hardware and software.

This technology, which Xcel Energy plans to utilize once it is developed, has the potential to revolutionize the wind industry in terms of: wildlife mortality monitoring and mitigation, routine inspection and maintenance, and safety and security. Utilizing drones and artificial intelligence will reduce the number of manhours required walking in areas that can be dangerous or inaccessible. It has the potential to decrease costs of monitoring significantly. Inspections of turbines can take place when blades aren't moving due to a lack of wind, thereby reducing scheduled downtime and increasing productivity.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Renewable Energy Council to fund the grant application "Onsite Installation of Secure, Remote, Autonomous, Multi-Drone Operations within the ND Renewable Energy Sector" and authorize the Industrial Commission Executive Director/Secretary to execute an agreement with Evolve Analytics, LLC to provide a total of Industrial Commission Renewable Energy Program funding in an amount not to exceed \$500,000 with the following contingencies:

- **A revised timetable along with details of the 8 tasks are provided.**
- **More specific deliverables are provided to measure project success, including:**
 - **A cost comparison of traditional methods for monitoring at a wind farm vs. the new product.**
 - **Benefits for North Dakota, such as estimated income potential and jobs created.**

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

Ms. Pfennig presented the Renewable Energy Council's recommendation to amend the Renewable Energy Program Policy 4.01. Oftentimes, applicants are the recipient of more than one state program or incentive. Adding a requirement that the applicants self-report on programs and incentives they have recently participated in will provide transparency and accuracy.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Renewable Energy Council to amend the Renewable Energy Program policy 4.01 to require that information regarding participation in other state programs and incentives be included in the application as follows:

14. State Programs and Incentives. Any programs or incentives from the State that the applicant has participated in within the last five years must be identified, along with the timeframe and value.

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

PIPELINE AUTHORITY

Mr. Justin Kringstad, Pipeline Authority Director, presented the Pipeline Authority Transportation Update and Industry Outlook. (A copy is available in Commission files.)

Mr. Kringstad reported that both oil and gas have had significant increases in production. We are seeing success not only in the Middle Bakken, but also Three Forks formation. This is encouraging in terms of longevity.

Statewide initial oil production rates within the first 24 hours are increasing. The top initial production wells are located in and around Fort Berthold. Mr. Hicks clarified that the first 24 hours of full production is the expected time period, but it isn't set by policy. Companies may want to remove the water and then obtain a representative sample. Mr. Kringstad discussed the top 20 initial oil production rates in the state. McKenzie County had a record in the region with a well producing 10,500 barrels per day in the first 24 hours. Additionally, 27 million cubic feet of gas per day was produced.

Regarding a question about cost effectiveness, Mr. Kringstad replied that without a specific breakdown of the costs, it would be difficult to determine cost effectiveness concerning completion stages. There are unknown factors including diverter systems and pumping strategies.

Mr. Kringstad noted that these exceptionally high production rates will not be maintained over time. However, instead of a gradual downwards decline, both oil and gas typically have upticks.

Mr. Kringstad discussed electrical submersible pumps (ESP) that are being utilized in the field. While this new technology increases production, it also has higher costs.

Gas oil ratios have changed because the ESP changes the way the wells perform and creates some difficulties from a forecasting/modeling standpoint. After analysis, Mr. Kringstad believes that the use of ESP will result in the recovery of more incremental barrels early on in the life of the well without sacrificing long term performance. This substantially shifts the economics of wells, providing a faster rate of return

and reducing risk. It drops the break even point as well. The payback of the well is estimated to be between two and six months faster. This does not change the long-term performance of the well, just the early production. When prices take a hit, the new technology provides a buffer.

Oil pricing in the first half of 2019 has significantly improved. When there are challenges in refining in the Midwest, as occurred in 2018, Canadian and North Dakota prices are also hampered. The Brent/WTI spread is another factor for North Dakota as operators market a significant number of barrels by rail. The State is back in an environment of production exceeding capacity. There is a correlation between lack of pipeline and higher spreads.

There have been price challenges in the last four weeks. Traders are watching what is happening with stock volumes. EIA is predicting that by the second half of this year, prices will recover back to the low \$60s. Growth in production is predicted for the summer months.

Dakota Access Pipeline recently filed an application with the Public Service Commission to increase capacity based on horsepower alone. No new pipe will be laid. Currently, there are no details available regarding timelines and capacities. However, it could be up to 500,000 additional bpd in the future. This indicates that industry believes production will continue to expand.

Mr. Kringstad provided clarification regarding why rail capacity is capped at 850,000 bpd in his projections. Historically, during the peak production rail capacity was just shy of 850,000 bpd. He wanted to put a reasonable cap on the number. In response to a question on current production transported by rail, Mr. Kringstad indicated that in April, 280,000 bpd were transported. Of that amount, approximately 60% went to the West Coast, 30% went to the East Coast, and 10% went down to the Gulf.

WBI's North Bakken expansion project has been increased. It was originally projected to go from Tioga to the Northern Border pipeline. Now, it will extend north with an additional 19 miles of pipe connecting gas plants and expanding gas plants in the region. This will need approval from FERC and may shift. There are currently no available export options near Lake Sakakawea.

Overall NGL production is forecasted to be 900,000-1.2 million bpd. The Elk Creek pipeline is a significant transportation option. It is proposed to be completed at the end of 2019. This leaves a large amount of NGLs that still need a transportation option. The volume of NGLs is substantial, this is a big opportunity for projects within the state.

There was discussion that the import facilities located in the Gulf for LNGs are being changed to export facilities. Currently all the export work is being done in the Gulf. As production increases, all export activity will head to the Gulf. As that occurs, hopefully North Dakota will be able to fill the void in the Midwest that development in the Gulf leaves behind.

In response to a question, Mr. Kringstad stated that an option for development using the West Coast would involve using existing infrastructure and filling the Rockies as the resources there move further west. There is tremendous opportunity for growth in Mexico, but it is unclear how it will play out.

DEPARTMENT OF MINERAL RESOURCES (DMR)

Mr. Bruce Hicks, Assistant Director of DMR – Division of Oil & Gas, presented the following case orders for consideration: Case 26903, Order 29345; Case 26904, Order 29346; Case 26073, Order 30106.

Case 26903, Order 29345 and Case 26904, Order 29346 – These orders would determine a bond amount of \$100,000 per single well for Hydroil Solutions LLC to be utilized for fracture injection. The location is south of Williston, approximately 15 miles. While the wells were recently approved, the bonding amount was still pending. After review, it was determined that the slurry injection process could result in additional cleanouts and, therefore, the bonding requirements should be increased. It would take additional funds to reclaim a site. Because these are the initial wells utilizing the new process, it was estimated that clean out could cost \$100,000 and the staff is recommending that the standard bonding amount be doubled.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that Order 29345 issued in Case 26903 requiring Hydroil Solutions LLC to provide a bond amount of \$100,000 for the SF #1 well to be drilled in the SESW of Section 7, T.152N., R.101W., McKenzie County, ND, Indian Hill Field, to be utilized for fracture injection into the Dakota Group, pursuant to NDAC § 43-02-03-15 be approved this 20th day of June, 2019.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that Order 29346 issued in Case 26904 requiring Hydroil Solutions LLC to provide a bond amount of \$100,000 for the SF #2 well to be drilled in the NWSW of Section 7, T.152N., R.101W., McKenzie County, ND, Indian Hill Field, to be utilized for fracture injection into the Dakota Group, pursuant to NDAC § 43-02-03-15 be approved this 20th day of June, 2019.

Mr. Hicks indicated that in the past the technology and expertise was not available to utilize this process and wells would plug up. Because of that, the staff is recommending a higher bond amount so there is an adequate amount to ensure that the wells are correctly plugged when operations cease. In the future, if warranted, the bonding amount could be reviewed.

On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye on both motions. Both motions carried unanimously.

Case 26073, Order 30106 – This involves the determination of reasonable costs/risk penalties to be assessed against GEM Razorback, LLC. The proposed order would dismiss the case based on the Commission's jurisdiction being limited to determining of reasonable actual costs and the district court having jurisdiction over determining whether GEM is a royalty owner or a working interest owner. Findings of the order explain that the Commission has jurisdiction only over cost determination and has sufficient information in the record to determine reasonable costs if the court decides it is needed.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 30106 issued in Case 26073 dismissing Case 26073 be approved this 20th day of June, 2019. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Hicks presented the Oil and Gas Division Quarterly Report and highlighted the following information. (A copy is available in Commission files.)

- Producing well count for the first quarter of 2019 is exactly the same as the last quarter of 2018 at 15,314. Due to weather conditions in February, 176 wells were dropped. April numbers are back up.
- Wells waiting on completion is another well count that is closely watched. The number had decreased slightly at the end of the first quarter, however it increased in April. This indicates that getting enough frack crews to frack wells is still an issue. Production dropped almost 70k bpd in

February. Those numbers are rebounding nicely, and another record may be achieved in April. Gas continues to show strong volume increases.

- The new oil conditioning policy has gone into effect. For the months of October through March, DMR will inspect facilities once a month. April through September will go back to quarterly inspections.
- Operators have accelerated production. This resulted in an unexpected increase in gas oil recovery. Almost month after month record gas sales are occurring. Additional plant capacity coming online should decrease flaring. There is more capacity coming online in 2019. In the next 2 years, additional capacity of over 1 billion cubic feet of gas per day is projected to be added to the system.
- There was one well permitted on public land, north of Lake Sakakawea. The operator plans to use the existing pad. Comments were received from Badlands Conservation Alliance, North Dakota Game and Fish, and the State Water Commission. Those comments were taken into consideration and stipulations were put in place accordingly
- Three complaints were filed in the first quarter. Settlement negotiations are in progress.

OIL & GAS RESEARCH PROGRAM

Ms. Fine presented a proposal titled Underground Storage of Produced Natural Gas – Conceptual Evaluation and Pilot Project(s) from EERC for consideration.

Section 25 of House Bill 1014 appropriated \$6 million for pilot projects relating to the underground storage of produced natural gas. The pilot projects may include studies and demonstration projects.

Ms. Fine noted that an application has been submitted to the Oil & Gas Research Council, however, the meeting has not yet been held. EERC is currently in discussions with potential partners for the pilot projects and has asked for the Industrial Commission to act on the proposal at the June meeting prior to the Council meeting in order to expedite work beginning on the project.

Ms. Fine reported that Mr. Brent Brannan, OGRP Director, recommends that the Commission approve the funding of \$6,000,000 contingent upon approval of the Oil and Gas Research Council and confirmation of match funding.

Mr. John Harju, EERC, provided a brief overview. The overall goal of the proposed effort is to demonstrate the techno-economic feasibility of produced natural gas (“produced gas”) injection into non-hydrocarbon-producing subsurface formations in the Williston Basin for future recovery and use or for pressure maintenance and/or enhanced oil recovery (EOR) in a conventional or unconventional oil reservoir. To achieve the project goal, the EERC will partner with North Dakota oilfield producers on up to three pilot project efforts to define and assess the key technical, economic, and regulatory components of each approach.

The primary project objectives will be to evaluate the viability of various subsurface formations as storage and/or injection targets, to document the facilities and equipment needs and costs for produced gas injection, to predict the subsurface storage footprint of the injected gas plume over time, to predict gas recovery efficiencies, to develop a monitoring plan, and to summarize the required regulatory considerations for different injection/storage scenarios. The above information will be obtained from a combination of research activities performed at the EERC and from up to three pilot projects performed in partnership with and including substantial financial investment from oil field operating companies.

The results of this effort will provide the state, the oil and gas industry, and other interested parties with the key information needed to assess the techno-economic viability of produced gas storage and/or injection

into the subsurface as a means of achieving gas capture requirements, expanding Bakken oil production, and conserving the state's resources. Specifically, one or more pilot projects to demonstrate produced gas injection into subsurface storage or EOR targets would be highly beneficial to assess the details of the concept using real-world data on the technical, economic, and regulatory components of the approach.

Mr. Harju indicated that currently four companies are interested in partnering on the project.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approves the "Underground Storage of Produced Natural Gas – Conceptual Evaluation and Pilot Project(s) (HB 1014) proposal contingent upon Oil and Gas Research Council approval and confirmation of match funding and authorizes the Industrial Commission Executive Director and Secretary to execute a contract with the Energy and Environmental Research Center to provide a total of not to exceed \$6,000,000 in funding.

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

It was noted by Governor Burgum that this is a significant investment for North Dakota.

STATE ENERGY RESEARCH CENTER

Mr. Tom Erickson, Energy and Environmental Research Center (EERC) CEO, presented a proposal from EERC for the implementation of Senate Bill 2249 which created the State Energy Research Center at the University of North Dakota EERC. SB 2249 allows for up to \$5 million per biennium, through June 30, 2023 to be spent on the State Energy Research Center with the goal of advancing future energy opportunities and benefiting the state's economy and environment.

To accomplish this goal, the EERC is proposing to use the funds in three areas:

- Exploratory, transformational, and innovative research of technologies and methodologies that facilitate the prudent development and clean and efficient use of the state's energy resources.
- Provide greater access to energy experts for timely scientific and engineering studies to support the state's interests.
- Educate stakeholders on issues related to the state's energy resources through public outreach.

Mr. Erickson noted that in the past exploratory research activities were done with federal dollars. As a result, the research was federally directed. However, federal funds have been dwindling limiting the amount of research occurring. Previously, with federal funds, the EERC averaged 15 new invention disclosures per year. In 2018, there were none. There have been 26 ideas already submitted for exploratory research. Two projects are partnering with NDSU.

Mr. Erickson noted that the EERC is proposing \$500,000 for technical expertise for the state. This would not be pursued without direction from the Commission. If not spent, those funds would be redirected to exploratory activities.

Education will be provided to faculty, staff, and the general public. Mr. Erickson described two energy education programs that the EERC is currently working on; Energy Hawks and Energy Ambassadors. The Energy Hawks program immerses ten UND students from a variety of disciplines in North Dakota's energy industry to gain their insights in identifying new opportunities to support the state. Energy Ambassadors is anticipated to focus on faculty from higher education across North Dakota to help them understand the industry better.

It was noted that the Commission liked the work planned for the education component and Mr. Erickson was encouraged to look beyond higher education to include K-12. Mr. Erickson replied that he plans to discuss this area further with the North Dakota Petroleum Council.

There was discussion regarding the \$3.7 million proposed for exploratory research. The question was raised if an individual needed to be an employee of EERC to submit. Mr. Erickson responded affirmatively noting that while this doesn't limit EERC's ability to bring ideas from other universities, EERC must take ownership.

The question was raised if a project comes from another university that has higher value than the 26 internal proposals that have already been received, would EERC have latitude to change it. Mr. Erickson stated that EERC would and plans to meet with other universities to have a larger dialogue around collaboration and ideas.

In response to a question, Mr. Erickson stated that there is a broad latitude to the areas that can be researched. The only thing that cannot be researched by law is the exploration, storage, treatment, or disposal of high-level radioactive waste. Currently topics range from recycling wind turbine blades to analytical techniques to improve Bakken recovery. The program is open to all energy types.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approve the Energy and Environmental Research Center proposal entitled "State Energy Research Center (ND Century Code 15-11-40)" and authorize the Industrial Commission Executive Director and Secretary to enter into a contract with the Energy and Environmental Research Center to approve funding of \$5,000,000 per biennium through June 30, 2023. 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 \$13,087,442.41 is available for funding of projects.

Mr. Jim Melchior, OHF Advisory Board Chairman, provided the Commission with a list of the 22 applications that had been received for Grant Round 14 totaling \$7,307,787. He indicated that the OHF Advisory Board, after reviewing the applications and hearing the presentations from the applicants, recommended the following 11 applications totaling \$5,199,095 for the Commission's consideration:

1. 14 – 17 (B) ND Conservation District Employees Association (NDCDEA) - ND Statewide Tree Planting Initiative, Recommended Amount: \$3,070,000; Total Project Costs: \$4,920,000
2. 14 – 18 (B) North Dakota Natural Resources Trust – Working Grassland Partnership IV, Recommended Amount: \$1,225,000; Total Project Costs: \$2,235,000
3. 14-14 (A) City of Stanley – Main Street to Stanley City Pond Shared Use Pathway, Recommended Amount: \$275,800; Total Project Costs: \$386,300
4. 14-11 (B) Pheasants Forever, Inc. – Precision Agriculture: Technology, Conservation, and Habitat, Recommended Amount: \$301,875; Total Project Costs: \$447,801
5. 14-23 (C) ND Parks and Recreation – Natural Resource Stewardship in ND's Parks, Preserves and Natural Areas II: Recommended Amount \$108,680; Total Project Costs: \$146,780
6. 14-12 (C) ND Petroleum Foundation – Planting for the Future; Recommended Amount \$88,650 with stipulations; Total Project Costs: \$224,650

7. 14-10 (D) Dunn County Park Board – Little Missouri Recreation Area; Recommended Amount \$85,600; Total Project Costs: \$214,000
8. 14-08 (D) Voices for Lake Oahe – Cattail Bay Recreation Area Improvement; Recommended Amount \$18,750; Total Project Costs: \$25,000
9. 14-19 (D) Beulah Parks and Recreation – Beulah Troy Park; Recommended Amount: \$10,000; Total Project Costs: \$80,165
10. 14-04 (D) Mott Visionary Committee – Cannonball Trail; Recommended Amount: \$10,000; Total Project Costs: \$21,838
11. 14-06 (D) Richardton Park Board – Richardton Park Beautification; Recommended Amount \$4,740 with stipulations; Total Project Costs \$6,320.

In response to a question, Mr. Melchior stated that the statewide tree planting proposal is the continuation of a successful project.

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 nine projects in the total amount of \$5,199,095.00 and authorizes the Industrial Commission Executive Director and Secretary to enter into contracts with the applicants as noted below:

1. **Mott Visionary Committee: Cannonball Trail, \$10,000**
2. **Richardton Park Board: Richardton Park Beautification, \$4,740 with the condition that the applicant consults with the North Dakota Forest Service on the selection of tree species.**
3. **Voices for Lake Oahe: Cattail Bay Recreation Area Improvement, \$18,750**
4. **Dunn County Park Board: Little Missouri Recreation Area, \$85,600**
5. **Pheasants Forever, Inc.: Precision Agriculture: Technology, Conservation, and Habitat - \$301,875**
6. **North Dakota Petroleum Foundation: Planting for the Future, \$88,650 with the condition that the applicant consults with NRCS regarding regulations and field training.**
7. **City of Stanley: Main Street to Stanley City Pond Shared Use Pathway, \$275,800**
8. **ND Conservation District Employees Association: ND Statewide Tree Planting Initiative, \$3,070,000**
9. **North Dakota Natural Resources Trust: Working Grassland Partnership IV, \$1,225,000**
10. **Beulah Parks and Recreation: Beulah Troy Park, \$10,000**
11. **ND Parks and Recreation Department: Natural Resource Stewardship in ND's Parks, Preserves, and Natural Areas II, \$108,680**

In response to a question, Mr. Melchior stated that, in his opinion, the Dunn County Park Board project will provide a large return on investment while creating a nice asset for the State in a strategic location.

Mr. Kuylen stated that the goal of the Pheasants Forever project is to demonstrate, using data, how planting grass in nonproductive areas will maximize profits for producers. In response to a question, Mr. Kuylen stated that the data will be gathered for a number of years, showing longitudinal trends.

In response to a question, Mr. Kuylen indicated that the North Dakota Petroleum Foundation (NDPF) tree planting project is separate from the NDCDEA tree planting project. However, there will be coordination between the two groups in the future since a stipulation was recommended that would require the NDPF to consult with NRCS regarding training and best practices.

In response to a question, Mr. Melchior stated that the North Dakota Natural Resources Trust project is the continuation and expansion of a current successful project.

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

Ms. Pfennig presented the OHF Advisory Board recommendation to amend the OHF program application to include a definition for maintenance.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accepts the recommendation of the Outdoor Heritage Fund Advisory Board and approves the following amendment to the Outdoor Heritage Fund Application Form:

Maintenance: Activities that preserve or keep infrastructure in a given existing condition, including repairs. Repair means to restore to sound condition after damage, to renew or refresh; except repairs due to damage caused by Acts of God. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Melchior stated that this will be his last meeting due to retirement. He thanked the Commission for their support and stated that serving on the OHF Advisory Board has been a rewarding experience. He has served since the program's inception and feels that the Outdoor Heritage Fund Program is helping to implement lasting conservation and recreational practices on North Dakota's landscape. He introduced Mr. Bob Kuylen, who is the incoming chair.

The Commission thanked Mr. Melchior for his service, noting that it is not without both controversy and difficulty to set the direction for a new board. Mr. Melchior was very diligent and took his responsibilities seriously for little reward. This is an important effort that is making an impact on North Dakota.

Governor Burgum indicated that he would like to work with the Board regarding local cost share. In some cases, it is possible for an applicant to apply to several different State programs resulting in little to no local match. However, if a community steps up and starts a project under the current guidelines, they are then ineligible for funding from OHF. This results in being excluded for being proactive. He would like the Board to consider solutions to this issue.

Mr. Melchior noted that Comprehensive Conservation Plans allow for existing infrastructure to be improved and expanded upon.

In response to a question, Ms. Pfennig stated that the OHF is being promoted in a variety of ways, including presentations to interest groups, partner publications, and press releases. Ms. Fine noted that all projects are required to give recognition to the OHF. Ms. Pfennig will investigate opportunities to promote the OHF at the Main Street Summit.

STATE MILL

Ms. Fine presented a request, on behalf of Mr. Vance Taylor, seeking authorization to make the year-end transfers of State Mill profits to the General Fund and Agricultural Products Utilization Fund.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the State Mill is authorized to transfer 5% of the net income earned by the Mill for fiscal year 2019 to the Agricultural Products Utilization Fund (APUF) and transfer to the General Fund 75% of the

annual earnings and undivided profits of the Mill after any transfers to other state agricultural-related programs as per the request of the Office of Management and Budget Director noting that the transfers will be based on unaudited year-end results and reserving the right to adjust the transfer numbers once the year-end results have been audited. Further that Mill management reports the amount of the transfers to the Commission at their August meeting. 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 amendments to the Capital Financing Program Financing Resolution for consideration. The amendments simply change the payment dates.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission adopt the following Resolution:

AMENDED AND RESTATED SERIES RESOLUTION FOR UP TO \$4,000,000 NORTH DAKOTA PUBLIC FINANCE AUTHORITY CAPITAL FINANCING PROGRAM BONDS SERIES 2019A

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 2019A" (the "Series 2019A Bonds") to provide approximately \$2,500,000 net proceeds to lend to Morton County to finance remodeling of the second floor of the County's Law Enforcement Center and mechanical and electrical upgrades to the basement and first floor (the "Morton County Project") and to lend any additional proceeds to other Political Subdivisions requesting loans prior to the issuance of the Series 2019A Bonds, all pursuant to the General Bond Resolution;

WHEREAS, the Industrial Commission has determined to approve a \$500,000 loan of additional funds of the Authority to Morton County for the Morton County Project (the "Morton County Loan");

WHEREAS, repayment of the loan of Series 2019A Bonds and the Morton County Loan is to be provided by the purchase of approximately \$3,000,000 of sales tax revenue bonds, which bonds, together with any repayment obligations of other Political Subdivisions are referred to herein as the "Municipal Securities;"

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;

WHEREAS, issuance of the Series 2019A Bonds for such purposes was approved by the Industrial Commission pursuant to a Series Resolution adopted April 30, 2019 (the "Prior Series Resolution") and this Commission is hereby amending and restating the Prior Series Resolution for the purpose of revising the principal and interest payment dates for the Series 2019A Bonds;

WHEREAS, the Municipal Securities are now expected to mature on November 1 of each of the years and in the principal amounts determined by the Executive Director, not exceeding an aggregate of \$4,000,000, plus the amount of the Morton County Loan, and having a final maturity not later than November 1, 2029.

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 that the Prior Series Resolution is amended and restated to read 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 2019A 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 2019A Bonds; Morton County Loan

Section 2.01. Authorization of Series 2019A Bonds. Pursuant to the General Bond Resolution, a Series of Capital Financing Program Bonds to be designated as the "Series 2019A Bonds" is hereby created and authorized to be issued in the aggregate principal amount of up to \$4,000,000; provided that the terms of the Series 2019A 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 2019A 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 November 1, 2019, proceeds of the Series 2019A 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 2019A 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 2019A Bonds when due.

Section 2.03. Date, Payment Dates, and Maturities. The Series 2019A Bonds shall be dated as of a date determined by the Executive Director to be appropriate, except that Series 2019A 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 2019A Bonds shall bear interest from their date, payable semiannually on May 1 and November 1 in each year, commencing November 1, 2019. The Series 2019A Bonds shall mature, or at the option of the purchaser be subject to mandatory redemption, on November 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 2019A Bonds may be issued in any amount not more than \$4,000,000 and maturing in amounts on each November 1 as determined by the Executive Director.

Section 2.04. Redemption. The Series 2019A Bonds are subject to redemption and prior payment at the option of the Authority at par plus accrued interest no later than November 1, 2027, as determined by the Executive Director, and any date thereafter, in whole or in part in such order as the Executive Director may

determine. The Series 2019A Bonds are also subject to mandatory redemption on April 1, 2020, 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, 2020.

Section 2.05. Interest Rates. The Series 2019A 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 2019A Bonds shall not exceed 5.00% per annum.

Section 2.06. Denominations, Numbers, and Letters. Each Series 2019A 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 2019A 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 2019A 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 2019A Bonds. The Series 2019A 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 2019A 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 2019A 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. The Loan Agreement with Morton County may include the amount of the Morton County Loan and is hereby approved.

ARTICLE III

Use of Proceeds of Series 2019A Bonds

Section 3.01. Reserve Fund Deposit; Letter of Credit. Upon or prior to the issuance and sale of the Series 2019A 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 2019A Bonds to be paid on maturing principal of and interest on the Series 2019A 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 2019A 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 2019A 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 2019A Bonds and solely from amounts on deposit in the Series 2019A 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 2019A Bonds, the Authority shall deposit in the Costs of Issuance Fund from the proceeds of the Series 2019A Bonds the sum determined by the Executive Director to be used to pay Costs of Issuance of the Series 2019A Bonds in accordance with the provisions of the General Bond Resolution.

Section 3.03. Deposit to Series 2019A Account of Loan Fund. The Authority shall deposit all other proceeds derived from the sale of the Series 2019A Bonds which are not deposited in the Reserve Fund or Cost of Issuance Fund in the Series 2019A 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 2019A Bonds plus accrued interest for the period from the date of the Series 2019A 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 2019A Bonds plus all interest earnings on the amounts deposited in the Series 2019A Account of the Loan Fund under the General Bond Resolution.

ARTICLE IV

Form, Execution and Other Details of Series 2019A Bonds

Section 4.01. Form of Series 2019A Bonds. The Series 2019A 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 2019A 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 2019A Bonds that so long as any Series 2019A 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 2019A 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 2019A 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 2019A 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 reported on the following Clean Water SRF loan application.

City of Fargo, engineering – \$500,000. Funds will be used to finance the planning and design of a large regional stormwater pond which will include a storm sewer lift station, storm sewer piping and excavation. The service area of the pond is approximately 2,300 acres. The Public Finance Authority's Advisory Committee approved the loan at their March 19, 2019 meeting.

Ms. Ament presented the following Clean Water SRF loan application for consideration.

City of Fargo, construction – \$10,500,000. Funds will be used to finance the construction of the large regional stormwater pond referenced above. The proposed term of the loan is 30 years. The annual payment to the PFA will average approximately \$445,260. The City will issue improvement bonds payable with special assessments. The improvement bonds will be a contingent general obligation of the City, backed by the statutory requirement that the City levy a general deficiency tax in the event that the revenues from the collection of special assessments are not sufficient to pay the debt service on the improvement bonds.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission adopt the following Resolution:

RESOLUTION APPROVING
LOAN FROM CLEAN WATER STATE REVOLVING FUND

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

WHEREAS, the Clean Water 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 (NDPFA) and the Bank of North Dakota (the Trustee); and

WHEREAS, the City of Fargo (the "Political Subdivision") has requested a loan in the amount of \$10,500,000 from the Program for construction of a new stormwater pond; and

WHEREAS, the 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 Clean 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.

Governor Burgum noted that this project has met all of the requirements for a loan. However, he has concerns about the project. This is a significant project. As proposed, it would be the equivalent of the seventh largest city in the State. This project is likely to raise property taxes for everyone else in Fargo. The city will need to put in streets and other infrastructure, which will incur considerable additional costs. Property taxes from established areas of town will be used to finance the development of the new residential districts. He has met with the City of Fargo officials to discuss his concerns on the impact to other Fargo residents. The additional information that was provided by the City did not address his concerns. It will be years before the proposed development is self-sufficient, meaning that it will need to be subsidized and the funds are coming from older homes with dated infrastructure.

Governor Burgum noted that the PFA did the proper analysis and the project is in adherence to the Department of Health State Revolving Loan Fund and PFA policies. However, because of the concerns identified, he will not support the funding of this loan.

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

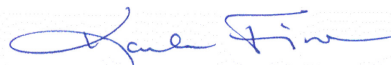
ADMINISTRATION

Ms. Fine presented the April 30 and May 28, 2019 non-confidential meeting minutes for consideration.

It was moved by Attorney General Stenehjem and seconded by Attorney General Stenehjem that the April 30 and May 28, 2019 non-confidential meeting minutes be approved. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

With no further Industrial Commission business, Governor Burgum adjourned the meeting at 3:43 p.m.

North Dakota Industrial Commission



Karlene Fine, Executive Director and Secretary