

**Meeting  
of the  
Iron Range Resources Board**

**Monday, September 11, 2006**

**11:00 a.m.**

**Iron Range Resources Administration Building  
Eveleth, Minnesota**

**MEETING OF THE IRON RANGE RESOURCES BOARD**

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**MEETING OF THE IRON RANGE RESOURCES BOARD**

**Monday, September 11, 2006**

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**Eveleth, Minnesota**

**Agenda**

- 1) Roll Call
- 2) Approval of the June 15, 2006, Minutes
- 3) Commissioner's Comments
- 4) Taconite Area Environmental Protection Fund  
*Action required: Project approval requires 7 votes*
  - a) Industrial Rubber Products
  - b) City of Hoyt Lakes – Laskin Energy Park
  - c) Chisholm/Hibbing Airport Authority
- 5) Ironworld Lease/Management Agreement Term Sheet
- 6) Other
- 7) Adjournment

# Approval of the June 15, 2006, Minutes

## Meeting of the Iron Range Resources Board

Thursday, June 15, 2006  
3:00 p.m.

Iron Range Resources Administration Building  
Eveleth, Minnesota

### I. Roll Call

Senator David Tomassoni, Chair, called the meeting to order at approximately 3:10 p.m. Present: Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich. Absent: Representative Maxine Penas and Senator Becky Lourey. Also present were: Sandy Layman, Commissioner; Brian Hiti, Deputy Commissioner; Gunnar Johnson, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Jean Dolensek, Administrative Services Director; Linda Johnson, Giants Ridge Director; Marianne Bouska, Ironworld Discovery Center Director; Mike Larson, Business Recruitment Coordinator; Dave Hart, Loan Officer, Senior; Richard Anderson, Loan Officer, Senior; Sheryl Kochevar, Executive Assistant; Laureen Hall, Executive Assistant; Larry Lehtinen, President & CEO, Mesabi Nugget, LLC; Paul Brinkman, Director, Northeast Service Cooperative; Elaine Hansen, Director, UMD Center for Economic Development; Sally Buck, Director, Rural Health Resource Center; Tom Eberhardt, President and CEO, American Peat Technology, LLC; Robert Honstrom, Founder and Owner, Next Generation Ophthalmics, Inc.; Kelly Hain, Business Manager, Next Generation Ophthalmics, Inc.; Kirk Davis, President, Wide Open Company; Craig Wainio, City Administrator, City of Mountain Iron; Ron Dicklich, President, Range Association of Municipalities and Schools; Ernie Lehmann, Chairman and Director, Franconia Minerals Corporation; Brian Gavin, President and Director, Franconia Minerals Corporation; and Tom Berrigan, Iron Range Veterans Memorial.

### II. Approval of the February 10, 2006, Minutes

Citizen Henning moved approval of the February 10, 2006, minutes. Seconded by Citizen Matasich. Motion carried.

### III. Douglas J. Johnson Economic Protection Trust Fund Corpus

*Action Required: Project approval requires 10 votes*

#### a. Mesabi Nugget, LLC

Motion by Representative Rukavina to approve Resolution No.: FY06-005 related to the expenditure of up to \$6,488,000 of the corpus of the DJJ Fund to provide a loan to Mesabi Nugget, LLC, on the terms specified in the Commissioner's Proposal, to provide funds with which the company can purchase the surface and mineral rights for up to 800 acres within the

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proposed Mesabi Nugget value-added iron product facility footprint at the former LTV site at Hoyt Lakes so that the Plant can be constructed and subsequently be operational, which DJJ Funds shall be in lieu of and not in addition to the DJJ Funds approved for similar purposes by the Board at its February 10, 2006, meeting. Seconded by Representative Sertich. Motion carried.

**Voting in Favor of the Motion:** Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** Representative Maxine Penas and Senator Becky Lourey.

**IRON RANGE RESOURCES AND REHABILITATION BOARD  
OF THE STATE OF MINNESOTA**

Resolution No.: FY06-005

**WHEREAS**, Minnesota Statutes Section 298.296, Subdivision 2 (c) authorizes the agency to expend, upon prior approval by the affirmative vote of at least ten members of the Board, up to 20% of the corpus of the Douglas J Johnson Economic Protection Trust Fund (the “DJJ Fund”), valued as of the date of May 18, 2002, for projects and programs described in Minnesota Statutes Section 298.292, subdivision 1 that either:

- a. are designed to create and maintain productive, permanent, skilled employment, including employment in technologically innovative businesses; or,
- b. encourage diversification of the economy and promote the development of minerals, alternative energy sources utilizing indigenous fuels, forestry, small business, and tourism;

**WHEREAS**, the Board held a special meeting starting on Friday, February 10, 2006, at which it adopted its Resolution No. FY06-004 approving the expenditure of up to \$6,488,000 of DJJ Fund corpus monies to purchase the surface and mineral rights for up to 800 acres at the former LTV site at Hoyt Lakes so that such lands and interests could be made available by lease to Mesabi Nugget LLC for its proposed full-scale production plant using the Kobe Steel ITmk3 iron nugget production process (the “Plant”); and,

**WHEREAS**, Mesabi Nugget, LLC now has asked Iron Range Resources to provide, in lieu of the said leased lands, a loan of up to \$6,488,000 to the company to enable the company, instead of the State, to purchase the said surface lands and mineral rights at the former LTV site at Hoyt Lakes for the site of the Plant; and,

**WHEREAS**, the Commissioner has submitted a proposal (the Proposal”) to the Board requesting it to authorize, on the terms therein described and as supplemented by the additional information provided to the Board at its February 10, 2006 meeting, the expenditure of up to \$6,488,000 of DJJ Fund corpus monies to provide a loan to Mesabi Nugget LLC to enable it to purchase such lands and mineral interests, on terms that would provide, among other elements, that the loan would be repaid over a 120 month period, would bear interest at the rate of 3.5% per annum, and would be secured with a real estate mortgage on all surface and mineral rights purchased by the company with the loan proceeds; and,

**WHEREAS**, the Board held a special meeting starting at 3:00 p.m. on Thursday, June 15, 2006, at the agency’s Eveleth Administration building to consider the Proposal and whether to approve the proposed expenditure of DJJ

Fund corpus funds for the project to facilitate the company's proposed construction within the Taconite Assistance Area of the Plant; and,

**WHEREAS**, the Board, after due consideration of the Commissioner's Proposal and other information presented at the meeting, has concluded that the construction and subsequent operation of the Plant at that location in northeastern Minnesota has the potential of providing a significant number of new jobs and increasing the vitality and long-term viability of the iron mining industry within the Taconite Assistance Area, and that the proposed loan to Mesabi Nugget LLC to enable it to acquire the said real property lands and interests in support of the Plant project is for a purpose for which the expenditure of DJJ Fund corpus monies is authorized.

**NOW, THEREFORE, IT IS HEREBY RESOLVED** that the Board has concluded that it would be in the best interests of the economy and of the people of the Taconite Assistance Area to authorize, under the provisions of Minnesota Statutes Section 298.296, Subdivision 2 (c), the expenditure of up to \$6,488,000 of the corpus of the DJJ Fund to provide a loan to Mesabi Nugget, LLC, on the terms specified in the Commissioner's Proposal, to provide funds with which the company can purchase the surface and mineral rights for up to 800 acres within the proposed Mesabi Nugget value-added iron product facility footprint at the former LTV site at Hoyt Lakes so that the Plant can be constructed and subsequently be operational, which DJJ Funds shall be in lieu of and not in addition to the DJJ Funds approved for similar purposes by the Board at its February 10, 2006 meeting in Board Resolution No. FY06-004.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 15th DAY OF JUNE 2006**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Absent</b>
Senator Tom Bakk	<b>X</b>			
Senator Becky Lourey				<b>X</b>
Senator Tom Saxhaug	<b>X</b>			
Senator Yvonne Prettner Solon	<b>X</b>			
Senator Dave Tomassoni	<b>X</b>			
Representative Dave Dill	<b>X</b>			
Representative Maxine Penas				<b>X</b>
Representative Tom Rukavina	<b>X</b>			
Representative Tony Sertich	<b>X</b>			
Representative Loren Solberg	<b>X</b>			
Citizen Joe Begich	<b>X</b>			
Citizen Bill Henning	<b>X</b>			
Citizen Matt Matasich	<b>X</b>			
<b>TOTAL</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>2</b>

Signed : \_\_\_\_\_  
 Senator David Tomassoni, Chair

**IV. Commissioner's Comments**

Commissioner Layman updated the Board on the status of and expected date of the disbursement of the \$15 million in revenue bonds to fifteen regional school districts for health, safety and maintenance projects under a bond package approved by the legislature in 2005. Commissioner Layman commended the Board on their hard work to obtain passage of the legislation regarding the agency's annual budget process, the Board's ability to approve programs as a part of that process, and the Commissioner's ability to make grants under those programs once approved. In

addition, Commissioner Layman reported on the status of the Governor's approval of the public works projects approved at the February 10, 2006, Board meeting.

**V. Board Account**

*Action Required: Project approval requires 7 votes*

**a) Technology Projects**

**i) Northeast Service Cooperative**

**ii) UMD Center for Economic Development – 21<sup>st</sup> Century Arrowhead Initiative**

**b) Commissioner Projects**

**i) UMD Center for Economic Development – Small Business Development Centers**

Motion by Representative Rukavina to approve the Board Account projects (Northeast Service Cooperative, UMD Center for Economic Development – 21<sup>st</sup> Century Arrowhead Initiative, and UMD Center for Economic Development – Small Business Development Centers) as presented for an amount not to exceed \$226,000 contingent upon the establishment of a SBDC office in the Quad Cities area to be staffed with a full-time counselor. Motion carried.

**Voting in Favor of the Motion:** Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** Representative Maxine Penas and Senator Becky Lourey.

**c) Healthcare Provider Workforce Development & Recruitment Plan**

Motion by Representative Sertich to approve the Healthcare Provider Workforce Development & Recruitment Plan project as presented for an amount not to exceed \$100,000. Seconded by Representative Dill. Motion carried.

**Voting in Favor of the Motion:** Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** Representative Maxine Penas and Senator Becky Lourey.

**VI. Taconite Area Environmental Protection Fund**  
*Action Required: Project approval requires 7 votes*

**a. American Peat Technology, LLC**

Motion by Representative Solberg to approve the American Peat Technology, LLC, project as presented for an amount not to exceed \$100,000. Seconded by Senator Saxhaug. Motion carried.

**Voting in Favor of the Motion:** Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** Representative Maxine Penas and Senator Becky Lourey.

**b. Next Generation Ophthalmics, Inc.**

Motion by Senator Saxhaug to approve the Next Generation Ophthalmics, Inc., project as presented for an amount not to exceed \$250,000. Seconded by Representative Solberg. Motion carried.

**Voting in Favor of the Motion:** Representative David Dill, Representative Tom Rukavina, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** Representative Maxine Penas and Senator Becky Lourey.

**Absent at the Time of the Vote:** Representative Tony Sertich

**c. Wide Open Company**

Motion by Representative Solberg to approve the Wide Open Company project as presented for an amount not to exceed \$250,000 subject to the condition that the contract for such project contains provisions requiring the project to comply with the prevailing wage policy expressed by the Board in Resolution 96-005. Seconded by Senator Saxhaug. Motion carried.

**Voting in Favor of the Motion:** Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** Representative Maxine Penas and Senator Becky Lourey.

**d. City of Mountain Iron – Assisted Living Facility**

Motion by Representative Rukavina to approve the City of Mountain Iron – Assisted Living Facility project as presented for an amount not to exceed \$250,000 subject to the condition that the contract for such project contains provisions requiring the project to comply with the prevailing wage policy expressed by the Board in Resolution 96-005. Seconded by Citizen Matasich. Motion carried.

**Voting in Favor of the Motion:** Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** Representative Maxine Penas and Senator Becky Lourey.

**e. City of Nashwauk – Aerial Digital Photography**

Motion by Representative Solberg to approve the city of Nashwauk – Aerial Digital Photography project as presented for an amount not to exceed \$150,000. Seconded by Senator Solon. Motion carried.

**Voting in Favor of the Motion:** Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** Representative Maxine Penas and Senator Becky Lourey.

**f. Franconia Minerals Corporation**

Motion by Representative Dill to approve the Franconia Minerals Corporation project as presented for an amount not to exceed \$1,250,000. Seconded by Senator Bakk. Motion carried.

**Voting in Favor of the Motion:** Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** Representative Maxine Penas and Senator Becky Lourey.

**VII. Douglas J. Johnson Economic Protection Trust Fund**

*Action required: Project approval requires 8 votes*

**a. Hibbing Fabricators**

Motion by Representative Sertich to approve the Hibbing Fabricators project as presented for an amount not to exceed \$300,000. Seconded by Representative Rukavina. Motion carried.

**Voting in Favor of the Motion:** Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** Representative Maxine Penas and Senator Becky Lourey.

**VIII. FY07 Investment Plan**

*Action Required: Approval requires 8 votes*

Motion by Representative Sertich to approve the FY07 Investment Plan as presented and amended to expend up to 67% of the unobligated portion of the Development Projects Fund, or \$2 million, on public works projects. Seconded by Senator Saxhaug. Motion carried.

**Voting in Favor of the Motion:** Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne

Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** Representative Maxine Penas and Senator Becky Lourey.

**Absent at the Time of the Vote:** Representative David Dill.

## **IX. Adjournment**

Meeting adjourned at 5:52 p.m.

## **Taconite Area Environmental Protection Fund**

*Action required: Project approval requires 7 Votes*

- a) Industrial Rubber Products
- b) City of Hoyt Lakes – Laskin Energy Park
- c) Chisholm/Hibbing Airport Authority

## **INDUSTRIAL RUBBER PRODUCTS**

Bank Participation Loan Program

### **APPLICANT:**

Industrial Rubber Products (or subsidiary)

### **PRINCIPAL(S):**

Daniel Burkes, President

### **BRIEF PROJECT DESCRIPTION:**

Purchase a building and equipment to expand their product line and serve new customers.

### **PROJECT COST:**

\$8,800,000

### **PROJECT BREAKDOWN:**

American Bank of the North operating loan	\$5,000,000
American Bank of the North equipment loan	1,900,000
American Bank of the North real estate loan	100,000
Northern State Bank of Virginia equipment loan	100,000
Iron Range Resources equipment Bank Participation Loan (5 years)	800,000
Iron Range Resources real estate Bank Participation Loan (10 years)	700,000
Owner equity	<u>200,000</u>
Total	\$8,800,000

### **COLLATERAL:**

A shared first position in the real estate and equipment purchased. Personal guaranty.

### **JOBS:**

Create 20 and retain 86 full-time employees at \$10 to \$17 per hour plus benefits.

### **CONTINGENCIES:**

None.

### **TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:**

TAC Action and Date

### **FUNDING AUTHORIZATION:**

This project is authorized under the provisions of the Taconite Area Environmental Protection Fund Act of 1977, as amended (Minnesota Statutes Section 298.222 – 298.226), pertaining to expenditures of taconite area environmental protection fund monies for the purpose of promoting the economic development of northeast Minnesota, in that the provisions of Minnesota Statutes Section 298.223, Subdivision 1 (d) authorize the expenditure of such funds by the Commissioner for local economic development projects, upon approval by a majority of the members of the Iron Range Resources and Rehabilitation Board and by the Governor.

**PROJECT DESCRIPTION:**

Industrial Rubber Products has developed a new product for use in the Oil Sands industry in Northern Alberta, Canada. The product is large pipe that is lined with a special wear-resistant material for transportation of the oil-bearing sand, rock and gravel of the Athabasca Tar Sands. Manufacture of this product requires an additional facility and specialized equipment. This project entails the purchase of an existing building near their current Hibbing plant, renovations to the facility and purchase of equipment to manufacture the wear-resistant pipe.

**MANAGEMENT TEAM:**

Daniel Burkes, President, started with the Industrial Rubber group in 1976 in sales. In 1986, he purchased Industrial Rubber Applicators. Since that time, he has purchased and formed other businesses in the region and in Utah, Colorado and Ontario.

Christopher Liesmaki has been with Industrial Rubber since 1988. He currently serves as the Chief Operating Officer and is a member of the Board of Directors. He previously was with Control Data, Superior Industrial Products and Industrial Urethane Products.

James Skalski has been with Industrial Rubber since 1997 and serves as the Chief Financial Officer. Previously, he was an accounting instructor at the Range Technical College and financial officer for other industrial operations.

**MARKET OPPORTUNITY:**

In Northern Alberta, Canada at the Athabasca Tar Sands facilities, rock and gravel having high hydrocarbon content are extracted and processed to produce petroleum. It has been estimated that the Athabasca Tar Sands contain approximately as much petroleum as Saudi Arabia, only in a less convenient form for extraction and refining.

Industrial Rubber Products participated in a 3-year test comparing their IRACORE product to other pipe products for transportation of the raw material. IRACORE out-performed the competition by up to 10 times the wear-life. As a result, Industrial Rubber Products has negotiated a 3-year contract with one oil sands company and has been in negotiations with other companies in the industry as well. As the oil sands industry grows, Industrial Rubber expects to grow with it.

**COLLATERAL REVIEW:**

Iron Range Resources will participate in two bank loans. The real estate loan participation will be secured with a first mortgage on the property formerly known as the Noble building. After the purchase, the building will receive renovations of approximately \$200,000. An appraisal has been ordered. Loan to value will not exceed 80%. The equipment loan will be secured with a first security position on the equipment purchased. Loan to value will not exceed 80%. Both loans also will be personally guaranteed by Daniel Burkes.

**PAST IRON RANGE RESOURCES HISTORY:**

A bank participation loan was funded in FY 1998 for \$160,000. All Iron Range Resources loan history has been satisfactory.

## CITY OF HOYT LAKES - LASKIN ENERGY PARK



**Iron Range Resources**  
 P.O. Box 441  
 4261 Highway 53 South  
 Eveleth, Minnesota 55734-0441  
 (218) 744-7400 • 800-765-5043  
 Fax: (218)744-7403

**To:** Sandy Layman  
 Commissioner

**From:** Matt Sjoberg  
 Director, Development Strategies

**Date:** October 11, 2012

**Re:** LASKIN ENERGY PARK SITE PREP - \$75,000 DIRECT LOAN TO THE CITY OF HOYT LAKES

The city of Hoyt Lakes, Minnesota Power, the Minnesota Department of Employment and Economic Development (DEED) and Iron Range Resources have been in discussions with a manufacturing company considering locating at the Laskin Energy Park. The company's plan calls for building construction in 2007. To meet that time frame, rough site preparation needs to be completed this fall.

The cost of this site preparation is estimated at \$225,000. Minnesota Power and DEED each have agreed to consider \$75,000 of these costs. The city of Hoyt Lakes has requested a \$75,000 non-recourse loan from Iron Range Resources to prepare the site for construction. The agency loan would be secured with a first mortgage and an assignment of rents and leases on the site.

Uses		Sources	
Mobilization	\$6,000	Iron Range Resources Loan	\$75,000
Clearing & grubbing	28,000	Minnesota Power Loan	75,000
Common excavation	122,175	DEED Loan	75,000
Select granular borrow	13,437		
Erosion control	15,000		
Design/construction engineering	31,014		
Contingencies	9,374		
<b>TOTAL</b>	<b>\$225,000</b>	<b>TOTAL</b>	<b>\$225,000</b>

**CHISHOLM/HIBBING AIRPORT AUTHORITY**



**Iron Range Resources**  
 P.O. Box 441  
 4261 Highway 53 South  
 Eveleth, Minnesota 55734-0441  
 (218) 744-7400 • 800-765-5043  
 Fax: (218)744-7403

**To:** Sandy Layman  
 Commissioner

**From:** Matt Sjoberg  
 Director, Development Strategies

**Date:** October 11, 2012

**Re:** CHISHOLM/HIBBING AIRPORT SPECULATIVE INDUSTRIAL BUILDING - \$835,000  
 DIRECT LOAN (IN ADDITION TO \$790,000 PREVIOUSLY COMMITTED) TO  
 CHISHOLM/HIBBING AIRPORT AUTHORITY

The Chisholm/Hibbing Airport Authority, the Chisholm EDA and the Hibbing EDA have formed a partnership in support of construction of a speculative industrial building at the Chisholm/Hibbing Airport. Iron Range Resources has committed to funding \$790,000 for construction of the shell of this building and \$100,000 for infrastructure extensions. The original cost estimates were based on 2005 information. When construction bids were received, they were much higher than the original estimates. The original plans called for a metal-frame building, and with the recent escalation in steel costs, the communities decided to consider a concrete building. While the cost of constructing the shell of concrete is higher than with steel, the build-out costs should be lower.

The Chisholm/Hibbing Airport Authority has requested an additional \$835,000 from Iron Range Resources to proceed with construction of a concrete building. The funds would be in the form of a non-recourse loan, secured with a first mortgage and assignment of rents and leases on the building.

Uses		Sources	
Building and site work	\$1,305,000	Iron Range Resources grant	* \$100,000
Service road and utilities	277,974	Iron Range Resources loan	* 790,000
Design, surveying, geotechnical fees	122,000	Iron Range Resources loan	835,000
Contingency	20,026		
<b>TOTAL</b>	<b>\$1,725,000</b>	<b>TOTAL</b>	<b>\$1,725,000</b>

\* The Iron Range Resources \$100,000 grant and \$790,000 loan were previously approved.

# IRONWORLD LEASE/MANAGEMENT AGREEMENT TERM SHEET



**Iron Range Resources**  
P.O. Box 441  
4261 Highway 53 South  
Eveleth, Minnesota 55734-0441  
(218) 744-7400 • 800-765-5043  
Fax: (218)744-7403

**To:** Iron Range Resources Board Members

**From:** Sandy Layman  
Commissioner

**Date:** October 11, 2012

**Re:** IRONWORLD LEASE/MANAGEMENT AGREEMENT TERM SHEET

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Attached is the Ironworld Lease/Management Agreement Term Sheet to which the agency and the Ironworld Development Corporation (IDC) Board of Directors have agreed. The main points of the agreement are as follows:

- Agreement Term: Ten years, with an option to renew for an additional ten years.
- Two-year Out: Either party may terminate the Agreement on its two-year anniversary.
- Lease Rate: A nominal rate of \$1.00 per year.
- Termination: If the agreement is terminated, management of the Facility and Collections shall revert to the State.
- Other Ironworld and Facility Tenants: IDC shall assume all rights for existing tenant leases.
- Collections: IDC will manage the Collections in accordance with the Ironworld Collections Policy.
- Subsidy: For the first two years of the Agreement, the Agency shall provide an operational subsidy of \$1.576 million.\* For the remaining eight years of the Agreement, the Agency shall provide a subsidy which declines at a rate of 20% annually.
- Endowment: Upon execution of the final Agreement, the Agency will provide a \$10 million endowment (plus accrued interest from February 2, 2006) to IDC. If the Agreement is terminated, the Endowment shall revert to the State.
- Endowment Match: For the first five years of the Agreement, the Agency shall annually provide up to \$250,000 in the form of a "Dollar for Dollar" match to additional endowment funds raised by IDC.

\* Prorated in FY 2007 to \$1.062 million, the unexpended portion of the FY07 Ironworld budget as of October 1, 2006.

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