

Meeting of the Iron Range Resources Board

**Thursday, June 19, 2008
5:00 p.m.
Iron Range Resources
Eveleth, MN**

MEETING OF THE IRON RANGE RESOURCES BOARD
Thursday, June 19, 2008
5:00 p.m.

TABLE OF CONTENTS

AGENDA.....3

APPROVAL OF THE MAY 21, 2008, MINUTES4

FY09 AGENCY INVESTMENT PLAN16

DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND INVESTMENT POLICY17

IRON RANGE HIGHER EDUCATION COMMITTEE APPOINTMENTS19

DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND.....21

MAGNETATION, INC.....22

MEETING OF THE IRON RANGE RESOURCES BOARD
Iron Range Resources
Eveleth, Minnesota
Thursday, June 19, 2008 – 5:00 p.m.

Agenda

- 1) Roll Call
- 2) Approval of the May 21, 2008, Minutes
- 3) Commissioner's Comments
- 4) FY09 Agency Investment Plan
Action required: Approval requires 8 votes
- 5) Douglas J. Johnson Economic Protection Trust Fund Investment Policy
Action required: Project approval requires a majority vote of the quorum present
- 6) Iron Range Higher Education Committee Appointments
Action required: Pursuant to law, four members appointed by the Chair
- 7) Other
 - a) Douglas J. Johnson Economic Protection Trust Fund
Action required: Project approval requires 8 votes
 - i) Magnetation, Inc.
- 8) Adjournment

Approval of the May 21, 2008, Minutes

Meeting of the Iron Range Resources Board

Wednesday, May 21, 2008

5:00 p.m.

**Iron Range Resources Mining & Reclamation Classroom
Chisholm, Minnesota**

I. Roll Call

Representative David Dill, Chair, called the meeting to order at approximately 5:00 p.m. Present: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni, Senator Yvonne Prettner Solon, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan. Also present were: Sandy Layman, Commissioner; Brian Hiti, Deputy Commissioner; Doug Gregor, Assistant Attorney General; Gunnar Johnson, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Roy Smith, Workforce Development Coordinator; Dan Jordan, Mining Program Supervisor; Richard Walsh, Community Development Representative; Jean Dolensek, Chief Financial Officer; Marianne Bouska, Strategic Results Manager; Linda Johnson, Giants Ridge® Golf & Ski Resort Director; Sheryl Kochevar, Communications & Media Coordinator; Lauren Hall, Executive Assistant; Kim Anderson, Executive Assistant; Randy Schroetter, Executive Director, Range Development; Stanley Romanstein, President & CEO, Minnesota Humanities Center; Keith Nelson, St. Louis County Fair Board; Bettie Valley, St. Louis County Fair Board; Jaye Olson, Vice Chair, Ironworld Development Corporation; Steve Harsin, Chief Operating Officer, Ironworld Development Corporation; Darol Del Grande, Director of Buildings and Grounds, Ironworld Development Corporation; Scott Johnson, Mayor, City of Silver Bay; John Tourville, Operations Manager, City of Virginia; Jason Fischer, City Engineer, City of Chisholm; Gail Anderson, Custom Training/Lean Health, Itasca Community College; Bob Bolf, Cleveland-Cliffs Inc

II. Approval of the December 13, 2007, Minutes

Citizen Joe Begich moved approval of the December 13, 2007, minutes. Seconded by Representative Anzelc. Motion carried.

III. Commissioner Comments

Commissioner Sandy Layman provided an overview of the agency's proposals stating that the meeting agenda represents \$10.3 million in grant requests in support of the agency's workforce development program, community infrastructure, a special opportunity from the Minnesota Humanities Center, facility capital requests and the mining company investment tax credit (Taconite Economic Development Fund, M.S. 298.227).

The next meeting of the Iron Range Resources Board is scheduled for Thursday, June 19, 2008, at 5:00 p.m. at the Iron Range Resources offices, south of Eveleth. The focus of the meeting will be review and action on the agency's FY09 budget, of which there is expected to be a public works component.

Commissioner Layman thanked Senator Tom Bakk for his efforts during the legislative session to ensure state laws reflect that the per diems of the citizen board members are paid at the level of house members.

As a point of information and in response to a question posed regarding Excelsior Energy at the December 21, 2007, Board meeting, Commissioner Layman reported that on December 31, 2007, the agency agreed to extend the repayment due date for the April 2002 Convertible Debenture Agreement with Excelsior Energy to December 31, 2008.

IV. Taconite Area Environmental Protection Fund

Information only: Board approved on November 1, 2007

a. Public Works Infrastructure Grant

Project: City of Ely

Grant Amount: \$80,000

The city of Ely project was presented for information only. The Iron Range Resources Board approved \$480,000 for this project at its November 1, 2007, meeting; however, the Commissioner initially recommended and the Governor approved \$400,000 for the project.

The project is comprised of infrastructure and site improvements for the construction of a 48-unit assisted living facility next to the Ely Hospital. The project is expected to create 17 FTE at an average wage of \$11-\$12 per hour, plus benefits. The project has incurred cost overruns, the most significant of which is due to the discovery and removal of the foundation of the former Lincoln School from the site.

The Commissioner is recommending that the Governor approve an additional \$80,000 grant to the City of Ely to help defray the cost of the project overruns.

V. Taconite Area Environmental Protection Fund

Action required: Project approval required 7 votes

a. Workforce Development Grants - Resolution No. 08-015

Motion by Representative Tom Anzels to approve the Workforce Development Grants, including the Northeast Higher Education District's Industrial Technology: Power Generation program for an amount not to exceed \$100,000 and the Itasca Community College's Lean Healthcare program for an amount not to exceed \$50,000 as presented in Resolution No. 08-015. Seconded by Senator Tom Saxhaug. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator Rod Skoe, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan.

Voting Against the Motion: None

Abstain: None

Absent: None

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
WORKFORCE DEVELOPMENT PROJECT APPROVALS**

Resolution No.: 08-015

WHEREAS, the Commissioner is authorized to expend, upon approval of a majority vote of the members of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and,

WHEREAS, the agency’s approved FY 2008 Investment Plan budget includes the allocation of \$500,000 of TEPF Funds for Workforce Development Grants (“**Workforce Development Funds**”);

WHEREAS, the Commissioner has received proposals from the Northeast Higher Education District for the expenditure of portions of such Workforce Development Funds for two local economic development projects as more specifically described below and in the Board packet materials presented to the Board which projects would be undertaken and implemented in the TAA (collectively the “**Proposed Projects**”); and,

WHEREAS, the Board met in open session at 5:00 p.m. on May 21, 2008, at the Mining & Reclamation Building at Ironworld, in Chisholm, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the expenditure of the following amounts of TEPF Workforce Development Funds for the purposes and in the amounts specified below would be in the public interest and promote economic development within the Taconite Assistance Area.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of TEPF Workforce Development Funds to provide grants in the following amounts for the following Proposed Projects, each of which is more fully described in the Board packet materials presented to the Board:

- 1. Northeast Higher Education District
Industrial Technology: Power Generation
Grant Amount: \$100,000**

To design a new, 60 credit power generation program for the colleges of the District, that results in academic certificates in renewable energy sources (biofuels, biomass, wind, solar, etc.) for program graduates and includes customized training modules in traditional power generation and renewable energy programming.

- 2. Itasca Community College
Lean Healthcare
Grant Amount: \$50,000**

To defray the costs of implementation and training in the Lean Healthcare program that Itasca Community College, a member of the Northeast Higher Education District, is developing in collaboration with multiple rural medical facilities in Northeastern Minnesota, to certify trainers who will be able to deliver training at rural healthcare facilities in the region at rates that are affordable to rural hospitals, clinics and long term care facilities.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 21st DAY OF MAY 2008.

Member	Aye	Nay	Abstain	Absent
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe	X			
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	13	0	0	0

Signed: _____
 Representative David Dill, Chair

b. Community Business Infrastructure Grants – Resolution No. 08-016

Motion by Representative Tom Rukavina to approve the Community Business Infrastructure Grants, including a grant to the City of Silver Bay to extend infrastructure to the Mary MacDonald School for an amount not to exceed \$120,000 and a grant to the City of Virginia to extend infrastructure to the city’s northern industrial park to facilitate the relocation and expansion of Idea Drilling for an amount not to exceed \$200,000 as presented in Resolution No. 08-016. Seconded by Senator Tom Bakk. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator Rod Skoe, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan.

Voting Against the Motion: None

Abstain: None

Absent: None

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

COMMUNITY BUSINESS INFRASTRUCTURE PROJECT APPROVALS

Resolution No.: 08-016

WHEREAS, the Commissioner is authorized to expend, upon approval of a majority vote of the members of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and,

WHEREAS, the agency’s approved FY 2008 Investment Plan budget includes the allocation of \$ 1,000,000 of TEPF for Community Business Infrastructure Grants (“**Business Infrastructure Funds**”);

WHEREAS, the Commissioner has received proposals from the City of Silver Bay and the City of Virginia for the expenditure of portions of such Business Infrastructure Funds for two local economic development projects as more specifically described below and in the Board meeting packet materials which would be undertaken and implemented in the TAA (collectively the “**Proposed Projects**”); and,

WHEREAS, the Board met in open session at 5:00 p.m. on May 21, 2008, at the Mining & Reclamation Building at Chisholm, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the expenditure of the following amounts of TEPF Funds for the purposes and in the amounts specified below would be in the public interest and promote economic development within the Taconite Assistance Area; and,

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of TEPF Business Infrastructure Funds to provide grants in the following amounts for the following Proposed Projects:

1. **City of Silver Bay**
Mary MacDonald School
Grant Amount: \$120,000
 To extend water, sewer and roadways to the Mary MacDonald School to facilitate a business expansion project that is expected to retain 26 FTE jobs and create 15-20 FTE jobs.

2. **City of Virginia**
Idea Drilling Facility Project
Grant Amount: \$200,000
 To extend water, sewer, utilities and roadways to the City’s northern industrial park to facilitate the relocation and expansion of Idea Drilling so that an estimated 20 FTE jobs can be retained and an estimated 20 FTE jobs can be created.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of the said funds for the said Proposed Projects is further contingent upon the agency, in its grant contracts, requiring each grantee entity to commit to the payment of prevailing wages in the construction of the funded project and associated development, as indicated in, and to the extent required in, the Board’s Resolution 96-005.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 21st DAY OF MAY 2008.

Member	Aye	Nay	Abstain	Absent
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe	X			
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			

Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	13	0	0	0

Signed: _____
Representative David Dill, Chair

c. Special Projects

**1) City of Nashwauk
Grant Amount: \$200,000**

Motion by Senator Tom Saxhaug to approve the City of Nashwauk project for infrastructure and site improvements for the expanded 42-unit assisted living facility, as presented, and to include the prevailing wage provision as outlined in Resolution 96-005 for an amount not to exceed \$200,000. Seconded by Representative Rukavina. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator Rod Skoe, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan.

Voting Against the Motion: None

Abstain: None

Absent: None

**2) Minnesota Humanities Center
Grant Amount: \$130,000**

Motion by Representative Loren Solberg to approve the Minnesota Humanities Center project for a documentary of the *Building America: Minnesota's Iron Range, U.S. Industrialization and Creation of a World Power* program, as presented, for an amount not to exceed \$130,000. Seconded by Senator Tom Bakk. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator Rod Skoe, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan.

Voting Against the Motion: None

Abstain: None

Absent: None

3) City of Chisholm
Grant Amount: \$400,000

Motion by Representative Tony Sertich to approve the City of Chisholm project for water and sewer infrastructure for the St. Louis County Fairgrounds, as presented, for an amount not to exceed \$400,000. Seconded by Senator David Tomassoni. Motion carried. Senator David Tomassoni made a motion to reconsider the Sertich motion. Motion carried. Representative Sertich restated his original motion, incorporating the prevailing wage provision as outlined in Resolution 96-005 into the motion. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator Rod Skoe, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan.

Voting Against the Motion: None

Abstain: None

Absent: None

d. Agency Capital Requests

1) Ironworld Capital Improvements – Resolution No. 08-017
Grant Amount: \$800,000

Motion by Representative Tom Rukavina to approve the Agency Capital Request for Ironworld Capital Improvements, as presented in Resolution No. 08-017, for an amount not to exceed \$800,000 and to include the prevailing wage provision as outlined in Resolution 96-005. Seconded by Senator David Tomassoni. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator Rod Skoe, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan.

Voting Against the Motion: None

Abstain: None

Absent: None

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
APPROVAL OF GRANT FOR IRONWORLD CAPITAL IMPROVEMENTS**

Resolution No.: 08-017

WHEREAS, the Commissioner is authorized to expend, upon approval of a majority vote of the members of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and,

WHEREAS, the Commissioner has received a request from Ironworld Development Corporation (“**IDC**”) for a grant of TEPF Funds in the amount of \$800,000 to provide money with which IDC can address eight priority capital improvements needed at the State owned facilities at Ironworld, which improvement projects include heating and cooling system improvements, humidification, roof repairs and window replacements as more specifically described in the attached Addendum A (collectively the “**Proposed Capital Improvement Projects**”); and,

WHEREAS, the Board met in open session at 5:00 p.m. on May 21, 2008, at the Mining & Reclamation Building at the Ironworld facility at Chisholm, Minnesota, to consider, among other matters, the Proposed Capital Improvement Projects and has determined that the expenditure of \$800,000 of TEPF Funds for the Projects would be in the public interest and promote economic development within the Taconite Assistance Area; and,

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of \$800,000 of TEPF Funds to provide a grant to IDC to enable IDC to undertake the Proposed Capital Improvement Projects.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 21st DAY OF MAY 2008.

Member	Aye	Nay	Abstain	Absent
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe	X			
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	13	0	0	0

Signed: _____
Representative David Dill, Chair

ADDENDUM A

1. Kitchen and overlook gallery Heating, Ventilation, Air Conditioning (HVAC) units – \$145,000

Kitchen HVAC – There is a single unit providing A/C to the kitchen and dining hall area up to the Hall of

Geology. Without A/C this area becomes unusable during the summer. Cost is for complete unit replacement, crane rental, electrical and line testing.

Overlook gallery HVAC – There are 4 units on the roof of the Overlook gallery; 2 have failed and 2 work only intermittently. Replacement units are \$15,000 each. The additional costs include rental of a crane to remove old units and install the new, plus electrical and line testing.

2. Archives humidifiers – \$20,500

Two units failed years ago and were never repaired. These units ensure humidity control for collections. Cost is \$19,000 for two units, and \$750 per unit for electrical work.

3. Heating plant re-tube (gas and fuel oil boilers) – \$57,500

The gas boiler failed in February 2008. The fuel oil boiler, which is the backup heat source, is the same age, uses the same water and hence is in similar condition. Therefore, the oil unit also must be repaired in order to be available should there be a problem with the primary heat source.

4. Glen trolley truck repair – \$20,000

Previous brake work has caused excessive wear on brakes and trucks, creating a safety hazard. This is a backup to the main trolley and must be repaired in case of equipment failure on the primary.

5. Kitchen and restaurant roof replacement – \$340,000

Leaking due to a failed membrane necessitates complete roof replacement. If a leak should spring over the kitchen or dining hall, the health department would shut the food and beverage operation down until a complete repair is made. This roof is covered with earth so it includes excavation, assessment and replacement.

6. Overlook gallery window replacement – \$217,000

The windows in the gallery have a 20-year life span and are over 30 years old. As a result, more than ¾ of the seals have failed, and create an environmental, as well as safety hazard for the museum. Complete failure of a window could occur at any time and create a need for emergency action and repair, which could result in the closure of the gallery space until repairs were completed.

Representative David Dill, Chair, left the meeting at this time; handing the gavel to Senator David Tomassoni, Vice Chair, to chair the meeting.

2) Giants Ridge® Capital Improvements

Grant Amount: \$1,100,000

Motion by Citizen Shelley Robinson to approve Giants Ridge® Capital Improvements for a snowmaking system upgrade, as presented, for an amount not to exceed \$1,100,000. Seconded by Senator Rod Skoe. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettnner Solon, Senator Rod Skoe, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan.

Voting Against the Motion: None

Abstain: None

Absent: Representative David Dill

VI. Taconite Area Environmental Protection Fund

Nickel/Escalator Funds as referenced in Minnesota Statute 298.2961, Subd. 4, (e)

Action required: Project approval requires 7 votes

Motion by Representative Tom Rukavina to approve the Pike River Road & St. Louis County Maintenance Garage Projects as presented in Resolution No. 08-018. Seconded by Representative Tony Sertich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator Rod Skoe, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan.

Voting Against the Motion: None

Abstain: None

Absent: Representative David Dill

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
PIKE RIVER ROAD AND ST. LOUIS COUNTY MAINTENANCE GARAGE PROJECT APPROVALS**

Resolution No.: 08-018

WHEREAS, Minnesota Statutes 2006, Section 298.28, Subd. 9b, provides that five cents per ton of the taconite production tax revenues available for distribution under Minnesota Statutes Section 298.28 (the “**Nickel Funds**”), shall be paid into the taconite environmental fund for use under Minnesota Statutes Section 298.2961, Subd. 4 (“**Subdivision 4**”); and,

WHEREAS, Minnesota Statutes 2006, Section 298.28, Subd. 10(b), provides that an amount equal to the amount of taconite production taxes generated by the so-called implicit price deflator as therein referenced for taconite production taxes for taxes paid in 2005 (the “**Escalator Funds**”) shall be distributed in calendar year 2005 and in the years thereafter into the grant and loan fund established in Subdivision 4; and,

WHEREAS, Laws of Minnesota for 2008, Chapter 154, Article 8, Section 13 (the “**Act**”), specifies that funds available for distribution in 2008 under the said Subdivision 4 are to be allocated as follows:

- The first \$2,000,000 of the 2008 distribution must be paid to St. Louis County for deposit in the county road and bridge fund to be used for the relocation of St. Louis County Road 715, commonly known as the Pike River Road (“**Pike River Road Project**”); and,
- The remainder of the 2008 distribution must be paid to St. Louis County for a grant to the City of Virginia for connecting sewer and water lines to the St. Louis County maintenance garage on Highway 135, further extending the lines to interconnect with the city of Gilbert’s sewer and water lines (the “**St. Louis County Maintenance Garage Project**”).

WHEREAS, the combined amount of the Nickel Funds and the Escalator Funds available for distribution in 2008 from the grant and loan fund established in Subdivision 4 is \$3,157,554;

WHEREAS, the Act provides that any grant or loan made pursuant to the provisions of Subdivision 4 must be approved by a majority of the members of the Board;

WHEREAS the Board met in open session in Chisholm, Minnesota, on May 21, 2008, to consider, among other matters, whether, and if so in what form, the funds made available by law under the provisions of Subdivision 4 should be allocated for the Pike River Road Project and the St. Louis County Maintenance Garage Project.

NOW, THEREFORE, BE IT RESOLVED THAT the Board hereby approves the distribution of the Nickel Funds and the Escalator Funds made available in 2008 under Minnesota Statutes Section 298.2961, Subdivision 4, as grants to St. Louis County in the amount of \$2,000,000 for the Pike River Road Project and to St. Louis County in the amount of \$1,157,554 for the St. Louis County Maintenance Garage Project, subject to the conditions that the grants are to be:

- Funded and made available to the respective grantees when and as the specified taconite production tax amounts are received and distributed into the Subdivision 4 fund in 2008, and,
- Made by the Commissioner in a form of grant and subject to such grant conditions as are customarily contained in other agency grants of similar amounts and purposes.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 21st DAY OF May 2008.

Member	Aye	Nay	Abstain	Absent
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe	X			
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	12			1

Signed: _____
 Senator David Tomassoni, Vice Chair

VII. Taconite Economic Development Fund (TEDF)

Action required: project approval requires a majority vote of the quorum present

- a. Northshore Mining Company**
- b. Hibbing Taconite Company**

Motion by Senator Tom Bakk to reject the Northshore Mining Company project, as presented in Resolution No. 08-019, and the Hibbing Taconite Company project, as presented in Resolution No. 08-020, and that the funds should be redirected to the Taconite Environmental Protection

Fund as directed by statute; and that money should be redirected before the end of the fiscal year.
Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator Rod Skoe, Senator David Tomassoni, Citizen Joe Begich and Citizen Shelley Robinson.

Voting Against the Motion: Citizen Jack Ryan

Abstain: None

Absent: Representative David Dill

VIII. Adjournment

Meeting adjourned at 6:30 p.m.

FY09 Agency Investment Plan

Action Required: Approval requires 8 votes

See Attachments

Douglas J. Johnson Economic Protection Trust Fund Investment Policy

Action required: Project approval requires a majority vote of the quorum present

Iron Range Resources
Douglas J. Johnson Trust Fund Investment Policy
See Asset Allocation Ranges below for proposed policy changes.

Purpose

This policy sets forth guidelines for the investment and management of the Douglas J. Johnson Economic Protection Fund (“DJJ Trust”) monies.

Overview of DJJ Trust

Fair market value (FMV) of the DJJ Trust at April 30, 2008:

	<u>Approximate FMV</u>	<u>Asset %</u>
Unobligated Cash	\$44,620,000	38%
Stock Fund	36,608,000	32%
Bond Fund	<u>34,960,000</u>	<u>30%</u>
Total	<u>\$116,188,000</u>	<u>100%</u>

Investment Objectives

The DJJ Trust will be managed to achieve the following investment objectives:

Conformance to Minnesota Statute – The DJJ Trust is invested in accordance with M.S. § 298.294.

Preservation of Principal – The primary objective is the preservation of DJJ Trust principal.

Maintenance of Liquidity – The DJJ Trust cash balance will be maintained within the ranges set forth below to assure that sufficient funds are available to meet the ongoing economic development project requirements of Iron Range Resources.

Maximize Return – The DJJ Trust will be managed to provide the highest available return for the level of risk taken.

Investment Decisions

Investment decisions regarding the asset allocation of the DJJ Trust investment portfolio will be based on projected cash needs for economic development projects and financial market conditions. Changes to the asset allocation of the investment portfolio will be made in the first quarter of each calendar year in conjunction with agency budget development.

Responsibilities

The State Board of Investment is responsible for the prudent investment of the DJJ Trust stock and bond fund holdings. Iron Range Resources Administrative Services Director will: 1) monitor investment performance; 2) provide quarterly reports to the Commissioner; and 3) review and make recommendations to the Commissioner regarding the asset allocation of the DJJ Trust.

Asset Allocation Ranges

The asset allocation structure of the DJJ Trust will be maintained within the following ranges:

	<u>Min</u>		<u>Max</u>	
Cash	40%	<u>20%</u>	60%	<u>40%</u>
Stock Fund	15%	<u>30%</u>	35%	<u>50%</u>
Bond Fund	15%	<u>20%</u>	35%	<u>40%</u>

Asset Re-Balancing

The stock and bond fund holdings will be re-balanced on a quarterly basis if necessary to remain within the asset allocation ranges. If practical, securities will be sold and purchased to achieve the appropriate re-balance.

Iron Range Higher Education Committee Appointments

Action Required: Pursuant to law, four members appointed by the Chair

- a) Iron Range Higher Education Committee Membership

No Action Required: For information only

- b) Iron Range Higher Education Account

**IRON RANGE HIGHER EDUCATION COMMITTEE MEMBERSHIP
TAX BILL I**

Sec. 4. Minnesota Statutes 2006, section 298.2214, subdivision 2, is amended to read:

Subd. 2. **Iron Range Higher Education Committee; membership.** The members of the committee shall consist of:

- (1) one member appointed by the governor;
- (2) one member appointed by the president of the University of Minnesota;
- (3) four members of the Iron Range Resources and Rehabilitation Board appointed by the chair;
- (4) the commissioner of Iron Range resources and rehabilitation; and
- (5) the president of the Northeast Higher Education District or its successor.

EFFECTIVE DATE. This section is effective the day following final enactment.

**IRON RANGE HIGHER EDUCATION ACCOUNT
TAX BILL II**

Sec. 9. Minnesota Statutes 2006, section 298.28, subdivision 9d, as added by Laws 2008, chapter 154, article 8, section 9, is amended to read:

Subd. 9d. **Iron Range higher education account.** Five cents per taxable ton must be allocated to the Iron Range Resources and Rehabilitation Board to be deposited in an Iron Range higher education account that is hereby created, to be used for higher education programs conducted at educational institutions in the taconite assistance area defined in section 273.1341. The Iron Range Higher Education committee under section 298.2214 and the Iron Range Resources and Rehabilitation Board must approve all expenditures from the account.

EFFECTIVE DATE. This section is effective for production in 2007, distributions in 2008, and thereafter.

Douglas J. Johnson Economic Protection Trust Fund

Action required: Project approval requires 8 votes

- a) Magnetation, Inc.

Magnetation, Inc.

Direct Loan Program

APPLICANT:

Magnetation, Inc.

PRINCIPAL(S):

Larry Lehtinen, Al Fritz, Rod Hunt, Ed Shaughnessy, Tom Hammerlund, Sr., Gene Bergstrom

BRIEF PROJECT DESCRIPTION:

Magnetation, Inc. (MI), established in 2006, has further developed and refined a proprietary process to recover iron particles from existing natural iron ore and taconite tailings basins. The base technology for this process was initially developed more than twenty years ago by Al Fritz, now a retired mining engineer and a co-founder and investor in the company. The proposed financing will allow MI to acquire and install the required machinery and equipment to establish its first processing circuit on a parcel of property located near Keewatin that is owned by the company and on which is located a natural ore tailings basin.

PROJECT COST: \$5,302,452

PROJECT BREAKDOWN:

Iron Range Resources Direct Loan (up to 5 year term, 3.00%)	\$ 1,000,000
Iron Range Resources Subordinated Loan (5 year term, 20.00%)	\$ 1,000,000
Minnesota Minerals 21 st Century Fund Loan (up to 5 year term, 3.00%)*	\$ 1,000,000
Minnesota Minerals 21 st Century Fund Grant*	\$ 1,000,000
Subordinated Loan Payable on Land Purchase (Shaughnessy)	\$ 242,000
Equity	<u>\$ 1,060,452</u>
Total	\$ 5,302,452

*Administered by the Minnesota Department of Employment and Economic Development.

COLLATERAL:

The Iron Range Resources Direct Loan and Minnesota Minerals 21st Century Fund Loan will share the following collateral:

1. A first priority real estate mortgage on an approximately 150 acre parcel of land and the personal property located thereon (tailings). This parcel contains an estimated 400,000 to 500,000 tons of recoverable iron concentrate.
2. A first priority lien on all equipment, machinery, furniture and other tangible personal property of MI, whether now owned or hereafter acquired, including but not limited to all present and future machinery, equipment, furniture, shop equipment, office and record keeping equipment, parts and tools and supplies.
3. All general intangibles of MI, whether now owned or hereafter acquired, including, but not limited to, applications for patents, patents, copyrights, trademarks, trade secrets, good will, trade names, customers lists, permits and franchises, and the right to use Debtor's name.
4. Assignment of key man life insurance on Larry Lehtinen in the amount or \$2,000,000.
5. An assignment of leases on any lands and easements with adjacent property owners which are now in place or will be acquired to proceed with the project.

A personal guaranty from Larry Lehtinen in the amount of \$375,000 and a personal guaranty from Thomas Hammerlund, Sr. in the amount of \$375,000.

JOBS:

Projections by the company indicate that approximately five (5) full time and 36 seasonal (20 full time equivalents) will be created within 2 years of the start of operations. Hourly wages, including benefits, are projected to be approximately \$38.00 per hour for the seasonal employees.

CONTINGENCIES:

MI must provide evidence that it has secured a Scram Mining Permit from the Minnesota Department of Natural Resources prior to closing.

MI must provide evidence that it has secured State Disposal System and Industrial Stormwater permits from the Minnesota Pollution Control Agency prior to closing.

MI must provide a title opinion or title insurance on the mortgaged property.

MI must provide evidence, prior to the loan closing, that it has a signed contractual commitment with a recognized company to supply them with at least 100,000 dry tons of concentrate.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Approved June 17, 2008.

FUNDING AUTHORIZATION:

Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

PROJECT DESCRIPTION:

Magnetation, Inc. (MI), established in 2006, has further developed and refined a proprietary process to recover iron particles from existing natural iron ore and taconite tailings basins. Tailings, a by-product of the iron mining process, contains particle-sized minerals, including iron particles, that have been discarded for decades in slurry form into impoundment basins by the mining industry. The base technology for this process was initially developed more than twenty years ago by Al Fritz, now a retired mining engineer and a co-founder and investor in the company. The proposed financing will allow MI to acquire and install the required machinery and equipment to establish its first processing circuit on a parcel of property located near Keewatin that is owned by the company and on which is located a natural ore tailings basin.

MANAGEMENT TEAM:

Chairman of the Board and CEO is Larry Lehtinen. He joined MI in early 2008 when he became an investor in the company. Mr. Lehtinen has over 30 years of mining industry experience while holding a variety of engineering and administrative positions with Inland Steel, Cleveland Cliffs, and Steel Dynamics. He also was instrumental in the development of the Mesabi Nugget project where he continues to serve as an independent consultant. He also has patented three mining related processes. Mr. Lehtinen holds a minerals engineering degree from the University of Minnesota and a Masters of Business Administration from the University of Minnesota Duluth. Mr. Lehtinen owns approximately 51% of the outstanding stock of the company.

Al Fritz, the co-founder of MI and the inventor of the Ferrous Wheel magnetic separation process and machinery, serves as President. Mr. Fritz is a retired mining engineer who spent much of his career in natural ore mining and processing.

Other management team members and investors include Rod Hunt, a retired entrepreneur who, among other things, has mined precious metals in Alaska; Ed Shaughnessy, a former maintenance contractor for the mining industry who currently works for Hammerlund Constructors doing similar tasks; Tom Hammerlund, owner of Hammerlund Construction and various other affiliated companies; Eugene Bergstrom, a retired employee of Otis Elevators; and, Greg Andrews, a retired city administrator and CPA who serves as Chief Financial Officer for the company.

MI also is working with various other engineering companies on environmental permitting, plant design and raw material assessment.

MARKET OPPORTUNITY:

For nearly 100 years there has been mining on the Mesabi Iron Range, first to process the rich natural ore and more recently to process the lower grade taconite ore. As part of the mining process, the ore is concentrated and the unwanted materials, or tailings, are taken out of the process and transported in slurry form to very large impoundment basins, where they are stored, and essentially abandoned. There are still weakly magnetic iron particles within the tailings, but the process to recover those units has historically not been economical due to their relatively low market value in comparison to the cost of recovering them. With the rapid increase in iron unit pricing over the past several years, combined with enhanced technology, it now appears that it is economically feasible to begin reclaiming the iron units from the numerous tailings basins in

northeastern Minnesota. Iron ore prices are set annually by the world's three biggest mining companies following negotiations with steel producers. In 2008, the per ton price for iron ore increased approximately 65% over 2007, and is reflective of the increasing worldwide demand for steel. Potential customers for Magnetation's concentrate are both domestic and international. The demand for iron ore concentrate is very strong and if MI can make it, they can sell it.

MI management indicates that within the existing tailings basins on the western Mesabi Range (within 25 miles of Nashwauk) there are nearly 50 million metric tons of marketable iron units. This is a significant reserve that would require several decades to recover.

MI is also proposing to develop wetlands on the processed tailings basins when they have completed the reclamation of the iron units. On the Mesabi Chief #3 basin they propose to develop 100 acres of wetlands, thereby generating additional revenue. Wetland credits are increasingly in demand as some of the larger proposed projects in the region begin their developments.

A short history of the patented magnetic separation process and equipment is listed below:

- The initial patent was filed in 1976 by Al Fritz. Additional patents were filed in 1977 and 1989. These patents expired in February of 2008.
- Fritz, via a company called Itasca Magnetics North, entered into an exclusive licensing agreement with Eriez Magnetics (a large mining industry equipment manufacturer in Pennsylvania) for the manufacture of the Ferrous Wheel™ magnetic separator machines. This exclusive agreement expired earlier this year.
- In 1995, 16 Ferrous Wheel™ separators were installed at a mining operation in Mexico to reclaim 6 million tons of concentrate in a tailings basin. The reclamation process was successfully completed in seven years and the wheels are no longer in service.
- Additional Ferrous Wheel™ separators are currently in service in Brazil.
- In mid 2007, Furin & Shea of Hibbing built a small pilot scale Ferrous Wheel™ for MI which was then installed at the Midland Standard Lab in Nashwauk for further testing of the local tailings and to further refine the magnetic separation process. During this time potential customers observed the various test runs. Based on the results of the test runs, various improvements were made to the separation process, and MI filed a process patent application in April of 2008.

COLLATERAL REVIEW:

Collateral will consist of a first priority lien on the following:

- Keewatin real estate (150 acres of land)
- M&E (wheels, conveyors, pumps, piping, etc.)
- Assignment of Intellectual Property (pending patents)
- Key Man Life Insurance on Larry Lehtinen
- The personal guarantees of Larry Lehtinen and Thomas Hammerlund, Sr. for \$375,000 each.

The above items would be shared pro-rata with DEED on its \$1,000,000 loan from the Minnesota Minerals 21st Century Fund.

PAST IRON RANGE RESOURCES HISTORY:

None.

**MAGNETATION, INC.
TERM SHEET**

This term sheet is meant to broadly define the proposed terms for discussion of a financial package that will allow Magnetation, Inc. to proceed with the development of a mineral processing circuit on property owned by the company near Keewatin. No investment will be made until all parties complete their due diligence, obtain any and all necessary approvals and permits, and enter into a formal loan agreement.

Lender/Investor: Iron Range Resources (“IRR”)

Borrower/Company: Magnetation, Inc. (“MI”)

Amount and Type: \$1,000,000 in Secured Debt (“Secured Loan”)
\$1,000,000 in Subordinated Debt (“Subordinated Loan”)

Project: The project includes the acquisition of approximately 150 acres of land near Keewatin and the establishment of a SCRAM mining operation that will utilize the Magnetation Process™, a patent pending process developed by MI whereby iron units from existing tailings basins can be recovered, concentrated and sold to end users in the steel making industry. The Keewatin property contains a natural ore tailings basin known as Mesabi Chief #3.

SECURED LOAN

Term for the Secured Loan: The Secured Loan will require quarterly interest payments beginning on June 30, 2009 and continuing on each calendar quarter end (September 30, December 31, March 31, June 30) until December 31, 2011 when all accrued interest and unpaid principal will be due (“Due Date”). Fifty percent (50.0%) of royalty payments (as detailed below) paid to Iron Range Resources during the term of the Secured Loan (prior to the due date), will be applied to the principal balance of the Secured Loan owed to Iron Range Resources.

Secured Loan Interest Rate: 3.00% per annum with a Default Rate of Prime plus 2.00%

Collateral for Secured Loan: The Secured Loan will be secured by a shared first priority security interest with the Minnesota Department of Employment and Economic Development (“DEED”) in the following:

1. A real estate mortgage on the 150 acre parcel and the personal property located thereon referred to above as the Keewatin property.

2. All equipment, machinery, furniture and other tangible personal property of MI, whether now owned or hereafter acquired, including but not limited to all present and future machinery, equipment, furniture, shop equipment, office and record keeping equipment, parts and tools and supplies.
3. All general intangibles of MI, whether now owned or hereafter acquired, including, but not limited to, applications for patents, patents, copyrights, trademarks, trade secrets, good will, trade names, customers lists, permits and franchises, and the right to use Debtor's name.
4. Assignment of key man life insurance on Larry Lehtinen in the amount of \$2,000,000.
5. An assignment of leases on any lands and easements with adjacent property owners which are now in place or will be acquired to proceed with the Project.

Personal

Guarantees:

Larry Lehtinen and Tom Hammerlund Sr. will provide personal guarantees of \$375,000 each as additional security for the Secured Loans (\$1,000,000 from Iron Range Resources and \$1,000,000 from the Minnesota Department of Employment and Economic Development).

Royalty:

MI will pay an annual royalty to Iron Range Resources and DEED, in aggregate, an amount equal to \$2.00 per dry ton of concentrate produced using the Magnetation process with no time or dollar limitations.

SUBORDINATED LOAN

Term for the

Subordinated Loan: IRR will loan \$1,000,000 to MI on a subordinated basis. The Subordinated Loan will be due by no later than December 31, 2013. Should MI be sold or acquired prior to December 31, 2013, IRR will receive 1.50 times the original principal of the Subordinated Loan plus all accrued and unpaid interest.

Interest will be payable to IRR on a quarterly basis beginning on June 30, 2009 and on each calendar quarter end (September 30, December 31, March 31 and June 30) thereafter until the Subordinated Loan is paid in full.

Subordinated Loan

Interest Rate:

20.00%

Collateral for the

Subordinated Loan:

The Subordinated Loan will be secured by a position subordinate to the Secured Debt on the assets listed above under Collateral for the Secured Loan.

MAGNETATION, INC.
TERM SHEET

This term sheet is meant to broadly define the proposed terms for discussion of a financial package that will allow Magnetation, Inc. to proceed with the development of a mineral processing circuit on property owned by the company near Keewatin. No investment will be made until all parties complete their due diligence, obtain any and all necessary approvals and permits, and enter into a formal loan and grant agreements.

Lender/Grantor: Minnesota Department of Employment and Economic Development (“DEED”)

Borrower/Company: Magnetation, Inc. (“MI”)

Amount and Type: \$1,000,000 in Secured Debt (“Secured Loan”)
\$1,000,000 in Grant (“Grant”)

Project: The project includes the acquisition of approximately 150 acres of land near Keewatin and the establishment of a SCRAM mining operation that will utilize the Magnetation Process™, a patent pending process developed by MI whereby iron units from existing tailings basins can be recovered, concentrated and sold to end users in the steel making industry. The Keewatin property contains a natural ore tailings basin known as Mesabi Chief #3.

SECURED LOAN

Term for the Secured Loan: The Secured Loan will require quarterly interest payments beginning on June 30, 2009 and continuing on each calendar quarter end (September 30, December 31, March 31, June 30) until December 31, 2011 when all accrued interest and unpaid principal will be due (“Due Date”). Fifty percent (50%) of the royalty payments (as detailed below) due to DEED during the term of the Secured Loan (prior to the due date) will be applied to the principal balance of the Secured Loan owed to DEED.

Secured Loan Interest Rate: 3.00% per annum with a Default Rate of Prime plus 2.00%

Collateral for Secured Loan: The Secured Loan will be secured by a shared first priority security interest with Iron Range Resources (“IRR”) in the following:

1. A real estate mortgage on the 150 acre parcel and the personal property located thereon referred to above as the Keewatin property.

2. All equipment, machinery, furniture and other tangible personal property of MI, whether now owned or hereafter acquired, including but not limited to all present and future machinery, equipment, furniture, shop equipment, office and record keeping equipment, parts and tools and supplies.
3. All general intangibles of MI, whether now owned or hereafter acquired, including, but not limited to, applications for patents, patents, copyrights, trademarks, trade secrets, good will, trade names, customers lists, permits and franchises, and the right to use Debtor's name.
4. Assignment of key man life insurance on Larry Lehtinen in the amount of \$2,000,000.
5. An assignment of leases on any lands and easements with adjacent property owners.

Personal
Guarantees:

Larry Lehtinen and Tom Hamerlund Sr. will provide personal guarantees of \$375,000.00 each as additional collateral for the Secured Loans (\$1,000,000 from DEED and \$1,000,000 from IRR).

Royalty
Assignment:

MI will pay an annual royalty to IRR and DEED, in aggregate, of an amount equal to \$2.00 per dry ton of concentrate produced using the Magnetation process, with no time or dollar limitations.

GRANT

Conditions for the
Grant:

Grant is conditional and repayment is required upon demand if the following conditions are not met by a timeframe to be specified in the grant agreement:

- SRCAM Mining Permit issuance: obtain from DNR for Mesabi Chief Fine Tailing Basin #3
- WQ (SDS) Permit issuance: obtain from PCA for Mesabi Chief Fine Tailing Basin #3
- Magnetation Process reports and analyses by independent third parties: provide to Grantor
- Commencement of operation of demo plant
- Commencement of operation of first production line
- Job creation: 15 FTEs, including trucking (FTEs as to be defined in the grant agreement)
- Commencement of operation of second production line
- Job creation: 20 FTEs, including trucking (FTEs as to be defined in the grant agreement)

- Leases: seek to obtain additional surface properties and associated fine tailings minerals and iron oxide stockpiles located thereon
- Reclamation of mined areas: in accordance with Chapter 6130 of Mineland Reclamation Rules and to maximize amount of wetland creation
- Wetland creation, saleable as wetland mitigation credits, of certain mined areas