

Wednesday, December 14, 2011
10:00 a.m.
Iron Range Resources & Rehabilitation Board
Eveleth, Minnesota

1) Roll Call

Representative Tom Rukavina, Chair, called the meeting to order at approximately 10:01 a.m. Present: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfatrick, Representative Carly Melin, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura and Mr. Jack Ryan. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Doug Gregor, Assistant Attorney General; Steve Peterson, Executive Director of Development; Matt Sjoberg, Director of Development; Dave Hart, Assistant Director Business Development; Richard Walsh, Community Development Representative, Jean Dolensek, Chief Financial Officer; Brian Hiti, Mining Coordinator; Dan Jordan, Mining and Reclamation Supervisor; Sheryl Kochevar, Communications and Marketing Coordinator; Janette Paul, Executive Assistant; Roy Smith, Workforce Development Coordinator; Mike Stiglich, Vice President, Midwest Manufacturing

2) Approval of the October 20, 2011, Minutes

Action required: Approval requires 7 votes

Representative David Dill moved approval of the October 20, 2011, minutes. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: None

3) Douglas J. Johnson Economic Protection Trust Fund

Action required: Approval requires 8 votes

a) Midwest Manufacturing and Mechanical, Inc. – Resolution No. 12-014

Motion by Representative Tom Anzelc to approve the Midwest Manufacturing and Mechanical, Inc. request for financial assistance in the form of a bank participation loan, which will be used to expand its building and purchase additional equipment in an amount not to exceed \$273,800, as presented in Resolution No. 12-014. Seconded by Senator Tom Saxhaug. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura

Voting Against the Motion: Mr. Jack Ryan

Abstain: None

Excused: None

Midwest Manufacturing and Mechanical, Inc.
Bank Participation Loan

APPLICANT:

Midwest Manufacturing and Mechanical, Inc. (“Midwest Manufacturing”), a Minnesota corporation located in Nashwauk.

PRINCIPALS:

Michael Anderson, President, and Michael Stiglich, Vice-President. They are co-owners of the corporation.

BRIEF PROJECT DESCRIPTION:

Midwest Manufacturing began operations in 2009 when Michael Anderson and Michael Stiglich founded the corporation and constructed a manufacturing facility in the Nashwauk industrial park. After a slow start due to the economic recession, the business is operating at capacity with two shifts and employs 37 people full-time.

The proposed financing will allow Midwest Manufacturing to expand its building by 6,000 square feet and purchase some additional equipment. The expansion is necessary to meet the orders for new industrial sizing/classifying roll screens from overseas iron and coal mining operations plus work from L&M Radiator facilities located out-of-state. The expansion will lead to the employment of an additional 17 workers at an average salary of \$15.50 per hour plus benefits.

PROJECT COST: \$547,600

PROJECT BREAKDOWN:

Bank Loan (terms to be negotiated)	\$ 273,800
IRRRB Bank Participation Loan (up to 15 year term, formula rate)	<u>\$ 273,800</u>
Total	\$ 547,600

COLLATERAL:

Building (12,000 square feet) located in Nashwauk industrial park
Equipment (overhead crane and welders)

IRRRB will take a shared first position in all collateral financed through this loan. The loan will be personally guaranteed by both Michael Anderson and Michael Stiglich. Corporate and company guarantees will be obtained from all affiliated businesses.

JOBS:

Midwest Manufacturing currently has 37 non-salaried employees earning between \$13.50 and \$23.80 per hour, with an average blended wage of \$16.80 per hour plus benefits. Completion of the proposed project will result in 17 full-time equivalent new employees with beginning hourly wages ranging from \$14.50 to \$16 per hour, plus benefits.

CONTINGENCIES:

Midwest Manufacturing will secure a financial institution to be the lead lender.

Midwest Manufacturing and its affiliated businesses will agree to provide CPA reviewed balance sheets, income statements and cash flow statements within 120 days of year-end.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

The project was recommended for approval at the December 6, 2011, Technical Advisory Committee meeting.

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:

The IRRRB helped finance the construction of Midwest Manufacturing's facility and some equipment through a participation interest in a bank loan that closed in 2010 (see below).

Midwest Manufacturing's original business plan called for it to market and sell roll screen products and services primarily to coal and iron mines located outside of the Taconite Assistance Area (TAA). However, its first year in business coincided with an economic recession, and Midwest Manufacturing found itself doing some of its fabricating work for mining companies located within the TAA. The company lost \$435,625 in 2009.

When worldwide demand for mined resources rebounded in 2010, Midwest Manufacturing was able to sell roll screens to iron and coal mines in Russia. In addition, L&M Radiator plants located outside of Minnesota began subcontracting work to Midwest Manufacturing. The company has also done work for Magnetation on components for its Rev3 Separator machine, and some work for Keetac. With the exception of Magnetation and Keetac, almost all of Midwest Manufacturing's fabrication work in 2011 has been on behalf of companies located outside of the TAA.

Through August of 2011, Midwest Manufacturing is on pace to exceed \$7.6 million in revenues for the year, an increase of 117% over 2010. The company has experienced rapid growth and is running two shifts five days per week. Midwest Manufacturing is operating at full capacity and must expand its manufacturing facility to continue to grow and capture business opportunities that are now available. This will lead to a more profitable operation along with the addition of 17 new full time employees.

MANAGEMENT TEAM:

Michael Anderson and Michael Stiglich founded Midwest Manufacturing and began operations in 2009. Mr. Anderson has a total of 28 years of experience in mining and fabricating businesses. Mr. Stiglich has 22 years of experience in sales, engineering and fabricating. Mr. Anderson and Mr. Stiglich began working together in 2001 when they co-founded Engineered Equipment Services, Inc. (EES), a consulting, engineering and equipment supply company based in Hibbing. Mr. Anderson and Mr. Stiglich also have equal ownership interests in Midwest Manufacturing and Mechanical, LLC, a holding company which owns the physical production facility. Mr. Anderson is a 100% owner of MARC Resources, Inc. (MARC), which provides plant maintenance consulting services.

MARKET OPPORTUNITY:

Demand from existing foreign mining companies for Midwest Manufacturing's products is high due to both antiquated equipment and implementation of new mining technologies. The relatively weak US dollar makes American manufactured products even more attractive. All roll screens produced in 2011 have been for Russian mines; opportunities for sales growth exist in markets in Europe, South America and Australia.

COLLATERAL REVIEW:

Collateral coverage on the proposed loans to Midwest Manufacturing by the IRRRB is as follows:

- \$273,800 Bank Participation Loan will be secured by a shared first position on all collateral purchased under this proposed project. The collateral will secure a total of up to \$547,600 of debt.
- Mr. Anderson and Mr. Stiglich will each provide a personal guaranty. The personal guaranties may be of marginal value, since both have provided personal guaranties on previous term loans from American Bank. Guaranties will also be provided by all affiliated companies.

PAST IRON RANGE RESOURCES HISTORY:

IRRRB has a \$351,482 interest in a participation loan which was approved by the Board at its November 24, 2008 meeting and originated in 2010 through the American Bank. That loan has a current principal balance of \$315,524.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND
LOAN FOR MIDWEST MANUFACTURING PROJECT**

Resolution No.: 12-014

WHEREAS, the Commissioner is authorized to expend, upon approval of eight members of the Board, the Douglas J. Johnson Economic Protection Trust Fund monies made available under Minnesota Statutes Sections 298.291-298.294 and Minnesota Statute Section 298.28, subdivision 11 (“**DJJ Funds**”), to provide loans and participate with private sources in providing financing for various projects located within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”) which will serve the purposes detailed in Minnesota Statutes Section 298.292, subdivision 1; and

WHEREAS, the agency’s FY 2012 Budget includes provision for the use of certain DJJ Funds for economic development projects under a budget line item category of DJJ Business Development Projects; and

WHEREAS, Midwest Manufacturing and Mechanical, Inc., a Minnesota business corporation (“**Midwest Manufacturing**”), has made application to the Commissioner for financial assistance to enable it, in combination with funds provided from other sources, to expand its business facility and purchase some additional equipment for its metal fabrication and manufacturing operations in Nashwauk, which is located within the TAA (the “**Proposed Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$273,800 of FY 2012 DJJ Business Development Project funds to purchase a participation interest in a bank loan in the amount of \$547,600 which is being made to enable Midwest Manufacturing to finance the costs of the Proposed Project, with said participation interest to be acquired on the terms and subject to the conditions set forth in the Board packet materials and as otherwise discussed at the meeting (the “**Board Packet Materials**”); and

WHEREAS, the technical advisory committee appointed by the Commissioner under the provisions of Minnesota Statutes Section 298.297 to review the terms and conditions of the proposed Project, met on December 6, 2011, and recommended approval of the requested financial assistance for the Proposed Project; and

WHEREAS, the Board met at the agency’s Administration Building near Eveleth on Wednesday, December 14, 2011, at 10:00 a.m. to consider, among other matters, Midwest Manufacturing’s request for financial assistance for the Proposed Project; and

WHEREAS, the Board has determined that it would be in the public interest to approve the expenditure of DJJ Funds for Midwest Manufacturing’s Proposed Project, and that the granting of the requested financial assistance would promote economic development in the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$273,800 of FY 2012 DJJ Business Development Project funds to purchase a participation interest in a bank loan in the amount of \$547,600 which is being made to enable Midwest Manufacturing to finance the costs of the Proposed Project, with such participation interests to be purchased on the terms and subject to the conditions set forth in the Board Packet Materials.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF DECEMBER 2011.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator John Carlson	X			
Senator Paul Gazelka	X			
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan		X		
TOTAL	12	1	0	0

Signed: _____
Tom Rukavina, Chair

4) Taconite Area Environmental Protection Fund

Action required: Approval requires 7 votes

a) Amendment to FY12 Budget – Resolution No. 12-015

Motion by Senator David Tomassoni to amend the agency’s FY12 Budget to add transferred TEDF funds (an action taken by the Board at its October 20, 2011, meeting) and cancelled FY09 grant funds to the Public Works projects line item in the FY12 Budget, as presented in Resolution No. 12-015. Seconded by Representative David Dill. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: None

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FISCAL YEAR 2012 AGENCY BUDGET AMENDMENT APPROVAL**

Resolution No.: 12-015

WHEREAS, the Commissioner, pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11, submitted to the Board for its consideration and approval a proposed FY12 Budget for the funding of operational expenditures, programs and projects of the agency during the State's fiscal year 2012 ("FY12") which covered the period of time from July 1, 2011, through June 30, 2012 (the "**FY12 Budget**"); and

WHEREAS, the Board by its passage on August 18, 2011, of Resolution No. 12-003, and the Governor by his Order dated October 1, 2011, each approved the FY12 Budget; and

WHEREAS, the Board at its October 20, 2011, meeting took actions that resulted in the transfer into the carry-forward balance of the Taconite Area Environmental Protection Fund ("**TEPF**") account of \$4,152,564 of funds that previously had been available for expenditure under the provisions of the Taconite Economic Development Fund (the "**Transferred TEDF Funds**");

WHEREAS, the Commissioner has cancelled two Fiscal Year 2009 public works grants in the collective amount of \$490,000 and that amount has been added to the carry forward balance of the TEPF account (the "**Cancelled FY09 Grant Funds**");

WHEREAS, the Commissioner has requested the Board to approve an amendment of the FY12 Budget to add the amount of the Transferred TEDF Funds and the Cancelled FY09 Funds to the Public Works Projects line item in the FY12 Budget, which action would have the effect of increasing the available balance in the FY12 Budget's Public Works Projects Budget line item from \$3,820,000 to \$8,462,564 (the "**Proposed Budget Amendment**"): and

WHEREAS, the Board met in open session at 10:00 a.m. on December 14, 2011, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the Proposed Budget Amendment and determined that amending the FY12 Budget as proposed would help promote economic development within the Taconite Assistance Area.

NOW, THEREFORE, IT IS HEREBY RESOLVED, that the Board approves amending the FY12 Budget to add the full amount of the Transferred TEDF Funds and the Canceled FY09 Grant Funds to the Public Works Projects line item in the FY12 Budget, thereby increasing the available balance in that FY12 Budget line item to the sum of \$8,462,564.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF DECEMBER 2011.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator John Carlson	X			
Senator Paul Gazelka	X			
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	13	0	0	0

Signed: _____
Tom Rukavina, Chair

b) Public Works Grants – Resolution No. 12-016

Motion by Representative Tom Anzelc to approve public works grant requests in an amount not to exceed \$8,462,564, as presented in Resolution No. 12-016. Seconded by Mr. Joe Begich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: Senator Paul Gazelka

Excused: None

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
PUBLIC WORKS PROJECT APPROVALS**

Resolution No.: 12-016

WHEREAS, the Commissioner is authorized to expend, upon approval of seven members 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 2012 Budget includes the allocation of \$8,462,564 of TEPF Funds for Public Works Projects (“**TEPF Public Works Funds**”); and

WHEREAS, the Commissioner has received proposals for the expenditure of up to \$8,462,564 of such TEPF Public Works Funds for those certain community and economic development projects that are more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Projects**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on December 14, 2011, in the Board Room located near Eveleth, 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 TAA; and

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$8,462,564 of FY12 TEPF Public Works Funds to provide grants for the Proposed Projects in the amounts and for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY 12 TEPF Public Works Funds for those Proposed Projects listed in the attached Exhibit B which have associated private development work is contingent upon the agency, in its grant contracts, requiring each such grantee entity to commit to the payment of prevailing wages for the funded project as indicated in, and to the extent required in, the Board’s Resolution 96-005.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of \$ 8,462,564 of FY12 TEPF Public Works Funds for the Proposed Projects is further contingent upon all such project financing being in place before the agency’s funds are released.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF DECEMBER 2011.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator John Carlson	X			

Senator Paul Gazelka			X	
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	12	0	1	0

Signed: _____

Tom Rukavina, Chair

**EXHIBIT A
PUBLIC WORKS GRANTS FY12**

City of Aitkin

Grant amount: \$125,000

The project is comprised of water, sewer, roads and site work for the expansion of the Norway Lodge refinishing line at Lake States Lumber. The project is expected to create 6 FTE jobs. Lake States Lumber currently employs 61 FTE.

<u>USES</u>		<u>SOURCES</u>	
Building	\$425,000	IRRRB	\$125,000
Infrastructure & site work	125,000	Private	425,000
TOTAL	\$550,000	TOTAL	\$550,000

City of Aurora

Grant amount: \$200,000

The project is comprised of reconditioning of the city's 500,000 gallon elevated water storage tank and renovation of the water plant for a joint water system. Aurora, Biwabik, White Township and possibly Hoyt Lakes are collaborating on a joint water system.

<u>USES</u>		<u>SOURCES</u>	
Water tower repairs	\$270,000	IRRRB	\$200,000
Water plant upgrades	1,500,000	City/bonding & other sources	1,570,000
TOTAL	\$1,770,000	TOTAL	\$1,770,000

City of Babbitt**Grant Amount: \$350,000**

The project is comprised of water, sewer, road and site work for the construction of a 28-bed assisted living facility. Future plans are to build an independent senior living facility adjacent to the assisted living facility. The project is expected to create 26 FTE jobs. The developer owns and operates assisted living facilities in Cook, Ely, and Silver Bay, and several other assisted living facilities in the state. The Cook, Ely and Silver Bay facilities employ more than 80 people.

<u>USES</u>		<u>SOURCES</u>	
Building	\$2,655,090	IRRRB	\$350,000
Infrastructure & site work	410,950	Applicant	150,000
Land	150,000	Private	2,716,040
TOTAL	\$3,216,040	TOTAL	\$3,216,040

City of Biwabik**Grant Amount: \$200,000**

The project is comprised of upgrades and new infrastructure installation between 2nd Avenue and 3rd Avenue leading to the NW Biwabik housing project. The city is working with a developer to build single family homes at the site.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer	\$339,371	IRRRB	\$200,000
Engineering, Contingency	61,704	Applicant	76,075
		St. Louis County CDBG	125,000
TOTAL	\$401,075	TOTAL	\$401,075

Breitung Township**Grant Amount: \$200,000**

The project is comprised of replacement of 62-year-old water and sewer lines along Superior and Gordon streets, and a main street overlay project. Sewer backups are occurring in the area.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, road	\$515,000	IRRRB	\$200,000
Main street overlay	330,000	Applicant	190,000
		St. Louis County CDBG	125,000
		St. Louis County	330,000
TOTAL	\$845,000	TOTAL	\$845,000

City of Buhl**Grant Amount: \$150,000**

The project is comprised of water, sewer, and roads for the north and south business park along Hwy 169. IRRRB funds will be used for the south business park. Several businesses are interested in locating in the south park.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, roads	\$249,200	IRRRB	\$150,000
Engineering	40,800	Applicant	140,000
TOTAL	\$290,000	TOTAL	\$290,000

City of Calumet

Grant Amount: \$100,000

The project is comprised of replacement of water, sewer and utility lines, and the reconstruction of C.S.A.H. #12 between Hwy #169 and 9th Avenue. Eligible expenses are those incurred since October 1, 2011.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, utility	\$124,203	IRRRB	\$100,000
Road reconstruction	1,173,573	Applicant	24,203
		County State Aid	1,173,573
TOTAL	\$1,297,776	TOTAL	\$1,297,776

City of Chisholm

Grant Amount: \$200,000

The project is comprised of repairs, new pumps and controls at the lift station located near Longyear Lake. The lift station serves approximately 80% of the city's population and the extra capacity is needed for a \$20 million joint waste treatment project. The joint system will be shared by Chisholm, Buhl, Kinney and Great Scott Township.

<u>USES</u>		<u>SOURCES</u>	
Lift station, pumps/controls	\$396,000	IRRRB	\$200,000
		Applicant	100,000
Engineering	54,000	St. Louis County CDBG	150,000
TOTAL	\$450,000	TOTAL	\$450,000

Central Iron Range Sanitary District

Grant Amount: \$500,000

The project is comprised of the construction of a new joint waste treatment plant in Chisholm, lift stations, and a sewer line from Buhl to Chisholm. This project is expected to create 5 FTE jobs. The joint system includes Chisholm, Buhl, Kinney and Great Scott Township.

<u>USES</u>		<u>SOURCES</u>	
Waste Treatment plant	\$17,607,000	IRRRB	\$500,000
Lift stations	2,789,000	PFA grants	8,736,133
Sewer line	545,264	Taconite tax relief monies	5,300,000
		PFA loan	6,405,131
TOTAL	\$20,941,264	TOTAL	\$20,941,264

Clinton Township**Grant Amount: \$160,000**

The project is comprised of well, septic and site work related to the expansion of Badger Transport along Hwy #37. The project is expected to create 15 FTE jobs. Additional jobs are anticipated in the near future. Eligible expenses are those incurred since October 1, 2011.

<u>USES</u>		<u>SOURCES</u>	
Building and equipment	\$1,935,500	IRRRB	\$160,000
Well, septic and site work	160,000	Private	1,935,500
TOTAL	\$2,095,500	TOTAL	\$2,095,500

City of Coleraine**Grant Amount: \$126,815**

The project is comprised of reconstruction of Powell Avenue to include water, sewer and road improvements.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, road	\$391,316	IRRRB	\$126,815
Engineering	58,684	City/other sources	323,185
TOTAL	\$450,000	TOTAL	\$450,000

City of Cook**Grant Amount: \$65,000**

The project is comprised of water, sewer, drainage, and roads on First Avenue SW, 3rd Street and 4th Street SE. IRRRB funds will be used on the 4th Street project to correct water drainage problems that are affecting a 34-bed assisted living facility.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, drainage & roads	\$210,440	IRRRB	\$65,000
Engineering	34,560	City	50,000
		St. Louis County CDBG	130,000
TOTAL	\$245,000	TOTAL	\$245,000

Cook Hospital**Grant Amount: \$300,000**

The project is comprised of infrastructure and site work for the addition of space for a new emergency room and remodeling of the existing emergency room for endoscopy procedures. The project is expected to create 6 FTE jobs. The hospital currently employs 130 people.

<u>USES</u>		<u>SOURCES</u>	
Building remodeling and addition	\$3,244,843	IRRRB	\$300,000
Site work	288,671	Hospital/loan	3,439,833
Engineering	256,319		
TOTAL	\$3,789,833	TOTAL	\$3,789,833

City of Effie**Grant Amount: \$20,000**

The project is comprised of site work, storm drainage and other costs associated with the reconstruction of Hwy #1 from Hwy #38 into the City of Effie.

<u>USES</u>		<u>SOURCES</u>	
Hwy reconstruction, site work, storm drainage/other costs	\$1,371,372	IRRRB	\$20,000
		Applicant	4,675
		MN DOT	452,800
		Federal Highway Admin.	893,897
TOTAL	\$1,371,372	TOTAL	\$1,371,372

City of Ely**Grant Amount: \$150,000**

The project is comprised of water and sewer improvements along Patterson Street from 2nd Avenue E. to 4th Avenue E. (Zone D) and from 7th Avenue E. to 6th Avenue E. (Zone C). IRRRB funds will be spent on the Zone C project.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer	\$442,718	IRRRB	\$150,000
Engineering	72,282	City	165,000
		St. Louis County CDBG	200,000
TOTAL	\$515,000	TOTAL	\$515,000

City of Eveleth**Grant Amount: \$250,000**

The project is comprised of water, sewer, and road improvements along Hat Trick Avenue, from Five Seasons Sports Center to the United States Hockey Hall of Fame.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, road	\$493,039	IRRRB	\$250,000
Engineering	142,981	City/other sources	386,020
TOTAL	\$636,020	TOTAL	\$636,020

City of Eveleth

Grant Amount: \$74,059

The project is comprised of street reconstruction and storm sewer replacement along Station 44 Road off of Hwy #37 to serve the Mesabi Trailhead building and other businesses. This is a cooperative project between the cities of Eveleth, Gilbert and Virginia.

<u>USES</u>		<u>SOURCES</u>	
Street reconstruction/storm sewer replacement	\$122,544	IRRRB	\$74,059
Engineering	25,574	City/other sources	74,059
TOTAL	\$148,118	TOTAL	\$148,118

City of Gilbert

Grant Amount: \$308,750

The project is comprised of water, sewer, roads and other costs along Alaska Avenue. The infrastructure in the area is old and there are inflow/infiltration issues.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, roads & other costs	\$595,000	IRRRB	\$308,750
		City/other sources	286,250
TOTAL	\$595,000	TOTAL	\$595,000

City of Grand Rapids

Grant Amount: \$200,000

The project is comprised of replacement of lift station #1 near the Mississippi River. This lift station is 50 years old and replacement is necessary to prevent leakage into the river. The city's waste treatment system also serves Cohasset and LaPrairie.

<u>USES</u>		<u>SOURCES</u>	
Lift station replacement	\$378,500	IRRRB	\$200,000
Engineering	56,800	Applicant	235,300
TOTAL	\$435,300	TOTAL	\$435,300

City of Hibbing

Grant Amount: \$350,000

The project is comprised of water, sewer, roads and site work for a development project. The project is expected to create 26 FTE jobs.

<u>USES</u>		<u>SOURCES</u>	
Development	\$14,204,360	IRRRB	\$350,000
Infrastructure, site work, roads	350,000	Private	14,204,360
TOTAL	\$14,554,360	TOTAL	\$14,554,360

City of Hibbing

Grant Amount: \$300,000

The project is comprised of replacing a 60" sanitary sewer line in the Brooklyn area that runs from 13th Street to 16th Street. The sanitary sewer line serves a large portion of the residential section of the city and the Hwy #169 business district corridor.

<u>USES</u>		<u>SOURCES</u>	
Sanitary sewer line replacement	\$1,188,000	IRRRB	\$300,000
Engineering	98,450	City/other sources	786,450
		St. Louis County CDBG	200,000
TOTAL	\$1,286,450	TOTAL	\$1,286,450

City of Hoyt Lakes

Grant Amount: \$350,000

This project is comprised of water, sewer, road and site work for the Phase 1 construction of two 6-plex market rate apartment complexes, and bringing infrastructure to the edge of Phase 2, which consists of the construction of three 6-plex market rate apartment complexes, for a total of 30 units. The developer is one of the largest housing developers in N.E. MN and the IRRRB has participated in a similar project on the North Shore with the developer.

<u>USES</u>		<u>SOURCES</u>	
Apartment complexes	\$1,200,100	IRRRB	\$350,000
Water, sewer, roads, site work	383,278	Applicant	33,278
		Private	1,200,100
TOTAL	\$1,583,378	TOTAL	\$1,583,378

Kabetogama Township

Grant Amount: \$250,000

This project is comprised of the construction of a shared waste treatment system that will serve eight residences and nine businesses. The project is expected to create 1 FTE job.

<u>USES</u>		<u>SOURCES</u>	
Waste treatment system	\$1,281,940	IRRRB	\$250,000
Engineering	218,060	DEED/PFA Grant	500,000
		DEED/PFA Loan	750,000
TOTAL	\$1,500,000	TOTAL	\$1,500,000

City of Keewatin**Grant Amount: \$300,000**

This project is comprised of the installation of an MPCA approved liner and collection and drainage system for the expansion of General Waste Disposal and Recovery Service. This expansion allows the landfill to accept waste from mining companies and dramatically reduce travel distance for mining companies to dispose of the waste. This project is expected to create 8 FTE jobs.

<u>USES</u>		<u>SOURCES</u>	
Liner & drainage system	\$1,144,500	IRRRB	\$300,000
		Private/DEED	844,500
TOTAL	\$1,144,500	TOTAL	\$1,144,500

Lake County**Grant Amount: \$350,000**

This project is comprised of the extension and upgrade to a rail spur and external electrical service upgrade, allowing for potential expansion at the Louisiana Pacific (L.P.) plant. This project has the potential to increase employment at the plant from 109 to 150 FTE. L.P. purchases 75,000 cords of wood locally each year.

<u>USES</u>		<u>SOURCES</u>	
Building retrofit and equipment	\$9,440,000	IRRRB	\$350,000
Rail spur and electrical	\$700,000	Applicant	60,000
		DEED	350,000
		Private	9,380,000
TOTAL	\$10,140,000	TOTAL	\$10,140,000

City of LaPrairie**Grant Amount: \$180,000**

The project is comprised of Phase 1 Lift station repairs to eventually replace wells and septic systems for 50 residents and 23 businesses close to Hwy #169.

<u>USES</u>		<u>SOURCES</u>	
Lift station repairs	\$333,398	IRRRB	\$180,000
Engineering	45,464	Applicant	198,862
TOTAL	\$378,862	TOTAL	\$378,862

City of Meadowlands**Grant Amount: \$72,940**

The project is comprised of water, sewer, roads and site work for the construction of an additional 10 units of assisted living adjacent to the current assisted living complex. The project is expected to create 15 FTE jobs.

<u>USES</u>		<u>SOURCES</u>	
Assisted Living building	\$1,129,000	IRRRB	\$72,940
Water, sewer, road and site work	72,940	Private	1,129,000
TOTAL	\$1,201,940	TOTAL	\$1,201,940

City of Mountain Iron

Grant Amount: \$250,000

This project is comprised of connecting a water line to a Virginia water line near County Road #7 before reconstruction of the road in 2013. Connecting the water line will add capacity and fire protection for both cities.

<u>USES</u>		<u>SOURCES</u>	
Water line	\$550,000	IRRRB	\$250,000
		Applicant/other sources	300,000
TOTAL	\$550,000	TOTAL	\$550,000

City of Mountain Iron

Grant Amount: \$250,000

This project is comprised of installing water and sewer lines along the new proposed County Road #102. The new road and infrastructure will connect to the northern edge of the Rock Ridge business park. Relocation of County Road #102 is scheduled for 2013 to accommodate an expansion of United States Steel's Minntac Mine.

<u>USES</u>		<u>SOURCES</u>	
Water and sewer	\$1,100,000	IRRRB	\$250,000
		Applicant/Minntac	850,000
TOTAL	\$1,100,000	TOTAL	\$1,100,000

City of Nashwauk

Grant Amount: \$200,000

The project is comprised of water, sewer, road and site work for an expansion of Motter Equipment Incorporated in the city's business park. The project is expected to create 10 FTE.

<u>USES</u>		<u>SOURCES</u>	
Building and equipment	\$2,870,917	IRRRB	\$200,000
Water, sewer, road and site work	279,870	DEED	79,870
		Private	2,870,917
TOTAL	\$3,150,787	TOTAL	\$3,150,787

City of Palisade**Grant Amount: \$280,000**

The project is comprised of water, sewer and road extensions to Palisade Manufacturing Company and the Palisade business park. The business park is 21 acres. The project will lead to future employment growth. The company currently employs 15 people.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer and road	415,000	IRRRB	\$280,000
		Applicant/Aitkin Cty	15,000
		DEED Grant	127,500
TOTAL	\$415,000	TOTAL	\$415,000

Range Mental Health**Grant Amount: \$150,000**

The project is comprised of site work and construction costs for an expansion of Range Mental Health (RMHC) Hope House near Bailey Lake. The project is expected to create 1 FTE job. RMHC currently employs 242 people and provides services to over 7,000 people per year.

<u>USES</u>		<u>SOURCES</u>	
Building and site work	361,219	IRRRB	\$150,000
		Applicant	15,000
		St. Louis County CDBG	100,500
TOTAL	\$361,219	TOTAL	\$361,219

City of Taconite**Grant Amount: \$100,000**

The project is comprised of replacing a sanitary sewer line and man holes in a number of areas in the city. The city is currently under MPCA mandate to eliminate inflow/infiltration problems within the city.

<u>USES</u>		<u>SOURCES</u>	
Sanitary sewer and manholes	\$205,130	IRRRB	\$100,000
		Applicant	105,130
TOTAL	\$205,130	TOTAL	\$205,130

City of Tower**Grant Amount: \$250,000**

The project is comprised of a small portion of Phase 2 – the dredging of three small areas along the East Two River and dredging of the marina area for 14 docks for boats, a larger dock, and a boardwalk area. Phase 2 is expected to cost \$8 million dollars. Upon completion of the project, it is anticipated there will be \$40 million in development in the marina area.

<u>USES</u>		<u>SOURCES</u>	
Dredging, dock and boardwalk	\$749,500	IRRRB	\$250,000
Engineering	58,500	Applicant	58,000
		St. Louis County	100,000
		DEED	400,000
TOTAL	\$808,000	TOTAL	\$808,000

City of Two Harbors

Grant Amount: \$150,000

The project is comprised of water, sewer and site work for 34 new camping sites and construction of a shower and commons area building in the Burlington Bay campground. There are currently 102 campsites.

<u>USES</u>		<u>SOURCES</u>	
Building	\$425,000	IRRRB	\$150,000
Water, sewer and site work	1,160,580	Applicant	185,580
		State Bonding	1,250,000
TOTAL	\$1,585,580	TOTAL	\$1,585,580

City of Virginia

Grant Amount: \$250,000

The project is comprised of soil correction and electrical substation work for the P&H MinePro site. P&H currently employs 124 people. Eligible expenses are those incurred since September 15, 2011.

<u>USES</u>		<u>SOURCES</u>	
Soil corrections	\$1,400,000	IRRRB	\$250,000
Electrical substation	750,000	Applicant/DEED	1,000,000
		Federal EDA	400,000
		P&H MinePro	500,000
TOTAL	\$2,150,000	TOTAL	\$2,150,000

City of Virginia

Grant Amount: \$150,000

The project is comprised of water, sewer and site work for an expansion of Sundell Eye Associates near Bailey Lake. The project is expected to create 12 FTE jobs.

<u>USES</u>		<u>SOURCES</u>	
Building & equipment	\$1,751,168	IRRRB	\$150,000
Water, sewer and site work	148,832	Private	1,750,000
TOTAL	\$1,900,000	TOTAL	\$1,900,000

Virginia Regional Medical Center**Grant Amount: \$250,000**

The project is comprised of upgrades of two public elevators as required by Minnesota elevator standards and laws. VRMC is under a state mandate to upgrade the elevators. VRMC currently employs 485 people.

<u>USES</u>		<u>SOURCES</u>	
Elevators upgrades	\$600,000	IRRRB	\$250,000
		Applicant	350,000
TOTAL	\$600,000	TOTAL	\$600,000

City of Warba**Grant Amount: \$150,000**

The project is comprised of replacing approximately 1,900 feet of sanitary sewer. The existing pipe is 50 years old and there is significant inflow/ infiltration (I&I) into the system. The MPCA has mandated that the city reduce I&I.

<u>USES</u>		<u>SOURCES</u>	
Sanitary sewer	\$320,900	IRRRB	\$150,000
Engineering	44,100	City/DEED	215,000
TOTAL	\$365,000	TOTAL	\$365,000

White Township**Grant Amount: \$200,000**

The project is comprised of relocating a water main, a new lift station and replacing septic systems with sanitary sewer lines. This is Phase 1 of 4 phases.

<u>USES</u>		<u>SOURCES</u>	
Water main, lift station, sanitary sewer	\$262,142	IRRRB	\$200,000
Engineering	42,858	Township	105,000
TOTAL	\$305,000	TOTAL	\$305,000

TOTAL FY12 GRANT AMOUNT	\$8,462,564
TOTAL PROJECT COST	\$85,327,504
LEVERAGE	9.08to 1
CONSTRUCTION FTE JOBS	515
PERMANENT JOBS	171

ORIGINAL PUBLIC WORKS BUDGET	\$4,000,000
LESS: BABBITT ZUPS WATERLINE	(\$180,000)
SUBTOTAL	\$3,820,000
ADDITIONAL TEDF FUNDS	\$4,152,564
CANCELED GRANTS	\$490,000
TOTAL	\$8,462,564

EXHIBIT B
GRANT PROJECTS WITH ASSOCIATED PRIVATE DEVELOPMENT

GRANTEE	GRANT AMOUNT
City of Aitkin	\$125,000
City of Babbitt	\$350,000
Central Iron Range Sanitary District	\$500,000
Clinton Township	\$160,000
Cook Hospital	\$300,000
City of Hibbing	\$350,000
City of Hoyt Lakes	\$350,000
City of Keewatin	\$300,000
Lake County	\$350,000
City of Meadowlands	\$72,940
City of Nashwauk	\$200,000
Range Mental Health	\$150,000
City of Virginia	\$150,000
Virginia Regional Medical Center	\$250,000

5) Taconite Economic Development Fund (TEDF) – Production 2010, Pay 2011
Action required: Approval requires 7 votes

a) ArcelorMittal Minorca – Resolution No. 12-017

Motion by Senator David Tomassoni to approve the expenditure of TEDF funds for the ArcelorMittal Minorca project, in an amount not to exceed \$456,979, as presented in Resolution No. 12-017. Seconded by Representative Carly Melin. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfattrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Mr. Joe Begich

ArcelorMittal Minorca



IRRRB
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 and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: December 14, 2011

**Re: ARCELORMITTAL MINORCA TACONITE ECONOMIC DEVELOPMENT
FUND PROJECT (PAY 2011, PRODUCTION 2010) – \$456,979**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

ArcelorMittal Minorca is eligible for a pay 2011, based on 2010 production, Taconite Economic Development Fund rebate of \$456,979, based upon 15.4 cents per ton.

The ArcelorMittal Minorca TEDF Review Committee completed its review on November 29, 2011, and unanimously approved submitting the following project.

Project 1 – Refurbish Compressed Air System

\$1,200,000

ArcelorMittal Minorca has proposed a project to completely revise their compressed air system to provide better compressed air quality in terms of pressure, volume, and moisture content. Their current system relies on one single, high pressure rotary screw compressor and two backup reciprocating compressors supplemented by portable air compressors for emergencies. The current system has been in place since 1993 and utilizes portions of the original compressed air system installed when Minorca was constructed in 1976. This project will improve reliability and reduce energy consumption while mitigating total plant shutdown risk from lack of air and the impact of poor quality air on the end users.

The project will include constructing a new building adjoining the existing compressed air equipment in the southwest corner of the pellet plant. The new building with separate motor control center will be designed to house an array of smaller compressors matched to the two primary users of air; the vacuum disc filters (low pressure, high volume) and the house air system (high pressure, lower volume). The current building design will be 3 compressors for the low pressure, snap blow system and 3 compressors for the high pressure, house air system. Each system will have two operating compressors and one standby. Each system will use variable speed drives for the operating compressors to control and match output to only what is needed, which will deliver the proposed energy savings. The standby compressors and the design of the building will insure reliability and improve maintenance access. The associated drying equipment will reduce entrained moisture to insignificant levels eliminating that as a cause of frustration to downstream users.

Estimated Project Total Cost: \$1,200,000

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND EXPENDITURE APPROVAL:
ARCELORMITTAL MINORCA COMPANY – PAY 2011 TEDF FUNDS**

Resolution No.: 12-017

WHEREAS, certain taconite production tax funds (“**TEDF Funds**”) are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a to provide grants to taconite producers who provide certain required matching expenditures for projects that involve workforce development and associated public facility improvement, or the acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology (“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**TEDF Statute**”) and for the benefit of the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

WHEREAS, iron ore producer ArcelorMittal Minorca Company (“**Applicant Producer**”) is eligible to receive up to \$777,476 of TEDF Funds for Eligible Purposes based upon its 2010 pellet production (“**Pay 2011 TEDF Funds**”), which amount was calculated as provided in the

table contained in the Board packet materials that accompanied the various proposed TEDF projects and consists of two portions, a portion that is equivalent to that amount of production tax that is equivalent to 14.7 cents per taxable ton of production (the “**14.7 c.p.t. Portion**”) and a portion that is equivalent to that amount of production tax that is equivalent to 15.4 cents per taxable ton of production (the “**15.4 c.p.t. Portion**”); and,

WHEREAS, Applicant Producer made application to the Commissioner to receive the 15.4 c.p.t. portion of the Pay 2011 TEDF Funds for the project described in the attached Addendum A, which the Commissioner has determined is for an Eligible Purpose (the “**Proposed Project**”); and,

WHEREAS, the TEDF Committee of the Applicant Producer on November 29, 2011, indicated to the Commissioner that it has approved the Proposed Project identified in Addendum A; and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the TEDF Funds, (b) the Board has had an opportunity to review the Proposed Project, and (c) at least seven Board members have approved the expenditure of TEDF funds for the Proposed Project; and,

WHEREAS, the Legislature in 2007 and 2009 amended the TEDF Statute to authorize the Board to deny funding for a TEDF project and act instead to authorize the expenditure of such TEDF Funds under the provisions of the Taconite Environmental Protection Fund Act; Minnesota Statutes section 298.222 to 298.224 (“**TEPF Statute**”); and,

WHEREAS, the Board met in open session at 10:00 a.m. on December 14, 2011, at the Eveleth Administrative Building to consider the Proposed Project and the Applicant Producer’s request to receive Pay 2011 TEDF Funds for such project, and,

WHEREAS, the Board has determined that the 14.7 c.p.t. portion of the Pay 2011 TEDF Funds potentially available to the Applicant Producer would better serve the interests of the public and the citizens of the TAA if they were expended under the provisions of and for the purposes in the TEPF Statute.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of the 15.4 c.p.t. Portion of the Pay 2011 TEDF Funds available to the Applicant Producer, in the amount of \$456,979, for the purpose of paying a portion of the Applicant Producer’s costs associated with the Proposed Project, subject to the understanding that the 14.7 c.p.t. Portion of the Pay 2011 TEDF Funds, in the amount of \$320,497, which were available to the Applicant Producer but whose expenditure is hereby denied by the Board, will become available for expenditure under the TEPF Statute.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF DECEMBER 2011.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator John Carlson	X			
Senator Paul Gazelka	X			
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich				X
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	12	0	0	1

Signed: _____
Tom Rukavina, Chair

Addendum A

ARCELORMITTAL MINORCA COMPANY'S PROPOSED PROJECT DESCRIPTION

PROJECT 1 – REFURBISH COMPRESSED AIR SYSTEM \$1,200,000

ArcelorMittal Minorca has proposed a project to completely revise its compressed air system to provide better compressed air quality in terms of pressure, volume, and moisture content. The company's current system relies on one single, high pressure rotary screw compressor and two backup reciprocating compressors supplemented by portable air compressors for emergencies. The current system has been in place since 1993 and utilizes portions of the original compressed air system installed when Minorca was constructed in 1976. This project will improve reliability and reduce energy consumption while mitigating total plant shutdown risk from lack of air and the impact of poor quality air on the end users.

The project will include constructing a new building adjoining the existing compressed air equipment in the southwest corner of the pellet plant. The new building with separate motor control center will be designed to house an array of smaller compressors matched to the two primary users of air; the vacuum disc filters (low pressure, high volume) and the house air system (high pressure, lower volume). The current building design will be 3 compressors for the low pressure, snap blow system and 3 compressors for the high pressure, house air system. Each system will have two operating compressors and one standby. Each system will use variable speed drives for the operating compressors to control and match output to only what is needed, which will deliver the proposed energy savings. The standby compressors and the design of the building will insure reliability and improve maintenance access. The associated drying

equipment will reduce entrained moisture to insignificant levels eliminating that as a cause of frustration to downstream users.

Estimated Project Total Cost: \$1,200,000

b) Magnetation, Inc. – Resolution No. 12-018

Motion by Senator Tom Saxhaug to approve the expenditure of TEDF funds for the Magnetation, Inc. project, in an amount not to exceed \$11,700, as presented in Resolution No. 12-018. Seconded by Senator John Carlson. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Mr. Joe Begich

Magnetation, Inc.



IRRRB
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 and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: December 14, 2011

**Re: MAGNETATION, INC. TACONITE ECONOMIC DEVELOPMENT FUND
PROJECT (PAY 2011, PRODUCTION 2010) – \$11,700**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in*

Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton. These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

Magnetation, Inc. is eligible for a pay 2011, based on 2010 production, Taconite Economic Development Fund rebate of \$11,700, based upon 15.4 cents per ton.

The Magnetation, Inc. TEDF Review Committee completed its review on December 2, 2011, and unanimously approved submitting the following project.

Project 1 – Ball Mill Project

\$2,500,000

Magnetation, Inc. has located a used ball mill that they can purchase. They will refurbish it and install it at their Keewatin processing facility. This ball mill will increase the efficiency and capacity of their Keewatin plant.

Estimated Project Total Cost: \$2,500,000

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND EXPENDITURE APPROVAL:
MAGNETATION, INC. – PAY 2011 TEDF FUNDS**

Resolution No.: 12-018

WHEREAS, certain taconite production tax funds (“**TEDF Funds**”) are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a to provide grants to taconite producers who provide certain required matching expenditures for projects that involve workforce development and associated public facility improvement, or the acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology (“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**TEDF Statute**”) and for the benefit of the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

WHEREAS, iron ore producer Magnetation, Inc. (“**Applicant Producer**”) is eligible to receive up to \$12,980 of TEDF Funds for Eligible Purposes based upon its 2010 iron ore production (“**Pay 2011 TEDF Funds**”), which amount was calculated as provided in the table contained in

the Board packet materials that accompanied the various proposed TEDF projects and consists of two portions, a portion that is equivalent to that amount of production tax that is equivalent to 14.7 cents per taxable ton of production (the “**14.7 c.p.t. Portion**”) and a portion that is equivalent to that amount of production tax that is equivalent to 15.4 cents per taxable ton of production (the “**15.4 c.p.t. Portion**”); and,

WHEREAS, Applicant Producer made application to the Commissioner to receive Pay 2011 TEDF Funds for the project described in the attached Addendum A, which the Commissioner has determined is for an Eligible Purpose (the “**Proposed Project**”); and,

WHEREAS, the TEDF Committee of the Applicant Producer on December 2, 2011, indicated to the Commissioner that it has approved the Proposed Project identified in Addendum A; and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the TEDF Funds, (b) the Board has had an opportunity to review the Proposed Project, and (c) at least seven Board members have approved the expenditure of TEDF funds for the Proposed Project; and,

WHEREAS, the Legislature in 2007 and 2009 amended the TEDF Statute to authorize the Board to deny funding for a TEDF project and act instead to authorize the expenditure of such TEDF Funds under the provisions of the Taconite Environmental Protection Fund Act; Minnesota Statutes section 298.222 to 298.224 (“**TEPF Statute**”); and,

WHEREAS, the Board met in open session at 10:00 a.m. on December 14, 2011, at the Eveleth Administrative Building to consider the Proposed Project and the Applicant Producer’s request to receive Pay 2011 TEDF Funds for such project, and,

WHEREAS, the Board has determined that the 14.7 c.p.t. Portion of the Pay 2011 TEDF Funds potentially available to the Applicant Producer would better serve the interests of the public and the citizens of the TAA if they were expended under the provisions of and for the purposes in the TEPF Statute.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of the 15.4 c.p.t. Portion of the Pay 2011 TEDF Funds available to the Applicant Producer, in the amount of \$11,700, for the purpose of paying a portion of the Applicant Producer’s costs associated with the Proposed Project, subject to the understanding that the 14.7 c.p.t. Portion of the Pay 2011 TEDF Funds, in the amount of \$1,280, which were available to the Applicant Producer but whose expenditure is hereby denied by the Board, will become available for expenditure under the TEPF Statute.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF DECEMBER 2011.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator John Carlson	X			
Senator Paul Gazelka	X			
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich				X
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	12	0	0	1

Signed: _____
Tom Rukavina, Chair

Addendum A
MAGNETATION, INC. PROPOSED PROJECT DESCRIPTION

PROJECT 1 – BALL MILL PROJECT \$2,500,000

Magnetation, Inc. has located a used ball mill that it can purchase. The company will refurbish it and install it at the company’s Keewatin processing facility. This ball mill will increase the efficiency and capacity of the Keewatin plant.

Estimated Project Total Cost: \$2,500,000

6) Iron Range Higher Education Account – Resolution No. 12-019

Motion by Senator Tom Bakk to clarify the authority of both the Commissioner and the Northeast Higher Education District to expend portions of the \$620,000 of Iron Range Higher Education Account funds approved by the Board at its June 16, 2011, meeting for the NHED project, as presented in Resolution No. 12-019. Seconded by Representative Carly Melin. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Mr. Joe Begich

**Iron Range Higher Education Account – Technical Correction to
Resolution No. 11-039**



IRRRB
P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218) 735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: December 9, 2011

**Re: IRON RANGE HIGHER EDUCATION ACCOUNT – TECHNICAL
CORRECTION TO RESOLUTION NO. 11-039**

At its June 16, 2011, meeting, the Iron Range Resources and Rehabilitation Board (IRRRB) approved Resolution No. 11-039, which provided for Iron Range Higher Education Account expenditure.

A new resolution will be presented at the December 14th IRRRB meeting that offers a technical correction. The first resolution authorized the Northeast Higher Education District (NHED) to appropriate funds and inadvertently excluded the IRRRB from expending these same funds as in previous year's resolutions. This technical change clarifies the first resolution.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
IRON RANGE HIGHER EDUCATION ACCOUNT EXPENDITURE APPROVAL**

Resolution No.: 12-019

WHEREAS, Minnesota Statutes Section 298.28, subd. 9d allocates 5 cents per taxable ton of taconite taxes to the agency to be deposited in an Iron Range higher education account (“**Higher Education Account**”) to be used for higher education programs conducted at educational

institutions in the Taconite Assistance Area designated in Minnesota Statutes Section 297.1341 (“TAA”); and

WHEREAS, Minnesota Statutes Section 298.2214 created the Iron Range Higher Education Committee (“**Committee**”) to advise the commissioner of Iron Range Resources on providing higher education programs within the TAA; and

WHEREAS, pursuant to 298.28, subd. 9d, both the Iron Range Resources and Rehabilitation Board (“**Board**” by a vote of at least seven members) and the Committee must approve all expenditures from the Higher Education Account; and

WHEREAS, the Board at its June 16, 2011, meeting in its Resolution 11-039 approved the expenditure of up to \$620,000 of the Higher Education Account funds to provide a grant to NHED for the continued development of the Arrowhead Institute of Technology, and higher education programs in Industrial Systems Technology, Process Automation Systems, Chemical Technology, Executive Office Management and Industrial Construction (the “**NHED Project**”); and

WHEREAS, implementation of the NHED Project is anticipated to involve expenditures both by NHED and by the Commissioner and the Board’s approval needs to be clarified to enable each entity, in partnership with the other, to expend portions of the \$620,000 grant to implement the NHED Project

WHEREAS, the Board met in open session starting at 10:00 a.m. on December 14, 2011, in the Board Room at the Joe Begich Building located near Eveleth, Minnesota to consider the Committee’s request to clarify the authority of both the Commissioner and NHED to expend portions of the \$620,000 for the NHED Project.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves making the \$620,000 of the Higher Education Account Funds for the NHED Project available to both the Commissioner and NHED, working in partnership, to implement the NHED Project.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF DECEMBER 2011.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator John Carlson	X			
Senator Paul Gazelka	X			
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfrick	X			

Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich				X
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	12	0	0	1

Signed: _____
Tom Rukavina, Chair

7) Other

a) Commissioner's Program Expenditure Authorization

Motion by Senator John Carlson to approve the expenditure of the remaining \$250,000 of project funds budgeted for the FY12 Commissioner Program (expenditure for the first \$250,000 portion of FY12 Commissioner Program project funds was approved by the Board at its August 18, 2011 meeting). Seconded by Mr. Jack Ryan. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Mr. Joe Begich

8) Adjournment

The meeting adjourned at 11:05 a.m.